ASSESSMENT REPORT OPHIR PROPERTY – YUKON TERRITORY, CANADA 63°34'14" N, 139°02'04" W, Dawson Mining District

> Prepared for: EUREKA RESOURCES INC.

> > Prepared by:



ASSESSMENT REPORT, 2017 AIRBORNE SURVEY OPHIR PROPERTY – YUKON TERRITORY, CANADA OPHIR 1-24, YE32701 – YE32724; OPHIR 25-32, YE32635 – YE32642; OPHIR 33-38, YE32601 - YE32632; OPHIR 65-92, YE32648 – YE32675; OPHIR 93-98, YE32786 - YE32791; OPHIR 99-130; YE32754 – YE32785

> Dawson Mining District, Yukon Territory, Canada NTS: 115010, 115011

> > 63°34′14″ N, 139°02′04″ W UTM (NAD 83): 597605, 7050660, Zone 7

> > > Work Done from May 6-17, 2017

Effective Date, Nov 30, 2017

Prepared for: EUREKA RESOURCES INC. Suite 1100 - 1111 Melville Street Vancouver, BC. V6E 3V6

Prepared by: AURORA GEOSCIENCES LTD 34A Laberge Rd. Whitehorse, Yukon Y1A 5T6

Author: Carl Schulze, B.Sc., P.Geo., (QP)

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1. EXECUTIVE SUMMARY

In May of 2017, Eureka Resources Inc. conducted an "Airborne Inductively Induced Polarization" (AIIP) survey combined with an airborne magnetic survey across the Ophir property. The survey, conducted by Geotech Ltd. and supervised by Aurora Geosciences Ltd. of Whitehorse, Yukon, was designed to evaluate shallow conductive features and the aeromagnetic signature of the property.

In December of 2016, Eureka entered into an agreement to acquire a 100% interest in the propertiy from two vendors, Panarc Resources Ltd. and Heli Dynamics Ltd. The Ophir property consists of 130 Yukon quartz mining claims covering 2,730 hectares, centered 58 kilometres south-southeast of Dawson City, Yukon and directly west of the seasonally accessible Black Hills Creek road.

The property is located within the Yukon-Tanana Terrane (YTT), a major accreted terrane comprised of variably metamorphosed, highly deformed intrusive, volcanic and sedimentary rocks mainly Neoproterozoic to late Paleozoic in age, but also including significant Mesozoic- aged assemblages. The regional stratigraphy, including that of the local area, trends NNW – SSE. The property itself is underlain mainly by an aerially extensive assemblage of Proterozoic to Devonian-aged Nasina Series, "Snowcap Assemblage" metaclastic rocks comprised largely of quartzite, psammite and pelites. Southwestern areas are underlain by Mississippian-aged Simpson Assemblage metagranites and granodiorites, and the northwest corner is underlain by Finlayson Assemblage mafic volcanic an volcaniclastic rocks. The property is located within "Beringia", an area covering west-central Yukon and most of central Alaska and was not affected by Pleistocene glaciation.

The deposit setting is that of "Orogenic Gold", characterized by sizable auriferous quartz veins, potentially up to 1.0 km in length and multiple metres in width. In an orogenic setting there is no evidence of intrusive activity, such as hornfels aureoles or contact metamorphic minerals; hence "intrusion-related" mineralization is absent. Rather, the structural conduits are district-scale "crustal" faults that allow for hydrothermal fluid movement from a typically deep-seated source. Hard-rock gold mineralization in the Klondike area is considered to be of orogenic origin.

Three main sets of geophysical plots were provided by Geotech Ltd: "Early-Time Gate" and "Mid-Time Gate" plots of the electromagnetic response, and Total Magnetic Intensity (TMI) plots of the magnetic response. The Early and Mid-Time Gate plots reveal a strongly conductive feature in the south-central property area. This is coincident with a "doughnut" feature from TMI surveying, consisting of a relatively subdued magnetic response flanked by magnetic "high" responses, suggesting a buried intrusion with surrounding hornfels aureoles. Other significant features include a NE-SW trending lineation visible in the Early Time-Gate plot, as well as the orientation of Eureka Creek, and broad NNW-SSE trending features suggesting lithological variation conforms to regional stratigraphic orientation. Also, TMI imaging reveals Eureka Creek and a north-flowing tributary are coincident with pronounced magnetic "low" signatures, indicating the stream courses follow structural lineaments.

Recommendations for further work include property-wide ridge-and-spur and contour soil geochemical sampling, systematic silt sampling along significant drainages, detailed geological mapping and rock sampling. Soil sampling may include traverse lines oriented NW – SE, to test the magnetic lineation in the south-central area. A 13-day program, including mobilization and de-mobilization is estimated to cost \$87,155.

2. INTRODUCTION

From May 6 to May 17, 2017, Eureka Resources Inc. (Eureka) conducted an "Airborne Inductively Induced Polarization" (AIIP) survey combined with an airborne magnetic survey across the Ophir property, one of five surveys conducted on a suite of five properties held by Eureka. The Ophir property is centered 58 km SSE of Dawson City, Yukon, and is located towards the southern limit of the Klondike placer mining district extending southeast of Dawson City. Aurora Geosciences Ltd. of Whitehorse, Yukon, was retained as primary contractor who retained Geotech Ltd. from Aurora, Ontario, Canada to conduct the airborne survey.

2.1 TERMS OF REFERENCE

The author has been requested to write this report using the following terms of reference:

a) To review and compile all available data obtained by Eureka during its 2017 airborne geophysical surveying program,

b) To provide an Assessment Report to be filed with the Dawson Mining Recorder, Ministry of Energy, Mines and Resources, Government of Yukon.

2.2 TERMS, DEFINITIONS AND UNITS

All costs contained in this report are in Canadian dollars (CDN\$). Distances are reported in centimetres (cm), metres (m) and km (kilometres). The term "GPS" refers to "Global Positioning System" with coordinates reported in UTM NAD 83 projection, Zone 7. "Minfile Occurrence" refers to documented mineral occurrences on file with the Yukon Minfile, Department of Energy, Mines and Resources, Government of Yukon.

"Mag" and "EM" refer to "Magnetic" and "Electromagnetic" methods respectively of geophysical surveying. "IP" is an abbreviation for Induced Polarization surveying. "AIIP" stands for "Airborne Inductively Induced Polarization" study.

"Ma" refers to million years. "QAQC" refers to "Quality Assurance/ Quality Control".

The term "g/t" stands for grams per metric tonne. The term "ppm" stands for "parts per million, and "ppb" for "parts per billion". ICP-AES stands for "Inductively coupled plasma mass spectroscopy", and AA stands for "atomic absorption".

"CEO" stands for Chief Executive Officer. "NI 43-101" stands for National Instrument 43-101. "PGE" stands for "platinum group elements". Elemental abbreviations used in this report are:

Au: Gold Ag: Silver As: Arsenic Pb: Lead Pd: Palladium Pt: Platinum Sb: Antimony Zn: Zn

2.3 Sources of Information

Information on claim tenure and regional geology was provided by the "Yukon Mapmaker Online" website of the Yukon Geology Survey at <u>http://mapservices.gov.yk.ca/YGS/Load.htm</u>. Information on regional geology was provided by the "Yukon Bedrock Geology" website and by the "YGS Mapmaker Online" website, both available at <u>http://www.geology.gov.yk.ca/Web_map_gallery.html</u>. Yukon "Minfile" information was provided by the "Yukon Mineral Occurrence" finder of the Yukon Geological Survey at <u>http://yukon2.maps.arcgis.com</u>.

3. PROPERTY DESCRIPTION AND LOCATION

3.1 PROPERTY DESCRIPTION

The Ophir property consists of 130 Yukon quartz mining claims covering 2,730 hectares (6,743 acres). The property is centered at 63°34'14" N, 139°02'04" W (UTM NAD 83 coordinates 597605, 7050660, Zone 7). The northwestern area of the property covers part of Montana Creek, and the eastern portion covers much of the drainage basin of Steele Creek, one of its tributaries. Placer claims in good standing cover the lower extent of Steele Creek, and active placer leases cover Montana Creek within the property boundary, and a significant "right tributary" within the property. Although no all-season access roads extend on to the property, the eastern boundary is located within one kilometre of the main Black Hills Creek access road, and within four kilometres of the Indian River.

Table 1 shows the claim status of the OPHIR 1-130 block as of Nov 16, 2017.

Claim Name(s)	Grant Nos	Expiry Date
OPHIR 1-6	YE32701-YE32706	2022-06-10
OPHIR 7-24	YE32707-YE32724	2021-06-10
OPHIR 25-32	YE32635-YE32642	2021-06-10
OPHIR 33-38	YE32601-YE32606	2022-06-10
OPHIR 39-64	YE32607-YE32632	2021-06-10
OPHIR 65-66	YE32648-YE32649	2021-06-10
OPHIR 67	YE32650	2022-06-10
OPHIR 68	YE32651	2021-06-10
OPHIR 69	YE32652	2022-06-10
OPHIR 70	YE32653	2021-06-10
OPHIR 71	YE32654	2022-06-10
OPHIR 72	YE32655	2021-06-10
OPHIR 73	YE32656	2022-06-10
OPHIR 74-92	YE32657-YE32675	2021-06-10
OPHIR 93-98	YE32786-YE32791	2021-06-10
OPHIR 99-130	YE32754-YE32785	2021-06-10

Table 1: Claim Status, Ophir Property

There are no current exploration permits for hard rock exploration on the property. Activities allowed under a "Class 1" exploration permit comprise rock, soil and silt geochemical sampling, geological mapping, trenching (to a limit of 400m³ per claim), temporary trail construction (to a maximum of 3.0 km) and a maximum of 250 person-days in camp.

A gradation of permits, for Class 2 through Class 4 activities, is required for more significant programs. These programs include diamond drilling and reverse-circulation drilling which have a footprint exceeding Class 1 limits. Larger exploration programs require a "Class 3 Permit", valid for five years and acquired through the local Mining Recorder, Department of Energy, Mines and Resources (EMR), Government of Yukon.

Class 3 permit activities allow for sizable diamond drilling programs (depending on the number of clearings per claim), up to 5,000 m³ of trenching per claim per year, the establishment of up to 15 km of new roads and 40 km of new trails, and up to 200,000 tonnes of underground excavation work covering the length of the exploration program. A "Yukon Water License" is required if water usage exceeds 300m³/day. Additional licenses may be required for "Disposal of Special Waste," and a "Consolidated Environmental Act Permit" is required for proper disposal of camp waste and ash resulting from incineration, etc. A "Fuel Spill Contingency Plan" is also required.

All applications for Class 2 through Class 4 require review by the Yukon Environmental and Socioeconomic Board (YESAB). YESAB will provide recommendations on whether the project may proceed, may proceed with modifications, or is not allowed to proceed. Following submission by YESAB, a Decision Body will determine whether to accept the recommendations, and whether a permit will be awarded and, if so, the conditions of the permit.

The property is located within Crown Land in the traditional territory of the Tr'ondek Hwech'in First Nation (THFN).

3.2 LAND TENURE AND UNDERLYING AGREEMENTS

The Ophir property is one of three claim blocks comprising the Luxor project, which also includes the Sheba and Hav properties. In December of 2016, Eureka entered into an agreement to acquire a 100% interest in these properties from two vendors having an equal interest: Panarc Resources Ltd. (50%) and Heli Dynamics Ltd. (50%). The vendors will receive a total of 2,500,000 shares, released as 833,333 shares on the 6, 12 and 18-month anniversaries of the closing date. The vendors also retain a 2% Net Smelter return (NSR) royalty, which Eureka may purchase for CDN\$1,000,000.





4. ACCESSIBILITY, CLIMATE, LOCAL RESOURCES, INFRASTRUCTURE AND PHYSIOGRAPHY

The Ophir property is centered 58 km SSE of Dawson City, Yukon. There is no direct road access; however, the east boundary is located about 0.8 km west of the main Black Hills Creek placer access road and about 6 km southwest of the Indian River. This road extends southwest from the junction of the Dominion Creek and Sulphur Creek roads, and is seasonally privately maintained by the local operators. The Dominion and Sulphur Creek roads are seasonally maintained by the Department of Highways and Public Works, Government of Yukon, and are accessible from mid-April to mid-October.

Note: Portions of the access roads, including parts of the Black Hills Creek road, may become refurbished and potentially accessible year-round if Goldcorp Inc. commences construction of an access road extending from the North Klondike Highway near Dawson to the Coffee Property directly south of the Yukon River.

Access to the property is currently by helicopter from Dawson, with staging sites available along the Black Hills Creek road. Eastern areas are accessible on foot from the Black Hills Creek road.

The terrain on the property is moderate, consisting of fairly flat upland areas incised by deep ravines with few inaccessible areas. In most areas outcrop is scarce, confined mainly to stream valleys and ridgelines. Elevations range from about 585 metres (1,920 feet) along Montana Creek at the northern claim boundary to 920 metres (3,020 feet) at a hilltop near the northern boundary. The climate is continental subarctic, with short warm summers having daily highs commonly exceeding 20°C, and long, cold winters with low temperatures averaging -25° to -30°C, although temperatures below -40°C are not uncommon. North facing slopes and some east-facing slopes are typically underlain by permafrost. Precipitation is light to moderate, although showers and thundershowers are common in summer. Maximum snowpack averages from 0.4 to 0.6m, depending on elevation. The field season extends from late May to mid-September, depending on elevation and snow conditions. Drilling may extend into October or November provided water lines can be kept from freezing.

Dawson City is a full-service community with a population of 1,319 (Wikipedia, 2016). The neighbouring communities in the Klondike area increase the population to roughly 2,000. Dawson City has bulk fuel, grocery and hardware services, abundant accommodation, and government services including the Mining Recorder's Office for the Dawson Mining District. Dawson City is located roughly 425 air-kilometres (550 road-kilometres) NNW of Whitehorse along the North Klondike Highway. Whitehorse, Yukon, is a full-service community of about 29,000, with excellent accommodations, groceries, hardware, camp supplies, bulk fuel and expediting services. Whitehorse has a substantial skilled labour force, including professional geoscientists and tradespeople; however, a sizable operation may require staff from outside Yukon.

The property size and moderate terrain within the Ophir block are sufficient to accommodate mining facilities, potential mill processing sites, heap leach pads, and waste disposal sites. The moderately rugged topography may require large tailings dams to be constructed for adequate tailings impoundment. There is sufficient water within the property to supply mining and milling operations, including accommodations and drilling. The property is centered about 45 km southwest of the main electrical transmission line connected to the electrical grid servicing Whitehorse, Mayo, Dawson City and several other Yukon communities.

5. HISTORY

The Ophir property was staked in 2016 by Panarc Resources Ltd. and Heli Dynamics Ltd. The block was optioned to Eureka Resources Inc. in late 2016.

Although the property area was explored for placer gold during the Klondike Gold Rush, no records of prior activity within the claim block are known. However, the eastern property boundary is roughly 7.2 km west of the Eureka Prospect (Yukon Minfile # 1150 057). This prospect and local area underwent several episodes of staking from 1900 through 1920, although little data exists on early exploration. Interest in the prospect resumed in 1988, following the release of RGS stream sediment data, showing an "extremely anomalous" gold value of 89 ppb Au. Several episodes of bedrock mapping, rock, soil and silt geochemical sampling took place from 1988 through 2000. Exploration identified three main mineralized showings: the Allen, Wealth and Childs showings. In 2002, Viceroy Exploration Canada Ltd. conducted mechanical trenching and drilled four reverse-circulation holes; three holes comprising 290 metres on the Allen showing and one 90-metre hole on the Wealth showing (Yukon Minfile, 2017).

Grab samples from the Allen showing, located along the upper reaches of Eureka Creek 1.5 km south of the indicated Minfile location, consisted of milled, clay-rich brecciated quartzite and quartz-muscovite returning values to 15 g/t gold. Continuous chip sampling across this zone returned a value of 0.44 g/t gold across 4 metres. At the Wealth showing, located about 3 km south of the Eureka Minfile location, chip sampling returned a value of 0.33 g/t gold across 6.5 metres. Check assaying returned a value of 0.41 g/t gold across the same interval. Reverse-circulation drilling returned a value of 0.66 g/t gold across 8 metres. At the Childs showing, 5 km south of the Minfile location, grab sampling returned values to 3.97 g/t gold with 3.2 g/t silver. All showings are associated with sizable gold anomalies from soil geochemical sampling (Yukon Minfile, 2017).

Two other occurrences are located near the Ophir property: the Armenius prospect (Minfile #1050 118) and the Bismark occurrence (Minfile #1150 052). The Armenius prospect, located about 13 km northeast of the property, was first staked in 1902. Work comprised shaft sinking which returned samples assaying \$284/ton, when gold was valued at \$20/oz. (Yukon Minfile, 2011). The property area underwent several phases of exploration from 1989 to 1996, from which the best results were from a sample along Eureka Creek consisting of quartz-chlorite schist with lenses of clear quartz and assayed 75.38 g/t gold and 22.2 g/t silver. The property was restaked in 1999 by the Eureka Joint Venture (Expatriate Resources Ltd. and Nordac Resources Ltd.). The best results were 740 ppb gold across 5 m from a freshly stripped area of the Aurion placer pit, and 3.5 g/t gold across a 1.5m profile sample (Yukon Minfile, 2011).

The Bismark occurrence (described as an anomaly in the Yukon Minfile database) is located about 10 km WNW of the Ophir property and first staked in 1900, with additional claims added in the area in 1903. In 2001, T. Morgan staked the RMB block about 4 km to the southwest, covering small ultramafic lenses within Devono-Mississippian Nasina Series metasediments which are intercalated with Devono-Mississippian orthogneiss and metavolcanics, likely belonging to the Pelly Group. Exploration focused on potential Alaska-type ultramafic platinum group elements (PGE) mineralization. The best results were 0.11 g/t platinum (Pt) and 0.08 g/t palladium (Pd) returned from a 2-metre chip sample (Yukon Minfile, 2011).

6. GEOLOGICAL SETTING AND MINERALIZATION

6.1 REGIONAL GEOLOGY

The Ophir property is located within the Yukon-Tanana Terrane (YTT), a major accreted terrane comprised of variably metamorphosed, highly deformed intrusive, volcanic and sedimentary rocks (Gordey and Makepeace, 2001). The majority of this terrane ranges from Neoproterozoic to late Paleozoic in age, but also includes significant Mesozoic-aged assemblages. The YTT abuts against Selwyn Basin shelf and off-shelf sedimentary and volcanic rocks to the north, formed along the margins of the Ancient North American Continent. These two terranes are separated by the 65 Ma Tintina Fault Zone, a major transpressional fault with a dextral displacement of roughly 450 km.

The major stratigraphic orientation in the Ophir area is NNW - SSE, conforming to that of most of southwestern Yukon (Figure 3). Major stratigraphic groups and formations include an aerially extensive assemblage of Permian Sulphur Creek Suite orthogneiss comprised of metamorphosed granodiorite to quartz monzonite (Yukon Geology Survey, "Mapmaker" website). The Sulphur Creek Suite units occur alongside, and may be coeval with, large packages of Permian Klondike Schist, consisting of metaclastic, metavolcanic and minor ultramafic rocks, commonly chloritic, underlying much of the main Klondike placer district. Also prominent in the area is an aerially extensive assemblage of Proterozoic to Devonianaged Nasina Series, "Snowcap Assemblage" metaclastic rocks comprised mainly of quartzite, psammite and pelites with minor greenstone and amphibolite. Large packages of Mississippian-aged Simpson Range meta-intrusive rocks, comprised of metamorphosed granodiorite, diorite and tonalite, occur to the west of the Snowcap Assemblage package. Late Cretaceous Carmacks Group rhyolitic to rhyodacitic tuffs, welded tuffs and lapilli tuffs occur throughout the project area.

6.2 PROPERTY GEOLOGY

The western third of the Ophir property is underlain by a package of Mississippian Simpson Assemblage metagranitic to metadioritic rocks which extend south and west of the property (Figure 4). The remainder is underlain mainly by a large package of Proterozoic to Devonian Snowcap Assemblage metapelites and psammites. The extreme northwest property area is underlain by a sequence of Finlayson Assemblage mafic volcanics and volcaniclastics. Small exposures of lower to mid-Cretaceous Indian River Formation pebble to cobble conglomerate occur in the property area, including an exposure somewhat west of Steele Creek.

RGS stream sediment geochemical sampling failed to return anomalous gold values within property boundaries, although a value of 17 ppb Au was returned directly south of, and upstream from, the property (Figure 4).

6.3 SURFICIAL GEOLOGY

The Ophir property is located within "Beringia", an area extending from west-central Yukon through the majority of central and western Alaska which escaped all Pleistocene glacial events. Surficial deposits consist mainly of colluvium, as well as locales of "loess", consisting of wind-blown fine sand to silt. Outcrop and rubblecrop exposure is sparse, due to mechanical and chemical weathering of outcrop, except for areas of very rugged terrain.

Surficial deposits, particularly at lower elevations, have been developed over much longer time periods than post-glacial overburden elsewhere in Yukon. This is particularly applicable to fluvial deposits; local placer gold deposits have developed over much greater time periods than those in glaciated areas.



Figure 3: Regional Geology map, Klondike area



Figure 4: Geology map, Ophir property

7.0 DEPOSIT MODELS

The Ophir Property is located towards the southern end of the main Klondike placer mining camp extending southeast from the Klondike River directly east of Dawson. To date, hard rock gold +/- silver occurrences have been ascertained to have an orogenic origin, with fluid movement and emplacement related to deep-seated crustal faults rather than local, shallowly emplaced intrusive bodies. Although the Klondike area is located within the 70 – 110 Ma Tintina Gold Belt, an arcuate belt of felsic to intermediate intrusions extending from Southwest Alaska through Fairbanks, Dawson City and terminating in the Watson Lake area, mineralized zones in the Klondike to date do not have the characteristics of intrusion-related systems. Mineralization typically consists of mesothermal quartz veins, hosting gold +/- silver, and marked by the typical pathfinder elements of arsenic (As), antimony (Sb), and, for silver, lead (Pb) and zinc (Zn). The dominant stratigraphic orientation within the Klondike gold camp is NNW – SSE (Figure 3), likely paralleling that of mineralized structures within this district.

The "Orogenic Gold" setting is characterized by larger auriferous quartz veins, potentially to 1.0 km in length and multiple metres in width. Although mineralized quartz veining may be abundant, in the orogenic setting there is no evidence of intrusive activity, such as hornfels aureoles or contact metamorphic minerals, skarn or replacement-style mineralization (Hart and Lewis, 2005). Rather, the structural conduits are district-scale deep-seated "crustal" faults that allow for hydrothermal fluid movement from a typically unknown source. The mechanism for emplacement in local structures is similar to that of intrusion-related veining, whereby mineralized zones develop from fluid movement along a primary fault conduit and infiltrates into other areas of "structural preparation".

8. EXPLORATION PROGRAM

The 2017 work program consisted of an "Airborne Inductively Induced Polarization (AIIP)" survey, combined with an airborne magnetic survey, conducted by Geotech Ltd. from May 6 to 17, 2017. The main geophysical sensors included a "Versatile Time Domain Electromagnetic" (VTEM[™] ET) system and a cesium magnetometer (Kwan and Prikhodko, 2017). The flight lines were oriented at an azimuth of N 70° E and at a nominal line spacing of 100 metres. Approximately 340 line-kilometres of AIIP and magnetic surveying were flown.

The program was designed to identify resistive units at relatively shallow depths. To achieve this, the AIIP survey consisted of a series of up to 20 readings, or "time gates", spaced a few milliseconds apart, which have been divided into "Early Time Gate" and "Mid Time Gate" plots. The early time gate plot favours identification of shallow, poorly conductive horizons, whereas the mid-time blocks are more adept at identifying deeper, more strongly conductive zones. Plots are provided for each time gate and for "Total Magnetic Intensity" (TMI).

The airborne surveys were supported by two personnel employed by Aurora Geosciences Ltd (Aurora), which placed helicopter fuel caches at two locations along the Black Hills Creek Road. The crew also established landing zones for the helicopter and airborne surveying equipment. Following the completion of the field program, all remaining fuel barrels, including empty barrels, and any other materials were removed from the fuel cache sites. The amount of fuel stored per site was less than the threshold for a fuel storage permit.

The barrels were placed by Sean Inkster and this author, Carl Schulze. Mr. Schulze picked up many of the remaining full and empty barrels; the remainder were picked up by James Bergren, also employed by Aurora.



Figure 5: Aerial survey by Geotech Ltd.



Figure 6: Aerial survey at landing zone near fuel cache

9. DISCUSSION AND INTERPRETATION

9.1. DISCUSSION

Near-surface sources for AIIP conductors include clays, most metallic sulphides, some oxides including magnetite, and graphite (Kwan and Prikhodko, 2017). Early time gate plots also typically detect surficial deposits, particularly along larger valley bottoms and stream drainages.

The Early-Time Gate plot (Figure 7) displays a strong, though somewhat variable "mottled" conductive feature in the south-central property area. Close inspection of this conductive area suggests a NE-SW trending lineation marked by sharp terminations of conductive sub-units. A somewhat more subdued response extends at 340° from the main conductive feature, fading somewhat south of Montana Creek. Another moderately conductive response extends roughly along Eureka Creek, in the northwest property area, but is somewhat oblique to the stream course farther to the southwest. A spotty NNW-trending response extends roughly coincident with lower Steele Creek. A moderate response also occurs in the extreme southeast property corner.

The Mid-Time Gate plot also shows the strongly conductive feature in the south-central area, although it is of somewhat lesser aerial extent (Figure 8). Both plots show an area of reduced response coincident with the trace of a north-flowing tributary of Eureka Creek, causing the area of strong response to appear somewhat V-shaped. The Mid-Time Gate plot also shows an area of subdued response extending at 340° from the main V-shaped response, as well as another conductive feature along the lower extent of Eureka Creek. A spotty response was returned along lower Steele Creek, and the extreme southeast corner revealed a somewhat stronger conductive response.

The Total Magnetic Intensity (TMI) plot reveals magnetic "high" signatures of moderate aerial extent that roughly flank the strongly conductive features in the Early and Mid-Time Gate plots. The central area of the conductive body is marked in the TMI plot by a small-scale strong magnetic "high" response enveloped by a roughly circular area of reduced intensity. This in turn is flanked by the aforementioned areas of magnetic "high". Elsewhere, the extent of Montana Creek is marked by a pronounced magnetic "low" anomaly, as is a north-flowing tributary south of this. The latter, north-south trending feature, is terminated sharply by the feature along Montana Creek. The spotty conductive electromagnetic features along Steele Creek are coincident with a moderate to strong linear magnetic "high" response.

9.2 INTERPRETATION

The most striking feature revealed in both of the Early and Mid-Time Gate plots is the somewhat V-shaped and strongly conductive response shown on the TMI plot as an area of subdued response flanked by areas of strong magnetic response. This response is similar to the TMI signature of reduced intrusive bodies, where the subdued central response may represent an iron oxide-poor intrusion surrounded by pyrrhotite-enriched hornfelsed aureoles, resulting in a "doughnut" effect response. The flanking magnetic "high" signatures appear more intense than what might be expected; however, this may be a function of the contouring of the magnetic response. The Early and Mid-Time Gate plots show a distinct subdued response along the small watercourse. The stream gulch is not sufficiently carved into the relatively flat terrain at the anomaly site and as such is considered to be following a structural lineament.

The mottled effect of the conductive feature seen in the Early-Time Gate plot may represent a NE – SW trending lineament consisting of small-scale lineaments such as faults or shear zones. These small-scale

lineaments may represent zones of preferred hydrothermal fluid flow and subsequent mineral emplacement. This orientation is also evident in the near-district scale linear represented by Montana Creek, indicating this lineation extends well beyond property boundaries. This lineation would have occurred subsequent to emplacement of an intrusive body. Tectonism in this area commenced in the Early Jurassic period, suggesting any intrusive body affected by these structures predates the tectonic event, and therefore significantly predates the 70 - 110 Ma Tintina Gold Belt intrusions.

The pronounced narrow linear magnetic "low" features in the western area of the TMI plot are consistent with stream drainages. However, these may represent structural lineaments more prone to erosion than surrounding areas, resulting in linear stream valleys. Linear features of this nature may result from magnetite destruction by fluid movement along areas of structural preparation. These fluids, or a subsequent pulse, may also introduce metal ions and sulphide mineralization along these structures. The linear magnetic low features contrast with a magnetic high signature, slightly oblique to Steele Creek, but located within a much deeper valley. Here, the magnetic feature is roughly coincident with weakly conductive Early and Mid-Time Gate features which likely represent a dyke.

The electromagnetic plots show a NNW-SSE orientation of broader features mirroring the regional stratigraphic trends, suggesting these represent variations in lithology within the main stratigraphic orientation. A NE – SW trending feature, directly north of, and slightly oblique to, Montana Creek infers a broad structural corridor crosscuts the regional trend and is approximately parallel to the NE – SW trending lineaments within the large conductive feature.

Kwan and Prikhodko of Geotech Ltd. also identified the NE – SW trending lineation. They have identified the south-central area and the NNW-trending extension marked by the electromagnetic plots as possible gold targets (Figure 13). Kwan and Prikhodko also identified the features directly north of Eureka Creek as another gold target. They have also postulated a NW – SE trending, SW-verging thrust fault northeast of the main electromagnetic signatures (Figure 13).



Figure 7: Early-Time Gate EM plot, Ophir property (Geotech Ltd.)



Figure 8: Mid-Time Gate EM plot, Ophir property (Geotech Ltd.)



Figure 9: Total Magnetic Intensity (TMI) plot, Ophir property (Geotech Ltd.)



Figure 10: Interpretation of Early-Time Gate EM plot



Figure 11: Interpretation of Mid-Time Gate EM plot



Figure 12: Interpretation of TMI plot



Figure 13: Plots, Interpretation (Kwan and Prikhodko, Geotech Ltd. 2017)

10. CONCLUSIONS

The following conclusions may be made from the 2017 AIIP survey on the Ophir property:

- Preliminary electromagnetic plots have been provided for Early and Mid-Time Gate VTEM EM survey only. Both the Early-Time and Mid-Time Gate plots indicate the presence of a strongly conductive feature in the south-central property area. The coincident TMI signature suggests the presence of a reduced intrusion flanked by a hornfelsed contact aureole.
- The electromagnetic plots also indicate the presence of a broad NNW SSE trending lineation, likely representing regional stratigraphic orientation.
- The electromagnetic plots revealed a moderate NE SW trending conductive feature directly north of, and slightly oblique to, Montana Creek. The TMI plot reveals a coincident strong magnetic "high" anomaly. This feature was identified as another gold target by Geotech Ltd.
- The Early-Time Gate plot indicates the presence of a NE-SW trending lineation marked by a mottled effect in the large south-central feature, and supported by the orientation of Montana Creek. This lineation is oblique to the regional trend of stratigraphy, oriented NNW-SSE, and suggests a more local feature, although the linear orientation of Eureka Creek indicates a more district-scale extent. Hydrothermally-borne mineralization tends to be emplaced in smaller structural features such as these, rather than larger, district to regional-scale features.
- The TMI plot shows strong magnetic "low" features along Montana Creek and a north-flowing tributary. These likely represent structural lineaments and associated zones of magnetite depletion caused by hydrothermal fluid movement.
- Kwan and Prikhodko, of Geotech Ltd., identified the south-central area, a NNW-trending area to the northwest, and the Montana Creek feature as potential gold targets. If so, the south-central area may therefore represent an intrusion-related system predating regional tectonism, and therefore predating the emplacement of the Tintina Gold Belt intrusions.

11 RECOMMENDATIONS

11.1 RECOMMENDATIONS

Recommendations for further work include detailed geological mapping focusing on the electromagnetic and TMI features in the south-central area, the Montana Creek area, and the north-flowing tributary to the south. Mapping should be accompanied by prospecting and rock sampling where warranted.

A property-wide program of ridge-and spur and contour soil geochemical sampling at a 50-metre station spacing is recommended. This should also include several NW-SE extending traverses covering the area hosting the strong south-central conductive feature, as well as the flanks of Steele Creek.

The geochemical sampling program should also include stream silt sampling at a 250-metre station spacing, as well as tributaries, to test for anomalous metal content in specific drainages that may escape detection from soil sampling.

This program could be conducted by a four-person crew operating for 13 days, including helicoptersupported mobilization, de-mobilization and travel time from Whitehorse. The program could be staged from Dawson City, with Whitehorse-based expeditor support. Due to the property size, two camp sites would be required in series; one along Montana Creek and the other along Steele Creek. This program would require a helicopter-supported camp move. The program would be completed over eight days of traversing, three days of mobilization into camp, one camp move and then a demobe to Dawson. This does not include travel time from and to Whitehorse. Expenditures are estimated at CDN\$88,400, including 5% contingency.

Note: Logistical expenses may be reduced if this program is combined with other programs on properties held by Eureka Resources.

11.2 RECOMMENDED BUDGET

Personnel, crew boss: 13 person-days @ \$600/day:		\$	7,800
Personnel, 2 nd geologist: 13 person-days @ \$550/day:		\$	7,150
Personnel, field technicians: 26 person-days @ \$450/day:		\$2	11,700
Soil, silt sampling: 420 samples @ \$33/sample:		\$2	13,860
Rock sampling: 40 samples @ \$39/sample:		\$	1,560
Camp rental (all-in): 13 days @ \$130/day:		\$	1,690
Expeditor support (all-in): 4 days @ \$1,100/day:		\$	4,400
Helicopter support (Bell 407 or equivalent): 11 hours @ \$2,100/hr, incl	. fuel:	\$	23,100
Hotel lodging: 4 double rooms @ \$135/night:		\$	540
Daily field expenses (including travel): 52 person-days @ \$100/day:		\$	5,200
Job prep, camp and equipment:		\$	975
Job prep, Digital data, maps, etc.: 18 hours @ \$85/hr:		\$	1,530
Assessment report: 35 hours @ 100/hr:		\$	3,500
	Sub-total:	\$	83,005
	5% contingency:	\$	4,150
	Proposed Total:	\$	87,155

Ophir Property Assessment Report, 2017 Airborne Survey

12. REFERENCES

Gordey, S.P., Makepeace, A.J. 2001: Bedrock Geology, Yukon Territory, Geological Survey of Canada, Open File 3754; and Exploration and Geology services Division, Yukon Indian and Northern Affairs Canada, Open File 2001-1.

Hart, C.J.R. and Lewis, L.L. 2005: "Gold Mineralization in the upper Hyland River area: a non-magnetic origin". Reference No. YEG2005_08, Yukon Geology Survey.

Kwan, K. and Prikhodko, A. 2017: AIIP Report on a Helicopter-Borne Versatile Time Domain Electromagnetic (VTEM[™] ET) and Aeromagnetic Geophysical Survey. Report for Aurora Geosciences Ltd.

Wikipedia, 2017: Population and Weather Statistics for Dawson City, Yukon. Website

Yukon Geology Survey, Energy Mines and Resources, 2017: Website at http://www.geology.gov.yk.ca/

Yukon Mining Recorder, Energy, Mines and Resources, 2017: Website at http://www.yukonminingrecorder.ca/

APPENDIX 1

CERTIFICATE OF QUALIFICATIONS, CONSENT, DATE AND SIGNATURES

I, Carl Schulze, BSc, with business and residence addresses in Whitehorse, Yukon Territory, do hereby certify that:

- 1. I am a graduate of Lakehead University with a B.Sc. degree in Geology obtained in 1984.
- I am a Professional Geoscientist registered with the Association of Professional Engineers and Geoscientists of British Columbia (registration number 25393), Association of Professional Geoscientists of Ontario (registration no. 1966) and with the Northwest Territories and Nunavut Association of Professional Engineers and Geoscientists (NAPEG, registration number L3359).
- 3. I have been employed in mineral exploration as a geologist since 1984, primarily on projects in the Yukon Territory, Northwest Territories, Nunavut, Alaska and British Columbia.
- 4. I supervised the work described in this report and wrote this report.
- 5. I have no interest, direct or indirect, nor do I hope to receive any interest, direct or indirect, from Eureka Resources Inc. or any of its properties.

Dated this 22nd day of November, 2017 in Whitehorse, Yukon Territory.

Respectfully Submitted,

Carl M. Schulze, BSc. P. Geo.

APPENDIX 2

STATEMENT OF EXPENDITURES

Statement of Expenditures

Invoice #995824, 11-Apr-2017:

Invoice #995850, 15-May-2017:

Invoice #995862, 5-June-2017:

Invoice #995902, 1-Jul-2017:

Total: \$222,177.02
<u>\$27,860.47</u>
\$44,135.47
\$77,491.58
\$77,689.50

Pro-rated: 28.0% of total flight lines: \$62,208.17

APPENDIX 3

GEOTECH LTD. REPORT




VTEM[™] ET

AIIP REPORT ON A HELICOPTER-BORNE VERSATILE TIME DOMAIN ELECTROMAGNETIC (VTEM[™] ET) AND AEROMAGNETIC GEOPHYSICAL SURVEY

PROJECT: LOCATION: FOR: SURVEY FLOWN: PROJECT: OPHIR, SHEBA, HAV, TAK, AND ETTA COFFEE ROAD PROPERTY, YUKON EUREKA RESOURCES INC. MAY 2017 GL170103

Geotech Ltd. 245 Industrial Parkway North Aurora, ON Canada L4G 4C4 Tel: +1 905 841 5004 Web: <u>www.geotech.ca</u> Email: <u>info@geotech.ca</u>



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APPENDICES

Α.	AIIP Mapping
В.	Final Deliverables



EXECUTIVE SUMMARY

AIIP report on VTEM[™] ET surveys, Coffee Road Property, Yukon

During May 6th – 17th 2017 Geotech Ltd. carried out a helicopter-borne geophysical survey over the A1-Ophir, A2-Sheba, A3-Hav, A4-Tak, and A5-Etta blocks situated within the Coffee Road Property, Yukon.

Principal geophysical sensors included a versatile time domain electromagnetic (VTEM[™] ET) system, and a caesium magnetometer. Ancillary equipment included a GPS navigation system and a radar altimeter. A total of 1218 line-kilometers of geophysical data were acquired during the survey.

Geotech Ltd carried out airborne inductively induced polarization (AIIP) chargeability mapping of the VTEM data.

Final AIIP products are:

- AIIP databases;
- AIIP apparent chargeability and resistivity grids;
- AIIP report.





1. SURVEY LOCATION

The VTEM survey blocks were located south of Dawson City, Yukon, Figure 1.



Figure 1: VTEM survey location (image from Google Earth).

The survey areas were flown in an east to west (N 70° E azimuth) direction over A1 (Ophir), A2 (Sheba), and A3 (Hav) blocks. The A4 (Tak) block was flown in a northeast to southwest (N 30° E azimuth), and the A5 (Etta) block was flown in a north to south (N 178° E azimuth). The nominal traverse line spacing is 100 metres.

Blocks A1, A5 and A2 are located approximately 60 kilometers SSE of Dawson City, Yukon. A4 is located approximately 126 kilometers south of Dawson City.



2. AIRBORNE INDUCTIVELY INDUCED POLARIZATION (AIIP)

The objective of AIIP mapping of VTEM data from is to derive Cole-Cole apparent chargeability and resistivity maps for a fixed frequency factor c.

2.1 AIIP EFFECTS IN VTEM DATA

Airborne VTEM[™]plus data from Coffee Road Property reflect mainly two physical phenomena in the earth:

- 1. Electromagnetic (EM) induction, related to sub-surface conductivity and governed by Faraday's Law of induction;
- 2. Induced polarization (IP) effect, related to the relaxation of polarized charges in the ground (Pelton et al., 1978, Weidelt, 1982, Kratzer and Macnae, 2012 and Kwan *et al.*, 2015a and 2015b);

For mineral exploration, near-surface sources of AIIP are clays through membrane polarization (electrical energy stored at boundary layer) and most metallic sulphides, some oxides (i.e. magnetite) and graphite through electrode polarization (electrical charges accumulated through electrochemical diffusion at ionic-electronic conduction interfaces).

The absence of negative transients does not preclude the presence of AIIP (Kratzer and Macnae, 2012). The case is clearly illustrated in Figure 2, showing forward modeled VTEM decays over a chargeable half-space of different chargeabilities, using the Cole-Cole relaxation model (Appendix A). As chargeability value increases from m=0 (purely inductive), the rate of VTEM decay increases (pulling down) also in mid-times and eventually crosses into the negative when m≈0.8 V/V. But for vast majority of m values less than 0.8 V/V, there are no negatives in the VTEM decays.

The amount of deviation from the ideal inductive response of a half space with resistivity ρ_0 is a measure of the strength of AIIP.





Figure 2: Forward modelled VTEM decays for different chargeability m values; the observed VTEM decay (black) was from Mount Milligan, British Columbia, fits well with the modeled decay (red) with m=0.66.

Numerous negative transients are observed in the VTEM data from A3 and A4. Some of them from L7120 of A4 (Tak) block are shown in Figure 3, providing unequivocal pieces of evidence that there are AIIP effects in the VTEM data.





Figure 3: AIIP anomalies in L7120, A4 (Tak) block.

2.2 AIIP MAPPING

VTEM decays associated with AIIP can be studied using the empirical Cole-Cole complex resistivity model (Cole and Cole, 1941 and Pelton *et al.*, 1978), shown in equation (1).

$$\rho(\omega) = \rho_0 \left[1 - m \left(1 - \frac{1}{1 + (i\omega\tau)^c} \right) \right]$$
⁽¹⁾

In the equation above, ρ_0 is the DC resistivity, $m \ (0 \le m \le 1.0)$ is the chargeability in (V/V), τ is the Cole-Cole time constant in second, $\omega = 2\pi f$, and $c \ (0 \le c \le 1.0)$ is the frequency factor. The four parameters (ρ_0 , m, τ and c) are characteristic of a polarizable ground.

In general, chargeability *m* and Cole-Cole time constant τ depend on the quantity and size of polarizable elements in the ground (Pelton *et al.*, 1978). The frequency factor describes the size distribution of the polarizable elements (Luo and Zhang, 1998). When c=1, the time-domain decay modelled by Cole-Cole model represents the Debye decay, and when c=0.5, the time-domain decay is the Warburg decay (Wong, 1979).

The extraction of the four Cole-Cole parameters (ρ_0 , m, τ and c) from airborne VTEM data is a difficult task. Kwan *et al.* 2015a developed an algorithm, based on Airbeo from CSIRO/AMIRA¹ (Chen & Raiche 1998; Raiche 1998), to extract the (ρ_0 , m and τ) parameters while the frequency factor is fixed. There are two deficiencies in the algorithm; one, the precision of the derived (m_0 , τ_0) depends on the final mesh size, and two, many of the inversions at the mesh locations far away from (m_0 , τ_0) are not necessary.



¹ Commonwealth Scientific and Industrial Research Organization and Amira International;

An improved version of the AIIP mapping algorithm has since been developed by Geotech (Appendix A). The new method applies the Nelder-Mead Simplex minimization (Nelder and Mead, 1965) in the two-dimensional (m,τ) plane. At each required test point (m_i, τ_i) , the optimal background resistivity ρ_0 is found by one-dimensional Golden-Section minimization for the user specified resistivity range. The algorithm uses only Airbeo's forward modeling kernel, which can generate synthetic VTEM data with high precision. The Nelder-Mead (NM) search algorithm is more efficient than the grid search method by Kwan *et al.* 2015a, and generates much more precise apparent chargeabilities, resistivities, and IP relaxation time constants. The improved NM AIIP mapping algorithm has been used to process the airborne time-domain electromagnetic data from numerous VTEM surveys since 2015.

AIIP processing is applied to VTEM data desampled to 10 m interval.

2.3 DETERMINATION OF FREQUENCY FACTOR C

The Geotech AIIP chargeability mapping algorithm described in Appendix A requires fixed frequency factor c, while the DC resistivity, chargeability m and IP relaxation time constant τ are allowed to vary. The determination of frequency factor c for selected VTEM data is carried out by interactive forward modelling software, also based on Airbeo from CSIRO/AMIRA. The locations of selected VTEM decays for c calculations, over EM induction time-constant TAU, are shown in Figure 4. Eighteen (18) frequency factor c values are determined from the selected VTEM decays. All c values equal to 0.7.





Figure 4: The locations of VTEM decays used for frequency factor c determination over time-constant TAU, areas A1 to A5.

Full Cole-Cole forward modelling results for four selected VTEM decays are shown in Figure 5.





Figure 5: Cole-Cole parameters of four AIIP forward models and corresponding decays; purely inductive m=0 (green), observed data (black) and forward modeled data (red).

Typical Cole-Cole spectra for c=0.7 is shown in Figure 6. The width of the phase curve depends on c. For large c, the grain sizes of the polarizable material are distributed in a narrow range (or more uniformly distributed). The peak of the phase curve is related to the IP relaxation time-constant τ , or the average grain size of the polarizable materials.





Figure 6: The relationship between the distribution of grain sizes and the frequency factor c is illustrated in the Cole-Cole spectra of c=0.7.

2.4 AIIP DEPTH OF INVESTIGATION

Using a buried chargeable prism in a uniform, non-polarizable ground, the depth of investigation of AIIP is studied. A 200 m by 200 m by 20 m prism of resistivity $\rho_1 = 10 \ \Omega \cdot m$, $m = 0.5 \ v/v$, $\tau = 0.0002s$ and c = 0.7 is placed at various depths below ground in a resistive half space of resistivity $\rho_0 = 1,000 \ \Omega \cdot m$, Figure 7. The size of the prism is within the footprint of the VTEM system, and the ground in the south of Coffee Road Property (A3 and A4) is quite resistive.

The software MarcoAir (CSIRO/AMIRA, Xiong and Tripp 1995) is used to generate the synthetic VTEM data in the AIIP depth of investigation. MarcoAir computes the airborne electromagnetic responses for prisms in layered earth. The Cole-Cole relaxation model is incorporated in MarcoAir.





Figure 7: The setup of the 3D prismatic model for AIIP depth of investigation.

The AIIP apparent chargeability maps for the prisms buried at 50m, 75m and 100m depths are shown in Figure 8.

For the case of 50m deep prism, the maximum value of the recovered AIIP apparent chargeability is 0.58 V/V. The maximum recovered AIIP apparent chargeability for the 75m deep prism is 0.39 V/V. At 100m depth, maximum recovered AIIP apparent chargeability is 0.28 V/V, and the prism can still be detected and mapped by the VTEM system.





Figure 8: AIIP apparent chargeabilities for prisms located 50m, 75m and 100m below ground; the same color scheme is used.

The AIIP apparent resistivity maps for the prisms buried at 50m, 75m and 100m depths are shown in Figure 9.





Figure 9: AIIP apparent resistivities for prisms located 50m, 75m and 100m below ground; the same color scheme is used.

At 100m depth in a resistive (1000 Ohm-m) host, a moderately chargeable prism may still be detectable by VTEM system, and the apparent chargeability (albeit weak) and resistivity recovered by AIIP mapping, as illustrated in Figure 10. Again, the expression of the AIIP effect in VTEM data is the distortion of the decay curve. Negative transient is not required to prove the existence of AIIP effect in VTEM data.





Figure 10: Forward modeled VTEM data of a chargeable prism at 100m depth, and recovered apparent chargeability and resistivity, synthetic line L1040 (just left of the prism centre).



3. AIIP CHARGEABILITY MAPPING RESULTS

3.1 GEOLOGY AND KNOWN GOLD MINERALIZATION

The discussions of the geology of the Coffee Road property are based mainly on the work by MacKenzie, Craw & Finnigan., 2014.

The basement of the Coffee Road property consists of the Paleozoic metamorphic rocks of the Yukon Tanana Terrane (YTT), Figure 11, Mackenzie, Craw & Finnigan, 2014. The basement rocks of VTEM areas A1, A3, A4 and western half of A5 are mainly undifferentiated schist and gneiss, and the basement of areas A2 and eastern half of A5 comprises mainly of Late Permian granitoid.

The basement rocks were deformed, folded and stacked during the Jurassic along regional-scale thrust faults. Greenschist facies shear zones and alteration developed during this time. Later stages of more brittle folding and fracturing subsequently developed and were locally infilled by orogenic quartz veins formed from fluids generated at depth within the thickened metamorphic pile. Hydrothermal alteration and disseminated gold mineralization in the White Gold District located just west of the Coffee Road property are structurally controlled by extensional fractures and EW striking Jurassic faults and shear zones, Mackenzie, Craw & Finnigan, 2014.





Figure 11: Regional geology of the Coffee Road Property, from MacKenzie, Craw & Finnigan, 2014, three known gold occurrences, i.e., Armenius, Eureka & Hen (from Yukon Geological Survey 2010 and appeared in Chapman et al., 2011) and the Coffee gold deposits (from Bultenhuis, Boyce & Finnigan, 2015) located west and southwest of A4.

Chapman, Mortensen & LeBarge, 2011 concluded that the placer gold deposits of the Indian River and Black Hills Creek (A1, A2 & A5) had formed mainly as a consequence of erosion of orogenic gold mineralization.

Bailey, 2013 proposed a Jurassic orogenic gold mineralization model for the Golden Saddle gold deposit, west and southwest of A3, in the White Gold District.

The Coffee deposits, west and southwest of A4, represent the shallower epizonal extensions of the mesozonal orogenic mineralization at the Boulevard deposit, a Cretaceous orogenic gold deposit, to the south (Buitenhuis, Boyce & Finnigan, 2015).

3.2 MAGNETIC DATA

Potential orogenic gold mineralization in the Coffee Road property is likely to be controlled by local scale geological structures such as fractures or faults, which can be mapped by the magnetic data.

The interpreted structures, i.e., faults, and possible thrusts and intrusions over the Calculated Vertical Gradient (CVG) data of the VTEM areas are shown in Figure 12.

The inferred faults may act as conduits or pathways for possible metamorphic or hydrothermal fluids, leading to possible hydrothermal alteration or even gold mineralization in host rocks.



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Figure 12: Inferred faults and possible thrust (A1) and intrusion (A3) over the CVG data of VTEM areas.

3.3 AIIP MAPS AND POTENTIAL GOLD PROSPECTS

The AIIP apparent chargeability and resistivity maps derived using frequency factor c of 0.7 of A1 block are shown in Figure 13. The strong conductive and chargeable zones don't appear to be coinciding with the drainages, implying that the conductive and chargeable materials are located within the hard rocks. The AIIP anomalies could be related to the fault zones, which acted as conduits for hydrothermal or metamorphic fluids possibly carrying sulphide minerals and even gold. The AIIP conductive and chargeable zones are selected as potential orogenic gold exploration prospects.



Figure 13: AIIP apparent chargeability, resistivity maps, DEM and potential gold targets, A1 block.

The AIIP apparent chargeability and resistivity maps of A2 block are shown in Figure 14. It appears that the conductive zones follow more or less the drainages. However, the chargeable anomalies in the west of the block don't appear to be related to drainages. These chargeable anomalies could be related to the NE-SW trending inferred faults in the same area. A potential orogenic gold exploration prospect for A2 is identified and shown over the AIIP apparent chargeability.





Figure 14: AIIP apparent chargeability, resistivity maps, DEM and potential gold targets, A2 block.

The AIIP apparent chargeability and resistivity maps of A3 block are shown in Figure 15. It appears that the AIIP anomalies do not follow the drainages. The chargeable anomalies are located within resistive terrains, implying that they could be possibly related to sulphide mineralization in quartz veins. A potential gold exploration prospect in the western half of A3 block is outlined and displayed over the AIIP apparent chargeability.





Figure 15: AIIP apparent chargeability, resistivity maps, DEM and potential gold targets, A3 block.

The AIIP apparent chargeability and resistivity maps of A4 block are shown in Figure 16. It appears that the AIIP apparent chargeability anomalies do not follow the drainages, but the AIIP apparent resistivity anomalies appear to follow the drainages closely in the SW portion of A4. The chargeable anomalies are located within resistive terrains in the NE of A4, implying that they could be possibly related to sulphide mineralization in quartz veins. The chargeable anomalies seem to trend parallel to the inferred faults. A potential gold exploration prospect in A4 block is identified and displayed over the AIIP apparent chargeability.





Figure 16: AIIP apparent chargeability, resistivity maps, DEM and potential gold targets, A4 block.

The AIIP apparent chargeability and resistivity maps of A5 block are shown in Figure 17. It appears that the AIIP anomalies don't follow the drainages. The chargeable anomalies in the south of the block are located in resistive terrains and they could be related to sulphides in quartz veins. The chargeable anomalies in the north are located very close to the central conductive zone, which is trending ENE direction and fairly conductive. The central conductive zone could be related to possible massive sulphide mineralization. Potential gold exploration prospects for A5 are identified and shown over the AIIP apparent chargeability.





Figure 17: AIIP apparent chargeability, resistivity maps, DEM and potential gold targets, A5 block.

3.4 DISCUSSIONS OF AIIP SOURCES

The following discussions focus on the possible sources of AIIP and implications for the exploration of potential orogenic gold mineralization in the VTEM blocks.

There are three main sources of orogenic gold (Augustin & Gaboury, 2017 and references therein):

- 1. Intrusion-related sources (e.g. Porphyries);
- 2. Carbonaceous, pyrite-rich sedimentary rocks (Large *et al.*, 2011);
- 3. Plume-related basaltic rocks (Bierlein & Pisarevsky, 2008);

The first two possible sources of gold could be present in the VTEM blocks.

The majority of orogenic gold deposits formed proximal to regional terrane-boundary structures that acted as vertically extensive hydrothermal plumbing systems, and most deposits are sited in second or third order splays or fault intersections that define domains of low mean stress and correspondingly high fluid fluxes, McCuaig and Kerrich 1998.

The origin of gold in some types of orogenic gold deposits, such as turbidite-hosted, or sedimenthosted gold deposits, is an active research topic. Some of the conventional beliefs and new ideas



from Large *et al.*, 2011 regarding the carbonaceous pyrite-rich sedimentary source of gold for these deposits are listed below, representing two different theories. In either case, structure, i.e., fault, and hydrothermal activity are two of the most critical factors in the formation of the gold deposits.

Conventional Beliefs	New Ideas (Large et al., 2011)
Gold is coming from some deep	Gold is already present in the
sources or from crustal granite	sedimentary basin
Graphitic sediments are good	Graphitic sediments are ideal
trap rocks for gold	source rocks for Au & As and
	other trace elements
Gold is introduced late; i.e., syn-	Gold is introduced early; i.e.,
tectonic or post-tectonic	pre-tectonic and moved around
	late during tectonism

Some AIIP results have indicated that some hydrothermal alteration products, i.e., hydrothermal pyrite, can generate conductive and chargeable responses in VTEM data. The linear conductive and chargeable trends tend to coincide with or to be locaed in close proximity to fault zones, which acted as conduits for hydrothermal or metamorphic fluids.

The hydrothermal alteration assemblages, i.e., sericitization, carbonatization, sulphidation (pyrite) and etc., are common to many orogenic gold deposits, Bierlein *et al.*, 2000, and the recognition of extensive alteration halos around them, especially hydrothermal pyrites, by AIIP mapping represents a potentially powerful tool for gold exploration.

The hydrothermal alteration products in general are fine-grained.



4. CONCLUSIONS AND RECOMMENDATIONS

The AIIP chargeability mapping of VTEM data from the A1-Ophir, A2-Sheba, A3-Hav, A4-Tak, and A5-Etta blocks located within the Coffee Road Property, Yukon, has been carried out.

Potential exploration prospects for orogenic gold mineralization in the blocks are identified and they are recommended for follow-up.

Respectfully submitted,

Karl Kwan, M.Sc. P.Geo. (Limited²) Senior Geophysicist/Interpreter

Alexander Prikhodko, Ph.D., P.Geo. Geophysical Director Geoffrey Plastow, P.Geo. Data Processing Manager

Geotech Ltd. September 20, 2017

² The designation of P.Geo (Limited) by Association of Professional Geoscientists of Ontario permits the principal interpreter to practice in the field of exploration geophysics only.



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APPENDIX A: AIIP Mapping

INTRODUCTION

Data acquired by airborne in-loop time-domain electromagnetic (EM) systems, such as VTEMTM (Witherly et al., 2004), reflect mainly two physical phenomena in the earth: (1) EM induction, related to ground conductivity, (2) Airborne Inductively Induced Polarization (AIIP), related to the relaxation of polarized charges in the ground (e.g., Kratzer & Macnae 2012 and Kwan *et al.*, 2015).

It has been shown by Smith and West (1989) that the inloop EM system is optimally configured to excite a unique AIIP response, including negative transients in mid to late times over resistive grounds, from bodies of modest chargeability.

Negative transients observed in airborne time domain EM data (e.g. Smith and Klein, 1996 and Boyko et al. 2001) are attributed to airborne inductive induced polarization (AIIP) effects. However, the absence of negative transients does not preclude the presence of AIIP, because of the IP effect takes finite time to build up or the IP effect may be obscured by the conductive ground (Kratzer and Macnae, 2012).

In mineral exploration, near-surface sources of AIIP are clays through membrane polarization (electrical energy stored at boundary layer) and most metallic sulphides and graphite through electrode polarization (electrical charges accumulated through electrochemical diffusion at ionicelectronic conduction interfaces). Some kimberlites in Lac de Gras kimberlite field are known to have AIIP signatures (Boyko *et al.*, 2001).

The widely used theory to explain the IP effect is the empirical Cole-Cole relaxation model (Cole and Cole, 1941) for frequency dependent resistivity $\rho(\omega)$,

$$\begin{split} \rho(\omega) &= \rho_0 \left[1 - m \left(1 - \frac{1}{1 + (i\omega\tau)^c} \right) \right], \end{split}$$

where ρ_0 is the low frequency asymptotic resistivity, *m* is the chargeability, τ is the IP relaxation time constant, $w = 2\pi f$, and *c* is the frequency factor.

The extraction of AIIP chargeability *m* using the Cole-Cole formulation from VTEM data had been demonstrated by Kratzer and Macnae, 2012 and Kwan *et al.*, 2015.

An improved version of AIIP chargeability mapping tool based on CSIRO/AMIRA Airbeo has been developed for VTEM system and tested on VTEM data from Mt Milligan, British Columbia, Canada, and Tullah, Tasmania.

IMPROVED AIIP MAPPING ALGORITHM

Search for m and τ using Airbeo forward modeling

The extraction of the four Cole-Cole parameters (ρ_0, m, τ and c) from airborne VTEM data can be a difficult task. The AIIP mapping algorithm originally developed by Kwan et al., 2015 suffers lack of precision for the derived apparent chargeability m and resistivity ρ_0 , and is computationally very slow. Geotech has recently developed an improved version of AIIP mapping algorithm, based on Airbeo from CSIRO/AMIRA¹ (Chen & Raiche 1998; Raiche 1998) to extract the (ρ_0 , *m* and τ) parameters while keeping the frequency factor c fixed. The new method applies the Nelder-Mead Simplex minimization (Nelder and Mead, 1965) in the two-dimensional (m,τ) plane. At each required test point (m_i, τ_i) , the optimal background resistivity ρ_0 is found by one-dimensional Golden Section minimization (Press et al., 2002). The algorithm uses only Airbeo's forward modeling kernel, which can generate synthetic VTEM data with high precision. The Nelder-Mead AIIP mapping algorithm generates much more precise (ρ_0, m, τ) parameters.

The Nelder-Mead Simplex Minimization method can be explained in the five (5) moves, reflection, expansion, outside and inside contraction, and shrink, as illustrated in Figure 1.



Figure 1: Nelder-Mead Simplex moves (modified from Wright 2012).

The Nelder-Mead Simplex minimization algorithm consists of following steps.

Let $f(\rho_0, \mathbf{m}, \tau)$ be the RMS error function defined as

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¹ Commonwealth Scientific and Industrial Research Organization and Amira International;

$$f(\rho_0, \mathbf{m}, \tau) = \frac{1}{N-1} \left(\sum_{i=0}^{N-1} (f(\rho_0, \mathbf{m}, \tau, t_i) - \nu(t_i))^2 \right)^{1/2}.$$
 (2)

Step 1 (Sorting)

Sort the vertices such that $f(P_1) < f(P_2) < f(P_3)$. Point P_1 is the best point, P_2 is the next-to-worst point and P_3 is the worst point;

Step 2 (Reflection)

Reflect the worst point P_3 , through the centroid of (P_1 and P_2) to obtain the reflected point P_r , and evaluate $f(P_r)$.

If $(f(P_1) < f(P_r) < f(P_2))$, then replace the worst point P_3 with the reflected point P_r , and go to Step 5.

Step 3 (Expansion)

If $(f(P_i) < f(P_i))$, then extend the reflected point P_i , further pass the average of P_i and P_2 , to point P_e , and evaluate $f(P_e)$

(a) If $f(P_e) < f(P_r)$, then replace P_3 with P_e , and go to Step 5 (b) Otherwise, replace the worst point P_3 with the reflected point P_r , and go to Step 5

Step 4 (Contraction or Shrink)

If the inequalities of Step 2 and 3 are not satisfied, then it is certain that the reflected point P_r is worse than the next-toworst point P_2 , (f(P_r) > f(P_2)) and, a smaller value of f might be found between P_3 and P_r . So try to contract the worst point P_3 , to a point P_c between P_3 and P_r and evaluate f(P_c);

The best distance along the line from P_3 to P_r can be difficult to determine. Typical values of P_c are one-quarter and three-quarter of the way from P_3 to P_r . These are call inside and outside contraction points P_{in} and P_{out} ;

(a) If $\min(f(P_{in}), f(P_{out})) < f(P_2)$, then replace P_3 with the contraction point P_{in} or P_{out} , and to Step 5.

(b) Otherwise shrink the simplex into the best point, P_1 , and go to Step 5.

Step 5 (Convergence Check)

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Stop if the standard deviation of f is less than user-specified tolerance *RMSTOL*,

$$\sqrt{\frac{1}{n}\sum_{i=0}^{n-1}(f_i - f_{avg})^2} \le RMSTOL$$

Perhaps the most important feature in the Nelder-Mead simplex method is Step (4b), the shrink. It allows the shape of the simplex to "adapt itself to the local landscape", Nelder and Mead, 1965. In essence, all the moves in the Nelder-Mead (NM) Simplex method are designed to move

away from the worst point.

Han and Neumann 2006 showed that the NM simplex method deteriorates when the number of parameters to be minimized (n) increases. For n=1 or 2, NM convergence is acceptable. As n \geq 3, NM convergence slows dramatically as N increases. Due to this reason, Geotech applies the NM method only in the 2D (m, τ) plane, to ensure convergence as well as that all the NM moves can be checked visually.

AIIP MAPPING RESULTS

Mt. Milligan, British Columbia, Canada

Mt. Milligan Cu-Au deposit is located within Early Mesozoic Quesnel Terrane that hosts a number of Cu-Au porphyry deposits, Oldenburg et al, 1997. The Mt. Milligan intrusive complex consists dominantly of monzonitic rocks, including the MBX and Southern Star (SS) zones, all which host mineralization at Mt. Milligan (Figure 2). Mineralization in both zones consists of pyrite, chalcopyrite and magnetite with bornite localized along intrusive-volcanic contacts (Terrane Minerals Corp. NI 43-101, 2007). Copper-gold mineralization is primarily associated with potassic alteration with both copper grade and alteration intensity decreasing outwards from the monzonite stocks. Pyrite content increases dramatically outward from the stocks where it occurs in association with propylitic alteration, which forms a halo around the potassic-altered rocks.

Helicopter-borne VTEM surveys, including a small survey over Mt. Milligan, were carried out from July 29th to November 1st, 2007, on behalf of GeoscienceBC as part of the QUEST project in central British Columbia. The data were released to the public by GeoscienceBC and can be downloaded from http://www.geosciencebc.com.



Figure 2: Mt. Milligan geology.

VTEM Z-component data, from 0.091 to 10.126 milliseconds in off-times, were processed to recover the AIP apparent chargeability. Very weak negative transients above noise level are observed in the VTEM data over two

locations from survey lines near DWBX and SS. The inverted Cole-Cole chargeabilities are shown in Figure 3. Weak chargeabilities can be seen along the east and west flanks of the MBX stock, especially over DWBX, and in a small area southwest of SS stock. For comparison, the chargeability slice at 40m depth, created by UBC 3D airborne IP inversion of the same VTEM data from Kang *et al.*, 2014, is also shown.



Figure 3: Mt. Milligan AIIP apparent chargeability.

The AIIP apparent resistivity of Mt. Milligan area is shown in Figure 4. A relatively low resistivity halo can be seen surrounding the SS stock.



Figure 4: Mt. Milligan AIIP apparent resistivity.

Tullah, Tasmania

The most important metallogenic event in Tasmania occurred in Middle Cambrian as the post collisional proximal submarine volcanism and the deposition of the Mount Read Volcanics (MRV) and associated world-class deposits (Seymour *et al.*, 2007).

The study area is located near Tullah, northwest Tasmania. The western half of the study area is covered by Late Cambrian quartz sandstone, Ordovician limestone and Quaternary alluvium and marine sediments (Figure). The eastern half is dominated by the Middle Cambrian volcanics (Corbett, 2002).

The Mount Lyell, located south of the study area, hosts 311 Mt 0.97% Cu and 0.31 g/t Au disseminated chalcopyritepyrite ore bodies in alteration assemblages of mainly quartz-sericite or quartz-chlorite-sericite.



Figure 5: Regional geology of study area, Tullah, Tasmania.

From December 2012 to February 2013, Geotech carried out a helicopter-borne geophysical survey over the study area. Numerous negative transients were observed in the VTEM voltage data (Figure). The Z-component data, from 0.216 to 7.56 milliseconds in off-times, were processed for AIIP apparent chargeability.



Figure 6: Sum of negative transients and two VTEM profiles, Tullah, Tasmania.

The amplitudes of VTEM data over resistive grounds are relatively now. If the number of decay data in the off-time windows is below a user specified noise threshold, then the decay will be skipped. The calculated AIIP apparent chargeability and resistivity of the study area are shown in Figure . The chargeability map follows the sum of negative transients closely. The sources of the AIIP could be clays or sulphides, or a combination of both.



Figure 7: AIIP apparent chargeability and resistivity, Tullah, Tasmania.

DISCUSSION

For real VTEM data contaminated with noise and geology different from uniform half-space, two constraints, a restricted range of inverted apparent resistivity and the use of proper frequency factor, are required in order to for AIIP mapping tool to generate geologically meaningful outputs.

The range of acceptable inverted AIIP apparent resistivity can be estimated by other means and one of them is the Resistivity Depth Imaging (RDI) technique based on the transformation scheme described by Meju (1998).

Extensive discussions on frequency factor are provided in Pelton *et al.* (1978). A reasonable average of frequency factors can be obtained using AIIP forward modeling of VTEM decays of selected locations within a survey area. If the frequency factors are widely distributed, then AIIP mapping should be run using several frequency factors.

CONCLUSION

An improved version of AIIP mapping tool based on Airbeo (CSIRO/AMIRA) has been created for the in-loop VTEM system, which is optimally configured to excite a unique AIIP response, including negative transients in mid to late times over resistive grounds from bodies of modest chargeability. Test results on field VTEM data prove that the new AIIP mapping tool can work, if the inverted resistivity range is restricted and the proper frequency factor is used. The derived AIIP apparent chargeability map provides additional information for the interpretation of VTEM data.

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APPENDIX B: Final Deliverables

B1: Databases

A1_ch25t55_aiip_final.gdb; A2_ch25t55_aiip_final.gdb; A3_ch20t55_aiip_final.gdb; A4_ch20t55_aiip_final.gdb; A5_ch25t55_aiip_final.gdb;

Database channel descriptions;

A1, A2 and A5 blocks

Channel	Descriptions	Unit
Х	UTM Easting (NAD83, UTM zone 7N)	meter
у	UTM Northing (NAD83, UTM zone 7N)	meter
radarb	EM TX-RX height above ground	meter
sfzo	Observed dB/dt Z component array (Ch 25 to 55), 31 chs	pV/Am ⁴
sfzc	Calculated dB/dt Z component array (Ch 25 to 55), 31 chs	pV/Am ⁴
chg_final	Final AIIP apparent chargeability	V/V
res_final	Final AIIP apparent resistivity	Ohm-m

A3 and A4 blocks

Channel	Descriptions	Unit
Х	UTM Easting (NAD83, UTM zone 7N)	meter
у	UTM Northing (NAD83, UTM zone 7N)	meter
radarb	EM TX-RX height above ground	meter
sfzo	Observed dB/dt Z component array (Ch 20 to 55), 36 chs	pV/Am ⁴
sfzc	Calculated dB/dt Z component array (Ch 20to 55), 36 chs	pV/Am ⁴
chg_final	Final AIIP apparent chargeability	V/V
res_final	Final AIIP apparent resistivity	Ohm-m

B2: Grids

A#_chg_finalw.grd: AIIP apparent chargeability grids; A#_res_final.grd: AIIP apparent chargeability grids;





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