AURORA GEOSCIENCES

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MEMORANDUM

To: Vincent Li
Canadian Dehua International
Mines Group Inc.

Date: 25 Oct 2010

From: Leatina Wood

Re: K Block Property Airborne Magnetic Interpretation

This memorandum summarizes data processing and interpretation of airborne magnetic data collected on the K Block Claims by Precision GeoSurveys Inc. in July and August of 2010. Flight lines were flown at 45°/225° with 100m line separation. Tie lines were flown perpendicular and spaced at 1000 m. Magnetic data as well as radiometric data was collected during the survey. All data was levelled by Precision GeoSurveys Inc.,and all data interpreted herein was based on the final data provided.

1.0 Data Sets

The following data sets were examined and interpreted:

Type	Date acquired	Remarks
Airborne magnetics	August 2010	Airborne Geophysical Survey Report - Dehua, K-Block Property by Precision GeoSurveys Inc. (2010)
Airborne radiometrics	August 2010	Airborne Geophysical Survey Report - Dehua, K Block Property by Precision GeoSurveys Inc. (2010)
Regional stream sediment geochemistry	1985	Regional stream sediment and water geochemical reconnaissance data, Yukon Territory: Geological Survey

		of Canada Open File 1220 (1986)
Yukon Bedrock Geology	Released 2003	Yukon bedrock geology: Yukon digital geology, Version 2.0, S.P. Gordey and A.J. Makepeace (comp); Geological Survey of Canada Open File 1749 and Yukon Geological Survey Open File 2003-9(D)

2.0 Interpretation Procedures

The data was interpreted using the procedures below:

1. All data was plotted in a digital map with each data set on a separate layer. Topographic data, regional bedrock geology and geochemical copper anomalies were used as underlays.

2. The total magnetic field (TMF) was gridded using a minimum curvature algorithm with a 25m cell size. Preliminary targets were based on magnetic highs occurring across the K Block. Targets not located within the Early Jurassic pluton unit (marked EJgA on the base map) were subsequently discarded as not conforming to the ideal target response for the region.

3. Frequency filtered grids were produced to highlight trends and targets obscured by regional magnetic trends. High pass frequency filtering was used to enhance the response from small-scale features on the order of a few hundred meters (a scale similar to that of the Minto deposit). The first vertical derivative (VD) is sensitive to steeply dipping structures and was used as an edge detector. A high pass filter was created by subtracting upward continued data (UCD - an effective low pass filter) from the original TMF. Several different heights were tested but the best results were obtained from upward continuation of 100 m and 1000 m. Another high pass filter was created by subtracting downward continued data (DCD) from original TMF. Downward continuation of 25 m allowed targets below magnetically quiet overburden to be emphasized.

4. Magnetic targets chosen were overlain on the radiometric results and compared with corrected values for potassium, uranium and thorium.

5. Final maps were prepared for each data channel showing the anomalies and targets identified during the previous steps.

3.0 Target Response

The K Block claims are located approximately 20 km northwest of the Minto Mine Site in the Whitehorse Mining District, Yukon Territory. Targets on the K Block were chosen based on similarities to Minto style deposits. Minto style copper and gold deposits are hosted in the intermediate to felsic Early Jurassic Minto pluton (Yukon Minfile #115I 021). Minto style magnetic targets tend to be rounded magnetic highs with 200 m to 300 m strike length.

Mineralization of the Minto deposit occurs in weakly to strongly foliated granitoids which are hosted in massive undeformed granites (Hood, *et al.* 2008). Post-mineralization faulting may account for discontinuities within the mineralized zones (Hood, *et al.* 2008).

4.0 Results

The following figures are attached to this report:

Figure 1.	K Block Base Map featuring Total Magnetic Field
Figure 2.	K Block Base Map featuring First Vertical Derivative
Figure 3.	K Block Base Map featuring 100 m Upward Continuation
Figure 4.	K Block Base Map featuring 1000 m Upward Continuation
Figure 5.	K Block Base Map featuring 25 m Downward Continuation
Figure 6.	K Block Base Map featuring Corrected Potassium
Figure 7.	K Block Base Map featuring Corrected Uranium
Figure 8.	K Block Base Map featuring Corrected Thorium

All geographical locations in this report are expressed in UTM Zone 8N (metric) coordinates relative to the WGS84 datum. General features of note are described below.

4.1 Bedrock Geology

The bedrock geology is accurate at the 1:250000 scale. Contact relationships between units (ie; faults and folds) were not used in this investigation. Here is brief summary of major lithologies appearing on the map.

Unit ID	Age	Description
DMgPW	Devonian to Mississippian	Metamorphic Orthogneiss
DMN2	Devonian to Mississippian	Metamorphic limestone, marble
DMN5	Devonian to Mississippian	Metamorphic clastic, quartzite/ quartz-mica schist
EJgA	Early Jurassic	Intermediate to felsic pluton - diorite, granodiorite, monzodiorite
TQS	Tertiary (?) or Quaternary	Mafic volcanics - basalt, breccias, tuffs
uKC1	Cretaceous	Felsic volcanics - basalt, breccias, andesite, porhyry, dacite, trachyte
uTrP	Triassic or older	Mafic volcanics - argillite, sandstone, basalt, flows, breccia, tuff, schist, amphibolite, gneiss

4.2 Total Magnetic Field

The TMF shows a distinct division within the Early Jurassic plutonic unit. The Western portion has background values similar to those expected from the International Geomagnetic Reference Field (IGRF). This indicates fewer magnetic minerals present and confirms the intermediate to felsic nature of this unit. However, a strong regional magnetic high occurs to east. A regional difference of 500 nT indicates a change in lithology that has not previously been mapped in detail. For the purpose of this interpretation the eastern portion will be referred to as a mafic suite of the Early Jurassic pluton.

5.0 Targets

Six target groups were identified in the interpretation. Each consists of a set of targets with complementary geophysical responses which are consistent with expected responses from the target model and which in some cases are associated with known geochemical anomalies. The targets are ranked and described in order of decreasing certainty and potential.

5.1 Target Group A: Minto Style with Geochem Anomalies

Targets 22, 23, 24 and 25 form Group A. Each is a small rounded 45 nT to 85 nT

magnetic high. These targets are located upstream from a 20 ppm copper anomaly. Figures 1 and 5 show this target group the best. The targets are described below**:**

Target Number	Easting	Northing	Orientation	Length (m)	Width (m)	Magnetic High (nT)
22	362450	6961275	Strike ~160/340	175	115	85
23	363575	6861790	Strike ~120/300	215	130	45
24	363650	6961330	Strike ~85/265	415	182	45
25	364950	6960810	Strike ~178/348	275	220	55

5.2 Target Group B: Minto Style without Geochem

Targets 28, 29, 30, 31, 32, and 33 form Group B. Each is a small rounded 35 nT to 90 nT magnetic high. Targets 30, 31, 32 and 33 are in a region of high potassium, uranium and thorium values (Figures 6, 7 and 8). Figures 1 and 3 show the magnetic responses of these targets. The targets are described below:

Target Number	Easting	Northing	Orientation	Length (m)	Width (m)	Magnetic High (nT)
28	366100	6957280	Strike ~0/180	215	180	90
29	366165	6958085	Strike ~0/180	245	170	60
30	358690	6963680	Strike ~0/180	150	130	35
31	357710	6963500	Strike ~80/260	285	150	35
32	356830	6963450	Strike ~0/180	220	200	45
33	356385	6963465	Strike ~120/300	385	135	45

5.3 Target Group C: Mafic related Geochem Anomalies

Targets 17 and 19 are hosted in the mafic suite of the Early Jurassic plutonic unit. They

are both larger than the ideal Minto style targets. 18 ppm copper anomalies next to these magnetic highs increase their priority in the target list. Figures 2 and 4 show this target group clearly. The targets are described below:

Target Number	Easting	Northing	Orientation	Length (m)	Width (m)	Magnetic High (nT)
17	369100	6963500	Strike ~90/270	850	350	890
19	368925	6961630	Strike ~0/180	300	275	505

5.4 Target Group D: Non-magnetic Geochem Anomalies

Upstream of copper anomalies, targets 34 and 35 are broad zones without distinct magnetic features. The 100 m UCD of Figure 3 shows a possible magnetic high connecting the two stream heads. Figure 6 shows that area is within a potassium high. The targets are described below:

Target Number	Easting	Northing	Downstream Copper (ppm)
34	359700	6961600	25
35	358300	6961750	15

5.5 Target Group E: Large Magnetic Highs

Targets 12, 13, 26 and 27 are hosted in the target bedrock unit, however they are much larger than Minto style targets. Targets 12 and 13 are 160 nT and 190 nT magnetic highs that appear to be part of a larger structural unit (Figure 1). Targets 26 and 27 are 50 nT magnetic highs. The targets are described below:

Target Number	Easting	Northing	Orientation	Length (m)	Width (m)	Magnetic high (nT)
12	364810	6959000	Strike ~160/340	450	135	190

13	364800	6958100	Strike ~110/290	210	200	165
26	363610	6958750	Strike~ 115/295	600	300	50
27	365600	6957550	Strike ~135/315	575	475	50

5.6 Target Group F: Magnetic Dipoles

Targets 7, 8 and 9 are small magnetic dipoles. Magnetic dipoles although not part of the Minto style magnetic model could represent areas of interest. Targets 8 and 9 are along the boundary between the Early Jurassic plutonic unit and the Tertiary mafic volcanic unit to the east. Moderate magnetic highs connect all three targets suggesting a structurally relationship between the magnetic dipoles. The targets are described below:

Target Number	Easting	Northing	Orientation	Length (m)	Width (m)
7	365350	6958700	Strike ~170/350	350	225
8	367030	6957957	Strike ~60/240	220	200
9	367433	6957887	Strike ~54/234	460	150

6.0 Products

The following products are attached to this report:

6.1 Geotiff Grids

The following images in GeoTIFF format are included as zipped files:

From Figure 1	Total Magnetic Field with linear colorbar from 57420.9 nT to 58193.6 nT in a separate file.
From Figure 2	First Vertical Derivative with linear colorbar from -142.9 nT/m to 284.3 nT/m in a separate file.

From Figure 3	100 m Upward Continuation with linear colorbar from -108.7 nT to 168.7 nT in a separate file.
From Figure 4	1000 m Upward Continuation with linear colorbar from -214.8 nT to 402.4 nT in a separate file.
From Figure 5	25 m Downward Continuation with linear colorbar from -96.7 nT to 74.0 nT in a separate file.
From Figure 6	Corrected Potassium with linear colorbar from 9.9 cps to 55.9 cps in a separate file.
From Figure 7	Corrected Uranium with linear colorbar from 2.9 cps to 10.7 cps in a separate file.
From Figure 8	Corrected Thorium with linear colorbar from 3.3 cps to 13.9 cps in a separate file.

6.2 ArcView Shape File

A georegistered ArcView Shape file (.shp) is included of the targets shown on all maps.

6.3 PDF Maps

PDF versions of all 8 figures are included. As well as a PDF copy of this report.

Respectfully submitted,
Aurora Geosciences Ltd.

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Geophysicist

References

Hood, S., Hickey, K., Colpron, M. and Mercer, B. (2009) High-grade hydrothermal copper-gold mineralization in foliated granitoids at the Minto mine, central Yukon. *In:* Yukon Exploration and Geology 2008, L.H. Weston, L.R. Blackburn and L.L. Lewis (eds), Yukon Geological Survey, p. 137 - 146.

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Precision GeoSurveys Inc. (2010). Airborne Geophysical Survey Report K-Block Property.