

2010 ASSESSMENT WORK REPORT- AN
AIRBORNE MAGNETIC-RADIOMETRIC SURVEY PROGRAM
REPORT
ON GROUT CLAIMS PROPERTY

AT FORT SELKIRK AREA

NTS Map Sheets No: 115J/10, 115J/11,115J/14

Latitude: 62°41' N Longitude: 139°08' W

Whitehorse Mining District
YUKON TERRITORY

Work date: Sep. 28, 2010 to December 25, 2010

Author: Rong ju, Xie

Claims owner: Canadian Dehua International Mines Group Inc.

Address: 820-1130 West Pender Street Vancouver, BC, Canada V6E 4A4

Date: Oct.23, 2011

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INTRODUCTIN

Grout Claims Group (Grout Property), including 602 claims, 100 % held by Canadian Dehua International Mines Group Inc. (Dehua Mines), located within Fort Selkirk area, in Whitehorse Mining District, Yukon Territory. Its Latitude and Longitude are 62°41' N, 139°8' W respectively. In 2010, an initial geophysical assessment program was employed in order to define any prospective mineral targets for further exploration aiming on porphyry or intrusion related Cu-Au-Mo mineralization. The airborne magnetic-radiometric survey operations and data processing actions were taken during the initial geophysical survey and then the afterwards geological and mineral exploration targeting interpretation work were carried out. Airborne Geophysical survey and data processing were carried out by Precision GeoSurveys Inc. and the post geological interpretation and mineral targeting work have been done by Mira Geosciences Inc. All the mentioned work completed in schedule during a period of Sep. 28 to December 25, 2010.

Grout Property survey area is approximately 261 square km. The survey area itself is approximately 17 km by 24 km. A total of 1216.7 line kilometers of radiometric and magnetic data were flown for this survey, this total includes tie lines and survey lines. The survey lines were flown at 100 meter spacing at a 000°/180° heading (fig.1); the tie lines were flown at 1 km spacing at a heading of 090°/270°. Bell 206 BIII Jet Ranger mounted magnetometer; spectrometer and related AGIS equipment have been employed for this work being completion.

Mira Geosciences Inc (based in Vancouver) on behalf of Dehua Mines have developed post geological and mineral targeting interpretation. As results mineral exploration targets were produced for next stage field follow up investigation.

1.0 LOCATION AND ACCESS

The Grout property, situated along Yukon River, located at Fort Selkirk area, approximately 150 km southeast of Dawson City, Yukon Territory (Fig.1). Latitude and longitude coordinates are 62°41' N, 139°08' W respectively.

There is no ground road to the property at being time. Access was by helicopter from Carmacks, Beaver Creek or Dawson City, YT.

2.0 PHYSIOGRAPHY

The topography is moderate with long sinuous ridges incised by narrow valleys heading down varied directions to larger swampy creek valleys. Vegetation consists of moss, birch,

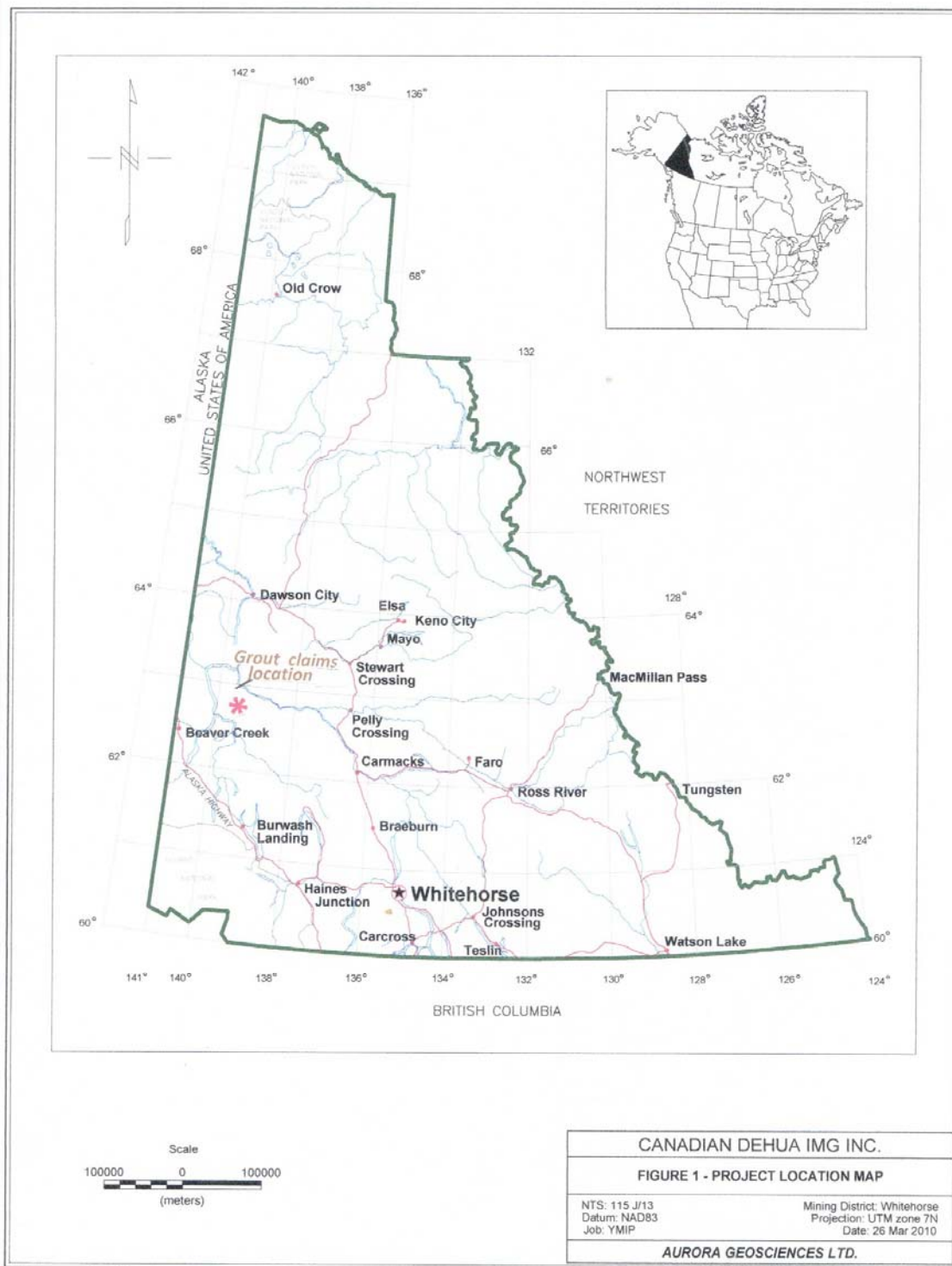


Fig.1 Location of Grout Claims

poplar, and spruce with thick alder and buck brush. Elevations range from 650m to 1140 m generally. Snow accumulates from early October and melts at the end of May every year.

3.0 LEGAL DESCRIPTION

Grout Claims Group (Grout Property), including 602 claims (see table below). NTS Map Sheets are 115J/10, 115J/11 and 115J/14, with an approximate area of 261 square km. The property is 100 % held by Canadian Dehua International Mines Group Inc. (Dehua Mines), located within Fort Selkirk area, in Whitehorse Mining District, Yukon Territory. Its Latitude and Longitude are 62°41' N, 139°08' W. 21 months has been filed and, based on the acceptance of this report, will validate the claims to a new date following. A table and fig.2 showing pertinent claims date follows.

Table 1 Claims list: Grout Claims (602)

CLAIM NUMBER	GRANT NAME	NUMBER OF CLAIMS	EXPIRED DATE
Grout 1- Grout 100	YD20541-YD20640	100	*Dec 18, 2012
Grout 101- Grout 200	YD20641-YD20740	100	*Dec 18, 2012
Grout 201- Grout 359	YD20741-YD20899	160	*Dec 18, 2012
Grout 360- Grout 559	YD54501-YD54700	200	*Dec 18, 2012
Grout 560- Grout 602	YD22301-YD22343	42	*Dec 18, 2012

Note: * Expiry date based on acceptance of this report.

4.0 HISTORY WORK

- 1984, a 1:250 000-scale geological map of the Carmacks map sheet was published by Tempelman-Kluit.
- 2001, a low-level airborne magnetic and radiometric survey was flown over the entire Minto-Williams Creek area by the Geological Survey of Canada and the Yukon Geology Program (Shives et al., 2002). No geological interpretation of this new geophysical data set has yet been published.
- 2003, stream sedimentary analyses of this regional area from the Yukon Regional Geochemical Database (Yukon geological Survey) have been done, which may provide some sight.

5.0 BEDROCK GEOLOGY

The bedrock geology is accurate at the 1:250000 scale. Here is brief geological setting summary of major lithography appearing on the informally named Camarcks copper belt region, in which the Group property is located.

5.1 Geological units list

Here studied the geology is covering an area that is limited within Camacks copper belt, northeastern part of Dawson Range Belt.

- Unit 1, (TQS) Quaternary deposits
- Unit 2, (uKC1) Late Cretaceous Carmacks group volcanic rocks and Late Jurassic to Cretaceous Tantalus Formation sedimentary rocks
- Unit 3, (MkgW) Early and mid-Cretaceous plutonic rocks
- Unit 4, (EJgA) Late Triassic-Early Jurassic plutonic rocks (granite batholith)
- Unit 5, (uTrP) Paleozoic (?) and /or Triassic (?) mafic volcanic rocks (located at northeast or east)
- Unit 6, (DMpW) Paleozoic metamorphic rocks (Yukon-Tanana Terrane)

5.2 Bedrock contacts

Intermediate to felsic intrusive and meta-intrusive rocks (unit 3) of the early Mesozoic Granite Batholith underlie much of this area and are interpreted to be intrusive to the Yukon-Tanana Terrane (unit 6) (Gordey and Makepeace, 1999). The batholithic rocks are in fault and/or intrusive contact with an unnamed package of altered mafic volcanic rocks (unit 5) to the northeast, and are unconformably overlain by sedimentary rocks and volcanic flow rocks of the Late Cretaceous Tantalus Formation and Late Cretaceous Carmacks Group (unit 2), respectively. Early and mid-cretaceous plutonic rocks (unit 4) are identified in southwest of the belt suggested to be fault or intrusive contact with Granite Mountain batholith and Yukon-Tanana Terrane metamorphic rocks. Unit 1 Quaternary deposits composed of loose gravels, silt and sand covered mostly further northeast area.

Copper and gold mineralisation in this belt are hosted by deformed and metamorphosed rafts and pendants of older intrusive rock units and supracrustal rocks are contained within the Granite Batholith. Regional structure is poorly understood because outcrop is very sparse (<1% exposure), and deeply weathered. In addition, there is a lack of detailed geological mapping in this area.

6.0 MAGNETIC-RADIOMETRIC SURVEY

Dehua Mines has employed airborne magnetic-radiometric survey by qualified Precision GeoSurveys Ltd for field data collection through.

6.1 Survey Operations

Precision GeoSurveys flew the Grout property using a Bell 206 BIII Jet Ranger. The survey lines were flown at a nominal line spacing of one hundred (100) meters and the tie

lines were flown at 1 km spacing for both the spectrometer and magnetometer as they were acquired simultaneously. The average survey elevation was 32.4 meters vertically above ground. Refer to figure 3, which showing magnetic-radiometric survey lines on Grout property.

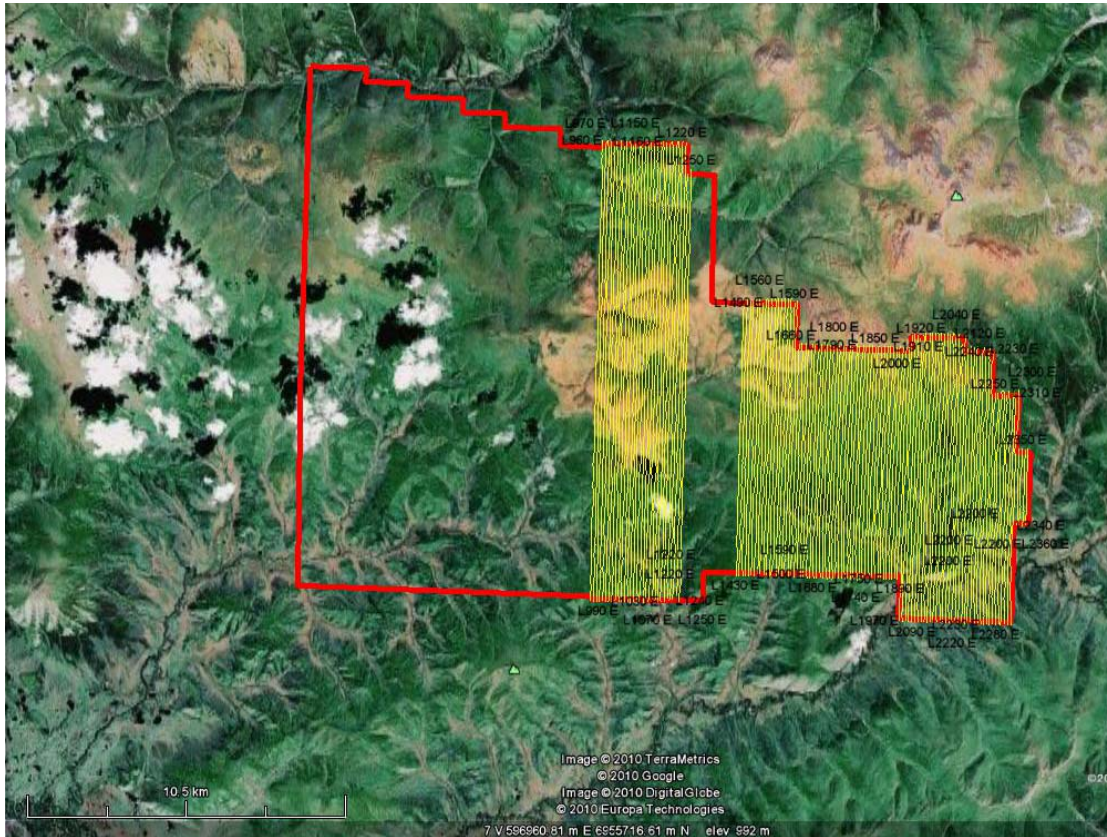


Fig.3 Flown survey line showing with Google map

The base of operations for this survey was Minto airstrip located adjacent to the Klondike Highway approximately 62 km northwest of Carmacks, Yukon Territory. The Precision crew consisted of a total of three members:

Paul Greenwood – Pilot
 Peter Barker – Operator
 Jenny Poon – On-site Geophysicist

The first day of survey took place on Sep 30, 2010, and the last day of surveying was Oct 04, 2010. The survey was terminated by the bad weather.

6.2 Equipment

For this survey a magnetometer, spectrometer and a data acquisition system were required to carry out the survey and collect quality, high-resolution data.

6.2.1 AGIS

The Airborne Geophysical Information System (AGIS) is the main computer used in data recording, data-sensor synchronizing, and display of real-time QC data for the geophysical operator, and generation of navigation information for the pilot display system

The AGIS was manufactured by Pico Envirotec, therefore the system uses standardized Pico software and external sources are connected to the system via RS-232 serial communication cables. The AGIS data format is easily converted into Geosoft or ASCII file formats by a supplied conversion program called PEIView. Additional Pico software allows for post survey quality control procedures.

6.2.2 Spectrometer

The IRIS, or Integrated Radiometric Information System is a fully integrated, gamma radiation detection system containing two downward facing NaI detecting crystals for a total volume of 8.4 litres. The IRIS is equipped with upward-shielding high density RayShield® gamma-attenuating material to minimize cosmic and solar gamma noise. Real time data acquisition, navigation and communication tasks are integrated into a single unit that is installed in the rear of the aircraft as indicated below. Information such as total count, counts of various elements (K, U, Th, etc.), temperature, barometric pressure, atmospheric humidity and survey altitude can all be monitored on the AGIS screen for immediate QC. All the radiometric data are recorded at 1 Hz.

6.2.3 Magnetometer

The magnetometer used by Precision GeoSurveys is a Scintrex cesium vapor CS-3 magnetometer. The system was housed in a front mounted “stinger”. The CS-3 is a high sensitivity/low noise magnetometer with automatic hemisphere switching and a wide voltage range; the static noise rating for the unit is +/- 0.01 nT. On the AGIS screen the geophysical operator can view the raw magnetic response, the magnetic fourth difference and the survey altitude for immediate QC of the magnetic data. The magnetic data are recorded at 10 Hz. A magnetic compensator is also used to remove noise created by the movement of the helicopter as it pitches, rolls and yaws within the Earth’s geomagnetic field.

6.3 Data Processing

After all the data are collected after a survey flight, several procedures are undertaken to ensure that the data meet a high standard of quality. All data were processed using Pico

Envirotec software, Geosoft Oasis Montaj geophysical processing software, and proprietary software.

6.3.1 Magnetic Processing

During aeromagnetic surveying noise is introduced to the magnetic data by the aircraft itself, movement in the aircraft (roll, pitch and yaw) and the permanent magnetization of the aircraft parts (engine and other ferric objects) are large contributing factors to this noise. To remove this noise a process called magnetic compensation is implemented. The magnetic compensation process starts with a test flight at the beginning of the survey where the aircraft flies in the four orthogonal headings required for the survey at an elevation where there is no ground effect in the magnetic data. In each of the four cardinal survey headings roll, pitch and yaw maneuvers are performed by the pilot, these maneuvers provide the data that is required to calculate the necessary parameters for compensating the magnetic data with a resulting Figure of Merit of less than 3 nT. A computer program called PEIComp is used to create a model for each survey to remove the noise induced by aircraft movement; this model is applied to each survey flight so the data can be further processed.

A magnetic base station is set up before every flight to ensure that diurnal activity is recorded during the survey flights. Precision GeoSurveys uses a Scintrex Envi-Pro base station at a sample rate of 2 seconds. Base station readings were reviewed at regular intervals to ensure that no data were collected during periods with high diurnal activity (greater than 5 nT per minute). The base station was installed at a magnetically noise-free area, away from metallic items such as steel objects, vehicles, or power lines. The magnetic variations recorded from the stationary base station are removed from the magnetic data recorded in flight to ensure that the anomalies seen are real and not due to solar activity.

A Non Linear filter was used for spike removal. The 1D Non-Linear Filter is ideal for removing very short wavelength, but high amplitude features from data. It is often thought of as a noise spike-rejection filter, but it can also be effective for removing short wavelength geological features, such as signals from surficial features. The 1D Non-Linear Filter is used to locate and remove data that are recognized as noise. The algorithm is 'non-linear' because it looks at each data point and decides if that datum is noise or a valid signal. If the point is noise, it is simply removed and replaced by an estimate based on surrounding data points. Parts of the data that are not considered noise are not modified. The low pass filter simply smoothes out the magnetic profile to remove isolated noise by allowing low-frequency signals to pass and reduces the amplitude of signals with frequencies higher than the cut-off frequency.

A lag correction was applied to the total magnetic field data to compensate for the lag in the recording system as the magnetometer sensor flies 6.45 m ahead of the GPS antenna. Thus, a lag correction of 1.7 seconds was applied to the data.

6.3.2 Radiometric Processing

Radiometric data are processed by windowing the full spectrum to create channels for U, K, Th and total count. The data are then lightly filtered and corrected for survey altitude at standard temperature and pressure. Background radioactive contributions from the aircraft, cosmic radiation and atmospheric radon must also be removed. Finally the data are corrected by removing spectral overlap; this is done using the stripping ratios that have been calculated for the spectrometer by prior calibration, this breaks the corrected elemental values down into the apparent radioelement concentrations.

6.3.3 Final Data Format

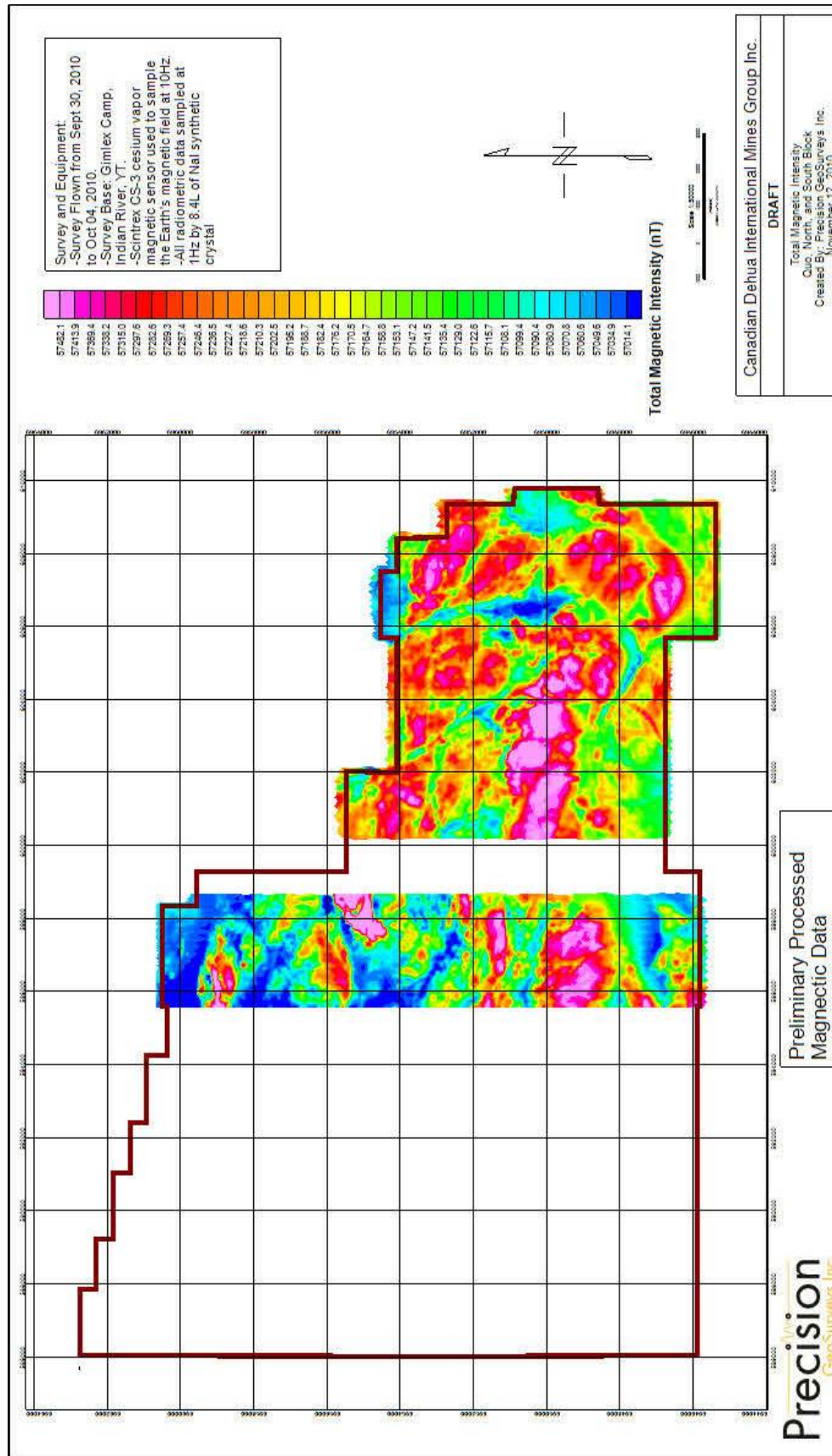
The data files are provided in two (2) formats, the first is a “.GDB” file for use in Geosoft Oasis Montaj, the second format is a “.XYZ” file, this is a text file. Two separate files are provided for each format, one for the magnetics and one for the radiometrics. Data spatial coordinates are UTM zone 8N with datum of WGS84. Other parameters and Abbreviations involved refer to data sets specification of Precision GeoSurveys. Survey specification listed in Table 2. Inducing magnetic parameter listed in Table 3. The total magnetic intensity map is attached as Figure 4. Figure 5 is map Shows radiometric count on the Grout Property.

Table 2: Survey specifications to Grout Property

Survey acquisition	Sep-Oct. 2010, by Precision Geosurveys Inc.
Data format	Geosoft GDB, ASCII
Flight Height	Radar altimeter, GPS (nominal flight height of 30m)
Coordinates	GPS Easting and Northing
Flight line spacing	100 meters traverse, 1000 tie lines
Line direction	0°/180°Grout Property
Data spacing	Approximately every 2 meters along flight track
Line kilometers	1216.7km
Data projection	WGS84 UTM zone 8N

Table 3: Inducing Magnetic Field Parameters to Grout Property

Parameters	Grout Property
Latitude (degrees N)	62.6702
Longitude (degrees E)	-139.1352
Mean Elevation (m)	789.449
Survey Date	Sep 30 – Oct 04, 2010
Magnetic Field Inclination (degrees)	77.300
Magnetic Field Declination (degrees)	22.817
Magnetic Field Magnitude (nT)	57378.1



7.0 Conclusion

The airborne magmatic-radiometric survey on Grout group claims did not complete due to the early snowing in 2010.

The flying task will resume in 2011. Collected data has delivered to Mira Geosciences for further processing. The results will be come out after the whole property has been flown over.

On the basis of data interpretation, ground field work will follow up.

Reference

- Energy, Mines and Resources of Yukon, Schedule of Representation Work & Quartz Grouping Guidelines, Quartz Mining Act Section 55 & 56 January 2010.
- K.E. MacFarlane, L.H. Weston and C. Relf, 2010, Yukon Exploration and Geology Overview 2010. Yukon Geological Survey, p. 19.
- Reza Tafti and James K. Mortensen, 2004, Early Jurassic porphyry (?) copper (-gold) deposits at Minto and Williams Creek, Carmacks Copper Belt, western Yukon, MDRU Earth and Ocean Science UBC, In: Yukon Exploration and Geology 2003, D.S. Emond and L.L. Lewis (eds.), Yukon Geological Survey, p. 290-191.
- Precision GeoSurveys Inc. Airborne Geological survey Report K-Block Property report, Aug 10, 2010.
- Aurora Geosciences Ltd. K Block Airborne Magnetic Interpretation Report. Oct 25, 2010.
- Mira Geosciences Ltd. Integrated Geologic, Magnetic and Radiometric Cu-Au-Mo Targeting on the G, K and O Block Properties near Carmacks, Yukon Territory, Canada. Dec 20, 2010.

Appendix I

Statement of Expenditure for Quo Property Claims Group

1. Grout Claims Group Property airborne Magnetic-Radiometric Survey flew by Precision GeoSurveys Inc. in period of Sep.30 to Oct.04, 2010. Subtotal cost: **\$83,233.50**
2. Grout Property Magnetic and Radiometric Interpretation and Targeting by Mira Geosciences, Oct 31 to Nov 30 contract cost subtotal: **\$22,400.00.**

Total Expenditure Applied for Grout Property Assessment: **\$ 105,633.00**

Appendix II

Statement of Qualification

I, Rongju Xie, do hereby certify that:

I am a geologist employed by *Canadian Dehua International Mine Group Inc.* and Dehua's Yukon project manager.

I graduated from *Guilin University of Technology*, Guilin, Guangxi, China in 1984, granted B.Sc. in geology.

In 1987, I acquired M.Sc. degree from *China University of Geosciences (Wuhan)*;

In 2000, I acquired PhD in Geosciences from *Central South University*, Changsha, China.

I studied in Geology and worked in mineral prospecting more than 20 years, and have related working experience both in China and Canada.

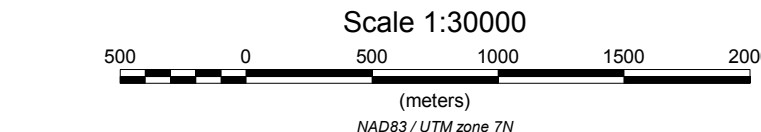
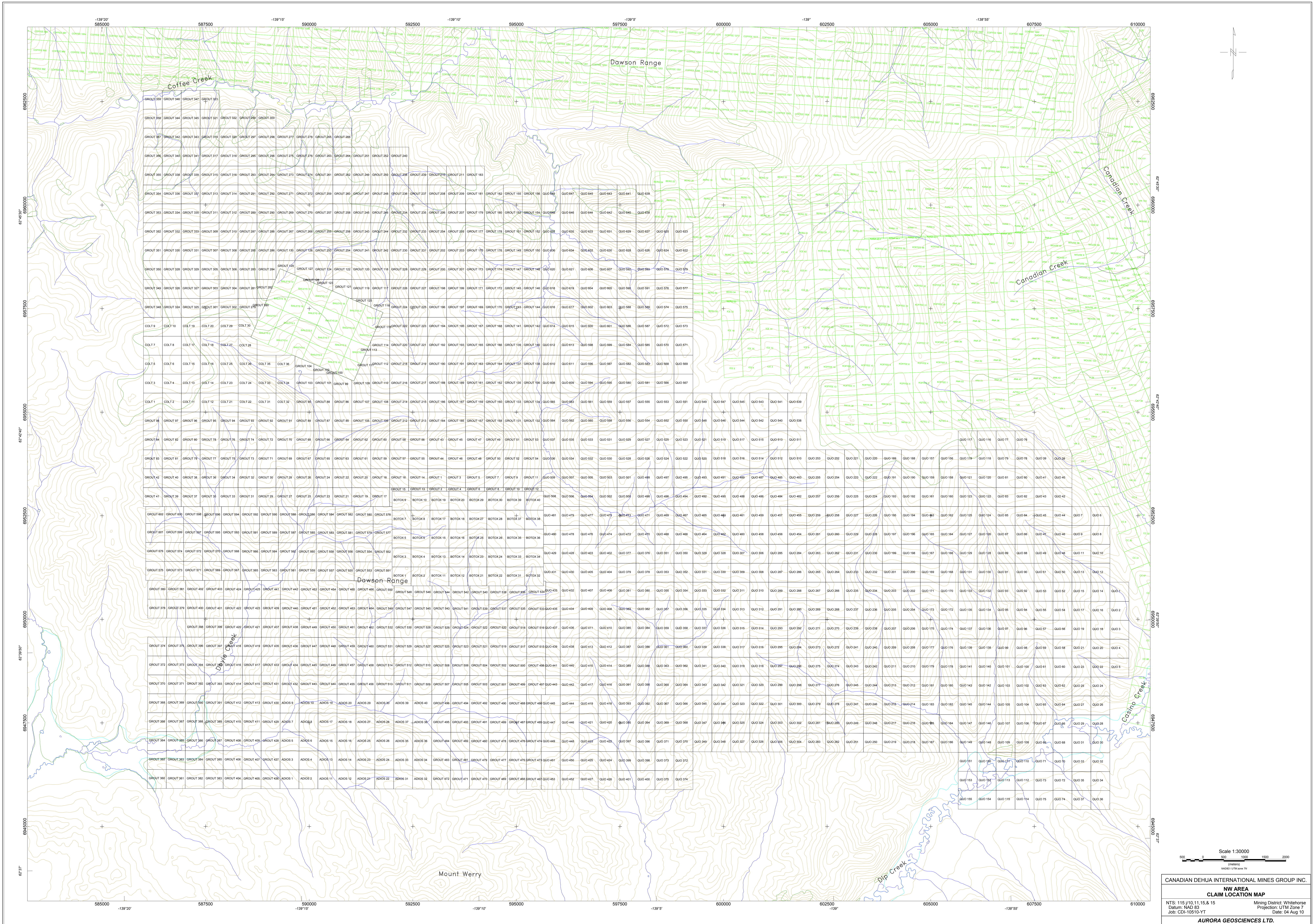
I involved in Dehua's exploration project in Yukon from the beginning, and carried out data collection, assessment report composition of this one.

Rongju Xie

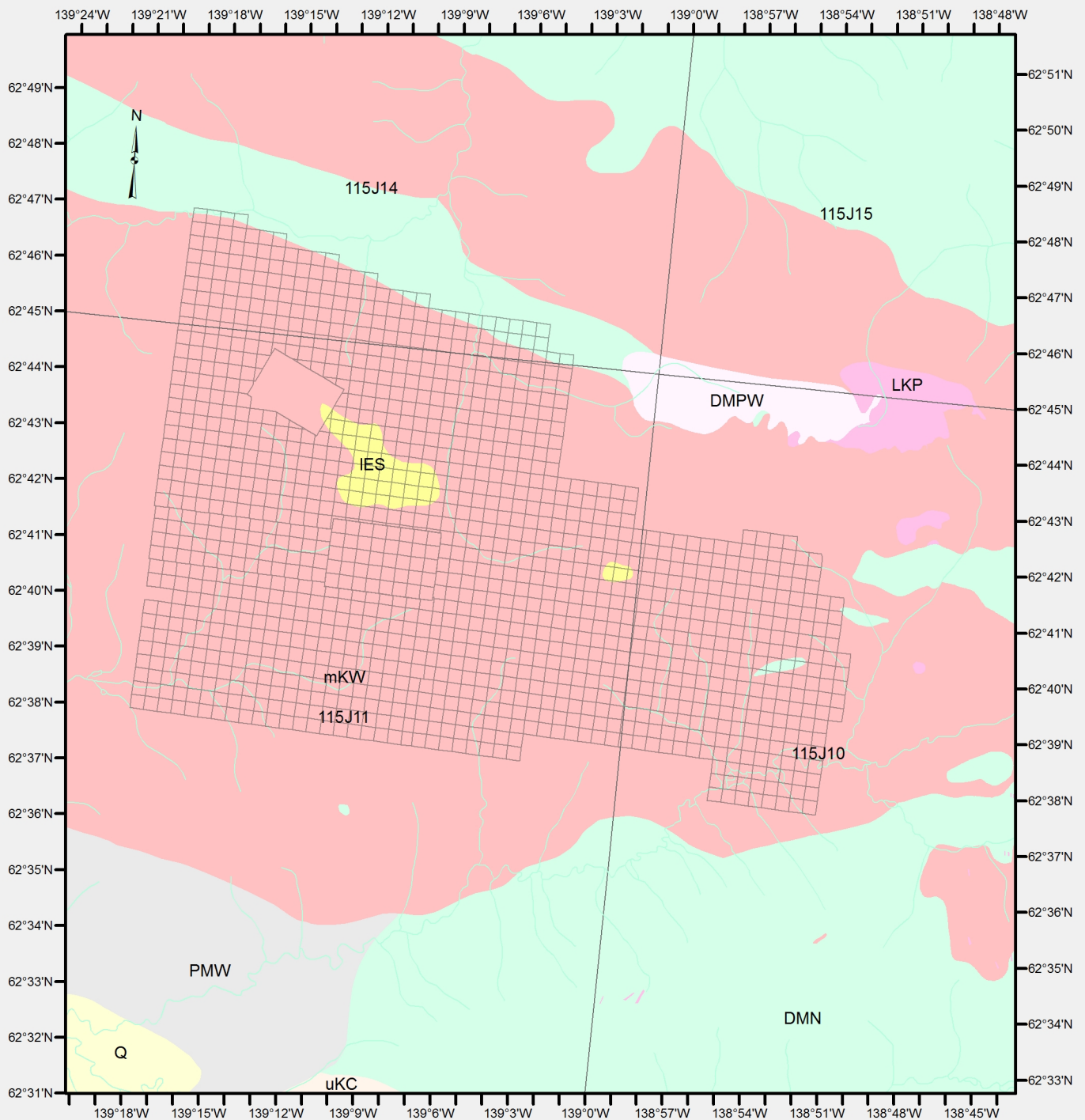
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Geologist

Canadian Dehua International Mines Group Inc.



Scale 1:30000
CANADIAN DEHUA INTERNATIONAL MINES GROUP INC.
NW AREA
CLAIM LOCATION MAP
NTS: 115 / 10, 11, 15, & 15
Datum: NAD 83
Projection: UTM Zone 7
Job: CD-10510-YT
Mining District: Whitehorse
Date: 04 Aug 10
AURORA GEOSCIENCES LTD.



0 0.5 1 2 3 4
kilometers

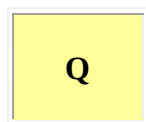
Regional Geology

Grout Claims

NTS 115J/10, 11, 14, 15
Nad 83, Yukon Albers Projection

BEDROCK GEOLOGY LEGEND

QUATERNARY



Q: QUATERNARY

unconsolidated glacial, glaciofluvial and glaciolacustrine deposits; fluvial silt, sand, and gravel, and local volcanic ash, in part with cover of soil and organic deposits

TERTIARY

LOWER EOCENE



IES: SKUKUM

various felsic volcanic dykes, plugs, domes, laccoliths and flows (1) and (2)

1. flow banded rhyolite flows and breccia, andesite flows and breccia, tuff, pyroclastic and epiclastic rocks, granite conglomerate; rhyolite feldspar porphyry domes, plugs and laccoliths; feldspar +/- hornblende +/- quartz-phyric felsite dykes and plugs (Skukum Gp. including Boudette Creek, Butte Creek, Cleft Mountain, Crozier Breccia, Crozier Tuff and Lava, Gault, Jones Creek, Lemieux Creek, MacCauley Creek, Mount Reid, Partridge Lake, Vesuvius and Watson River)
2. heterogeneous intermediate to felsic, hornblende-feldspar porphyritic tuff, flow breccia; volcanoclastic mudstone, sandstone and conglomerate; aphanitic to feldspar porphyritic dacite flows and dykes; flow-banded rhyolite and felsic dykes and sills (Mount Crendon Volcanics, some strata formerly mapped as Mt. Nansen Gp.)

LATE CRETACEOUS TO TERTIARY



LKP: PROSPECTOR MOUNTAIN SUITE

grey, fine to coarse grained, massive, granitic rocks of felsic (q) intermediate (g) rarely mafic (d) composition and related felsic dykes (f)

- d. coarsely crystalline gabbro and diorite
- g. hornblende-biotite granodiorite, hornblende diorite, quartz diorite (Wheaton Valley Granodiorite)
- q. quartz monzonite, biotite quartz-rich granite; porphyritic alaskite and granite with plagioclase and quartz-eye phenocrysts; biotite and hornblende quartz monzodiorite, granite, and leucocratic granodiorite with local alkali feldspar phenocrysts (Prospector Mountain Suite, Carcross Pluton)
- y. syenite
- f. quartz-feldspar porphyry

MID-CRETACEOUS

mKW

mKW: WHITEHORSE SUITE

grey, medium to coarse grained, generally equigranular granitic rocks of felsic (q), intermediate (g), locally mafic (d) and rarely syenitic (y) composition

- d. hornblende diorite, biotite-hornblende quartz diorite and mesocratic, often strongly magnetic, hypersthene-hornblende diorite, quartz diorite and gabbro (Whitehorse Suite, Coast Intrusions)
- g. biotite-hornblende granodiorite, hornblende quartz diorite and hornblende diorite; leucocratic, biotite hornblende granodiorite locally with sparse grey and pink potassium feldspar phenocrysts (Whitehorse Suite, Casino granodiorite, McClintock granodiorite, Nisling Range granodiorite)
- q. biotite quartz-monzonite, biotite granite and leucogranite, pink granophyric quartz monzonite, porphyritic biotite leucogranite, locally porphyritic (K-feldspar) hornblende monzonite to syenite, and locally porphyritic leucocratic quartz monzonite (Mt. McIntyre Suite, Whitehorse Suite, Casino Intrusions, Mt. Ward Granite, Coffee Creek Granite)
- y. hornblende syenite, grading to granite or granodiorite (Whitehorse Suite)

DEVONIAN TO CRETACEOUS?

PMW

PMW: WINDY

oceanic assemblage of ultramafic rocks (1), greenstone (2), chert (3) and carbonate (4) and metamorphosed equivalents? (5)

PMW4

- 1. dun-brown weathering, dark green to black, partly serpentized massive harzburgite and dunite
- 2. sheared and foliated greenstone and related volcanic rocks; minor cherty tuff
- 3. interbedded brown argillite, cherty slate and quartzite
- 4. thin-bedded limestone and marble
- 5. quartz-chlorite-sericite schist, epidote-actinolite greenschist, quartzite, slate, quartz-mica schist, limestone

LATE DEVONIAN TO MISSISSIPPIAN

DMPW

DMPW: PELLY GNEISS SUITE - SOUTHWEST

variably deformed granitic rocks of predominantly felsic (q) to intermediate composition (g) southwest of Tintina Fault

- q. foliated equigranular medium-grained muscovite quartz monzonite; moderately to strongly foliated K-feldspar augen-bearing quartz monzonitic to granitic gneiss (S. Fiftymile Batholith, Mt. Burnham Orthogneiss,)
- g. foliated medium grained, homogeneous biotite granite gneiss to biotite or hornblende granodiorite gneiss; massive to strongly foliated dioritic to granodioritic gneiss; includes interfoliated amphibolite, quartz-mica schist and phyllite (Selwyn

DEVONIAN, MISSISSIPPIAN AND(?) OLDER

DMN

DMN: NASINA

graphitic quartzite and muscovite quartz-rich schist (1), (3)-(5), and(?) (6) with interspersed marble (2) and probable correlative successions (7) - (9)

DMN2

1. dark grey to black, fine grained graphitic and non-graphitic quartzite, grey micaceous quartzite and quartz muscovite (+/-chlorite; +/- feldspar augen) schist, locally garnetiferous; minor graphitic stretched metaconglomerate and metagrit (Nasina assem.)
2. marble (Nasina assem.)
3. quartzite, micaceous quartzite, quartz muscovite (+/-chlorite; +/- feldspar augen) schist, and minor metaconglomerate and metagrit as in (1), but may locally include significant Nisling Assemblage
4. quartzite, micaceous quartzite, quartz muscovite (+/-chlorite; +/- feldspar augen) schist, and minor metaconglomerate and metagrit as in (1), but may locally include significant Klondike Schist Assemblage
5. black-weathering, massive, dark grey to black strongly graphitic quartzite with lesser grey micaceous quartzite and quartz mica schist; commonly shows alternating light and dark grey colour lamination (Nasina quartzite)
6. biotite schist or gneiss; association uncertain, may belong to Nisling Assemblage
7. medium green to yellow green muscovite-chlorite-actinolite-epidote-albite +/- biotite schist to quartz-rich schist, local albite porphyroblasts; green and yellow banded biotite+/-magnetite schist (metatuff?); micaceous quartzite; minor metachert (Hazel)
8. hornblende-oligoclase-quartz+/-biotite +/-actinolite mafic gneiss and schist; hornblende amphibolite; sheared metaplutonic rock with interleaved quartzite and muscovite+/- biotite+/-oligoclase+/-garnet schist; bands of quartzofeldspathic melt (Dorsey)
9. fine grained actinolite+chlorite-muscovite+/-epidote phyllite and schist; calcareous metavolcanic rocks; quartzite; marble; sheared felsic to intermediated metaplutonic rocks; minor calcareous green metasiltstone or metatuff and sandy metacarbonate (Ram Creek)
10. eclogite



**Preliminary Airborne Geophysical Survey Report
of the partially completed
Quo, Grout North, and Grout South Block**

Prepared for: Canadian Dehua International
Mines Group Inc.
November 16, 2010



Precision GeoSurveys Inc.
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1.0 Introduction:

This report outlines the survey operations and data processing actions taken during the airborne geophysical survey flown at the Quo, Grout North, and Grout South Block. The airborne geophysical survey was flown by Precision GeoSurveys Inc. for Canadian Dehua International Mines Group Inc. The geophysical survey, carried out on September 30, 2010 to October 4, 2010 saw the acquisition of gamma ray spectrometer data and magnetic data.

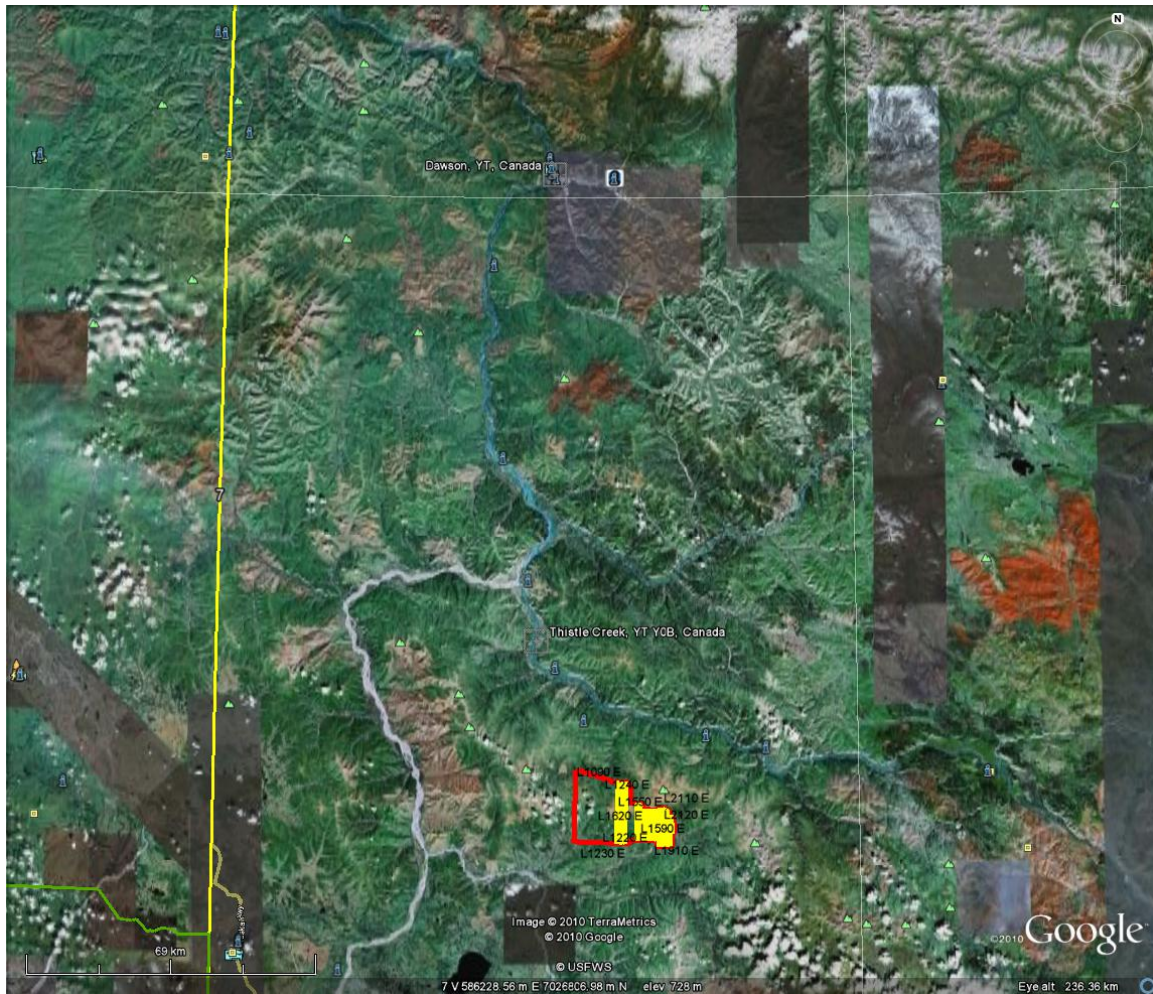


Figure 1: Quo, Grout North, and Grout South Block area location relative to Dawson, YT and Thistle Creek.

The Quo, North and South Grout Block located south of Dawson, YT and south of Thistle Creek (Figure 1). It is located approximately 151 km south-east of Dawson, YT (Figure 2). The survey area itself is approximately 17 km by 24 km. A total of 1216.7 line kilometers of radiometric and magnetic data were flown for this survey, this total

includes tie lines and survey lines. The survey lines were flown at 100 meter spacings at a 000°/180° heading; the tie lines were flown at 1 km spacings at a heading of 090°/270°.

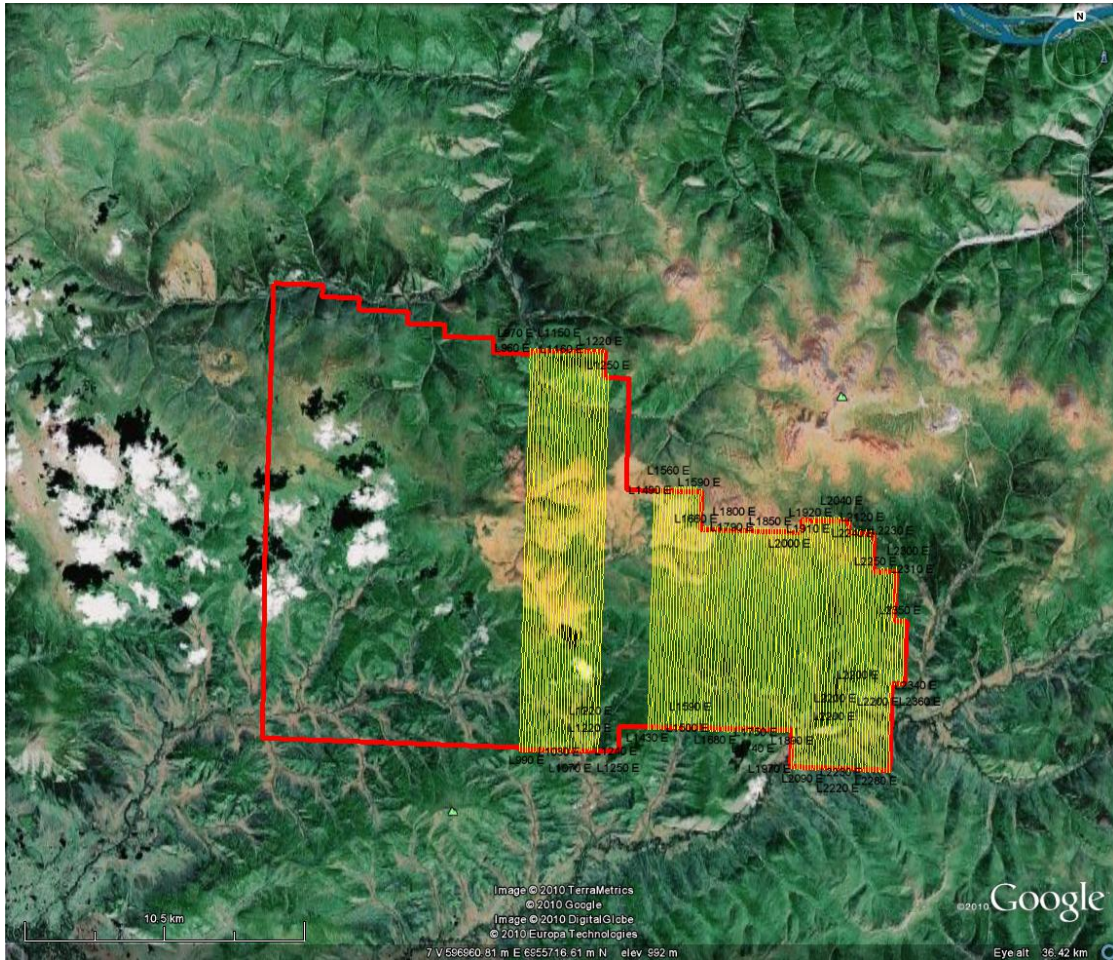


Figure 2: Survey and tie lines outlined in yellow and the boundary in red.

2.0 Geophysical Data:

Geophysical data are collected in a variety of ways and are used to aid in the exploration and determination of geology, mineral deposits, oil and gas deposits, contaminated land sites and UXO detection.

For the purposes of this survey, airborne gamma ray spectrometer and magnetic data were collected to serve in the exploration of the Quo, Grout North, and Grout South Block which contains rocks that host a suite of gold deposit.

2.1 Magnetic Data:

Magnetic surveying is probably the most common airborne survey type to be conducted for both mineral and hydrocarbon exploration. The type of survey specifications,

instrumentation, and interpretation procedures, depend on the objectives of the survey. Typically magnetic surveys are performed for:

1. Geological Mapping to aid in mapping lithology, structure and alteration in both hard rock environments and for mapping basement lithology, structure and alteration in sedimentary basins or for regional tectonic studies.
2. Depth to Basement mapping for exploration in sedimentary basins or mineralization associated with the basement surface.

2.2 Radiometric Data:

Radiometric surveys detect and map natural radioactive emanations, called gamma rays, from rocks and soils. All detectable gamma radiation from earth materials come from the natural decay products of three primary elements, uranium, thorium, and potassium. The purpose of radiometric surveys is to determine either the absolute or relative amounts of U, Th, and K in surface rocks and soils.

3.0 Survey Operations:

Precision GeoSurveys flew the Quo, Grout North, and Grout South Block using a Bell 206 BIII Jet Ranger (Figure 3). The survey lines were flown at a nominal line spacing of one hundred (100) meters and the tie lines were flown at 1 km spacing for both the spectrometer and magnetometer as they were acquired simultaneously. The average survey elevation was 27.9 meters vertically above ground. The experience of the pilot helped to ensure that the data quality objectives were met and that the safety of the flight crew was never compromised given the potential risks involved in airborne surveying.



Figure 3: Bell 206 Jet Ranger equipped with mag stinger for magnetic data acquisition.

The base of operations for this survey was the Gimlex camp located along the Indian river and is approximately 36 km south-east of Dawson, YT. The Precision crew consisted of a total of three members:

Paul Greenwood – Pilot

Peter Barker – Operator

Jenny Poon – On-site Geophysicist

The survey was flown on September 30, 2010 and stopped on October 4, 2010. The survey was not complete due to fog, low cloud ceilings, and variable snow cover affecting the quality of the data being collected.

4.0 Equipment:

For this survey a magnetometer, spectrometer, base station, laser altimeter, and a data acquisition system were required to carry out the survey and collect quality, high resolution data.

4.1 AGIS:

The Airborne Geophysical Information System, AGIS, (Figure 4), is the main computer used in data recording, data synchronizing, displaying real-time QC data for the geophysical operator, and generation of navigation information for the pilot display system.



Figure 4: AGIS installed in the Bell 206.

The AGIS was manufactured by Pico Envirotec; therefore the system uses standardized Pico software and external sources are connected to the system via RS-232 serial communication cables. The AGIS data format is easily converted into Geosoft or ASCII

file formats by a supplied conversion program called PEIView. Additional Pico software allows for post survey quality control procedures.

4.2 Spectrometer:

The IRIS, or Integrated Radiometric Information System is a fully integrated, gamma radiation detection system containing two downward facing NaI detecting crystals for a total volume of 8.4 litres (Figure 5). Real time data acquisition, navigation and communication tasks are integrated into a single unit that is installed in the rear of the aircraft as indicated below. Information such as total count, counts of various elements (K, U, Th, etc.), temperature, barometric pressure, atmospheric humidity and survey altitude can all be monitored on the AGIS screen for immediate QC. All the radiometric data are recorded at 1 Hz.



Figure 5: IRIS strapped into the cargo box of the helicopter.

4.3 Magnetometer:

The magnetometer used by Precision GeoSurveys is a Scintrex cesium vapor CS-3 magnetometer. The system was housed in a front mounted “stinger” (Figure 6). The CS-3 is a high sensitivity/low noise magnetometer with automatic hemisphere switching and a wide voltage range, the static noise rating for the unit is +/- 0.01 nT. On the AGIS screen the operator can view the raw magnetic response, the magnetic fourth difference and the survey altitude for immediate QC of the magnetic data. The magnetic data are recorded at 10 Hz. A magnetic compensator is also used to remove noise created by the movement of the helicopter as it pitches, rolls and yaws within the Earth’s geomagnetic field.



Figure 6: View of the mag stinger.

4.4 Base Station:

For monitoring and recording of the Earth's diurnal magnetic field variation, Precision GeoSurveys uses a Scintrex proton precession Envi Pro magnetometer as its base station (Figure 7). This is mounted as close to the survey block as possible to give high, accurate magnetic field data. The Envi Pro base station, uses the well proven precession technology to sample at a rate of 0.5 Hz. A GPS is integrated with the system to record real GPS time that is used to correlate with the GPS time collected by the CS-3 magnetometer.



Figure 7: Scintrex Envi Pro proton precession magnetometer.

4.5 Laser Altimeter:

The pilot is provided with terrain guidance and clearance with an Acuity AccuRange Ar3000 laser altimeter (Figure 8). This is attached at the aft end of the magnetometer boom. The Ar3000 sensor is a time-of-flight sensor that measures distance by a rapidly-modulated and collimated laser beam that creates a dot on the target surface. The maximum range of the laser altimeter is 300 m off of natural surfaces with 90% reflectance and 3 km of special reflectors. Within the sensor unit, reflected signal light are collected by the lens and focused onto a photodiode. Through serial communications and analog outputs, the distance data is transmitted and collected by the AGIS at 10 Hz.



Figure 8: Acuity AccuRange AR3000 laser altimeter.

5.0 Data Processing:

After all the data are collected after a survey flight several procedures are undertaken to ensure that the data meet a high standard of quality. All data were processed using Pico Envirotec software and Geosoft Oasis Montaj geophysical processing software.

5.1 Magnetic Processing:

During aeromagnetic surveying noise is introduced to the magnetic data by the aircraft itself, movement in the aircraft (roll, pitch and yaw) and the permanent magnetization of the aircraft parts (engine and other ferric objects) are large contributing factors to this noise. To remove this noise a process called magnetic compensation is implemented. The magnetic compensation process starts with a test flight at the beginning of the survey where the aircraft flies in the four orthogonal headings required for the survey (000°/152° and 080°/217° in the case of this survey) at an elevation where there is no ground effect in the magnetic data. In each heading roll, pitch and yaw maneuvers are performed by the pilot, these maneuvers provide the data that is required to calculate the necessary parameters for compensating the magnetic data. A computer program called PEIComp is

used to create a model for each survey to remove the noise induced by aircraft movement; this model is applied to each survey flight so the data can be further processed.

A magnetic base station is set up before every flight to ensure that diurnal activity is recorded during the survey flights. Precision GeoSurveys uses a Geometrics 858 base station and sampled at 0.1Hz. Base station readings were reviewed at regular intervals to insure that no data were collected during periods with high diurnal activity (greater than 5 nT per minute). The base station was installed at a magnetically noise-free area, away from metallic items such as steel objects, vehicles, or power lines. The magnetic variations recorded from the stationary base station are removed from the magnetic data recorded in flight to ensure that the anomalies seen are real and not due to solar activity.

Some filtering of the magnetic data is also required. A Non Linear filter was used for spike removal. The 1D Non-Linear Filter is ideal for removing very short wavelength, but high amplitude features from data. It is often thought of as a noise spike-rejection filter, but it can also be effective for removing short wavelength geological features, such as signals from surficial features. The 1D Non-Linear Filter is used to locate and remove data that are recognized as noise. The algorithm is 'non- linear' because it looks at each data point and decides if that datum is noise or a valid signal. If the point is noise, it is simply removed and replaced by an estimate based on surrounding data points. Parts of the data that are not considered noise are not modified. The combination of a Non-Linear filter for noise removal and a low pass trend enhancement filter resulted in level data as indicated in the results section of this report. The low pass filters simply smooths out the magnetic profile to remove isolated noise.

A lag correction was applied to the total magnetic field data to compensate for the lag in the recording system as the magnetometer sensor flies 6.45 m ahead of the GPS antenna. Following a lag correction of 1.7 seconds, a low-pass filter equivalent to 1 second was then applied to the lag corrected data.

5.2 Radiometric Processing:

Radiometric data was collected simultaneously with the magnetic data and with thick deposit of snow (more than 10 inches) lag correction of 1.4 secs was corrected for the radiometric data only.

5.3 Final Data Format

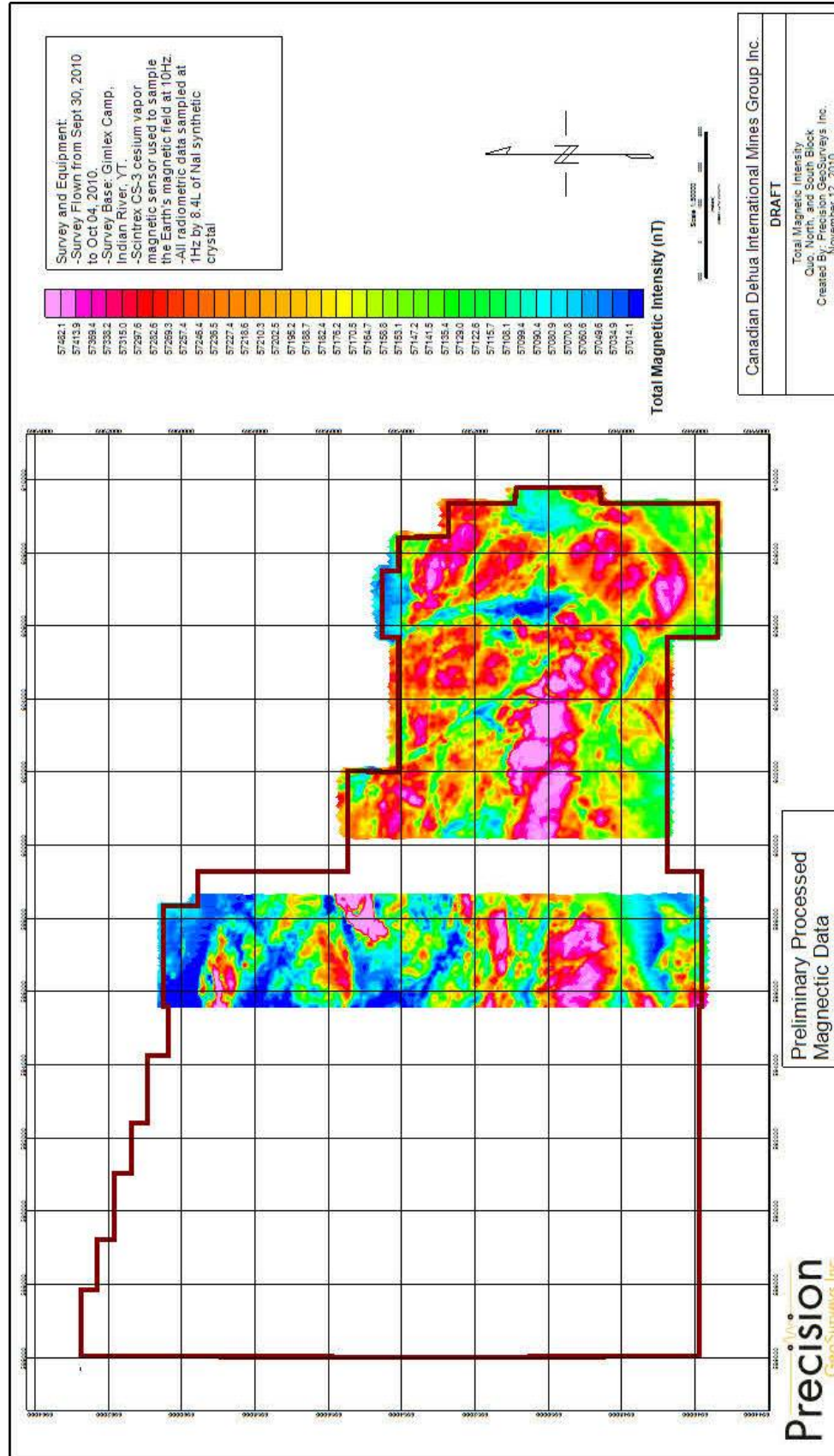
Abbreviations used in the GDB files are as follows:

X – Easting in WGS84, UTM zone 7N
Y – Northing in WGS84, UTM zone 7N
GPStime – GPStime
basemag – diurnal data

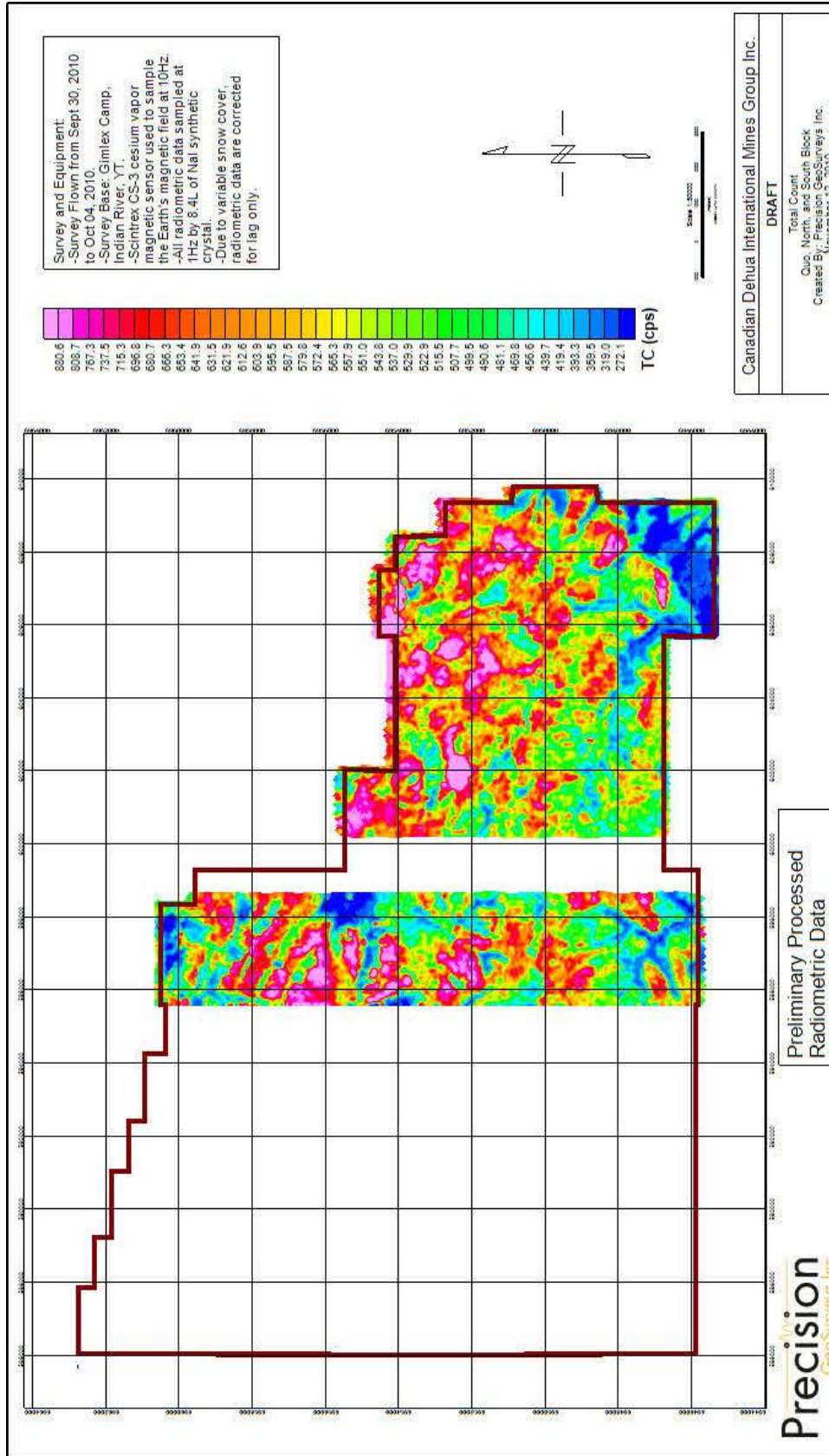
mag – total magnetic field
galt – gps altimeter readings
lalt – laser altimeter readings
dtm – digital terrain model
TC_lag – lag corrected total count
K_lag – lag corrected potassium
U_lag – lag corrected uranium
Th_lag – lag corrected thorium

The file format will be provided in two (2) formats, the first will be a .GDB file for use in Geosoft Oasis Montaj, the second format will be a .XYZ file, this is text file. For each format, one file will contain both magnetic and radiometric data.

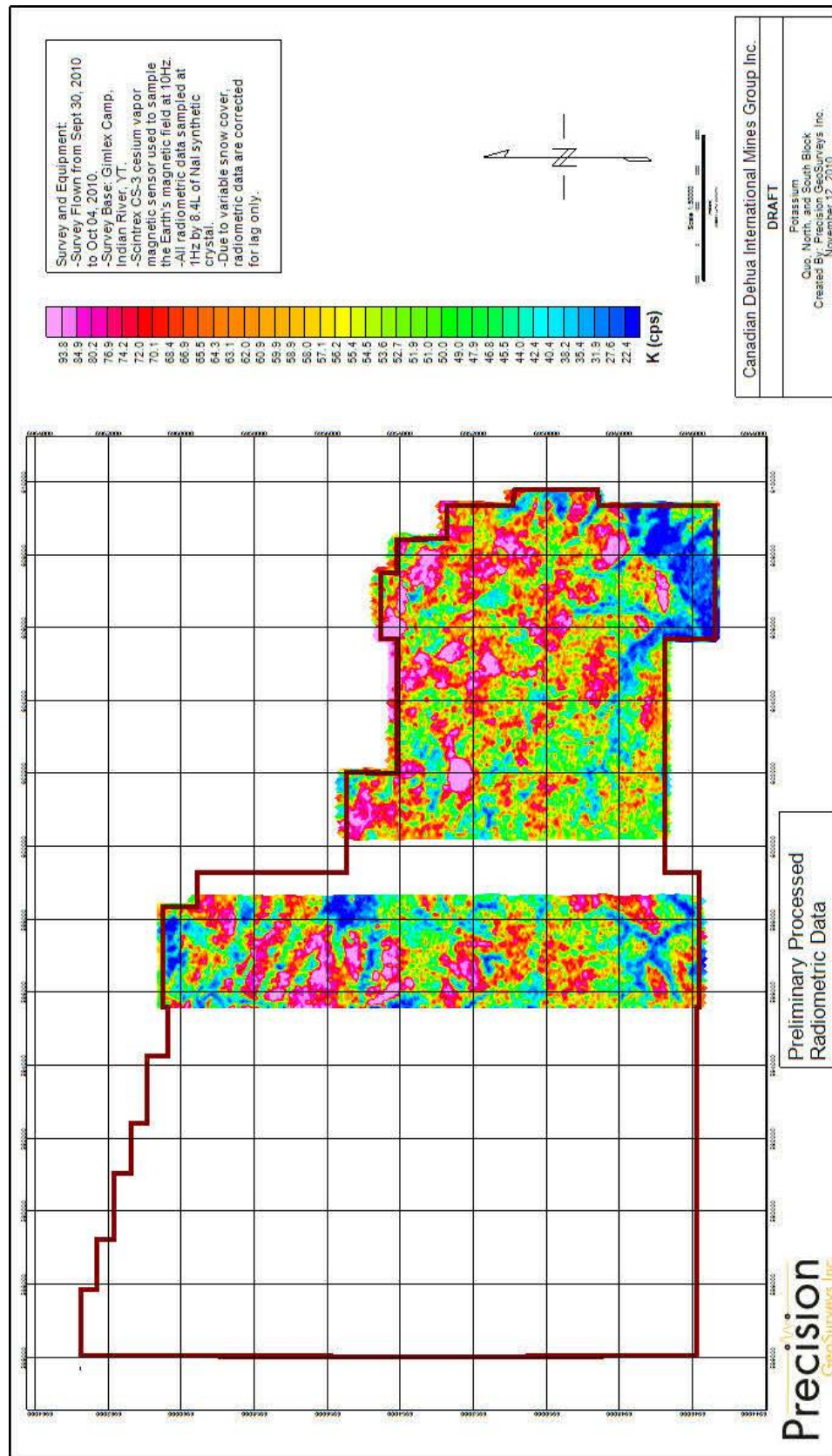
Appendix A
Maps



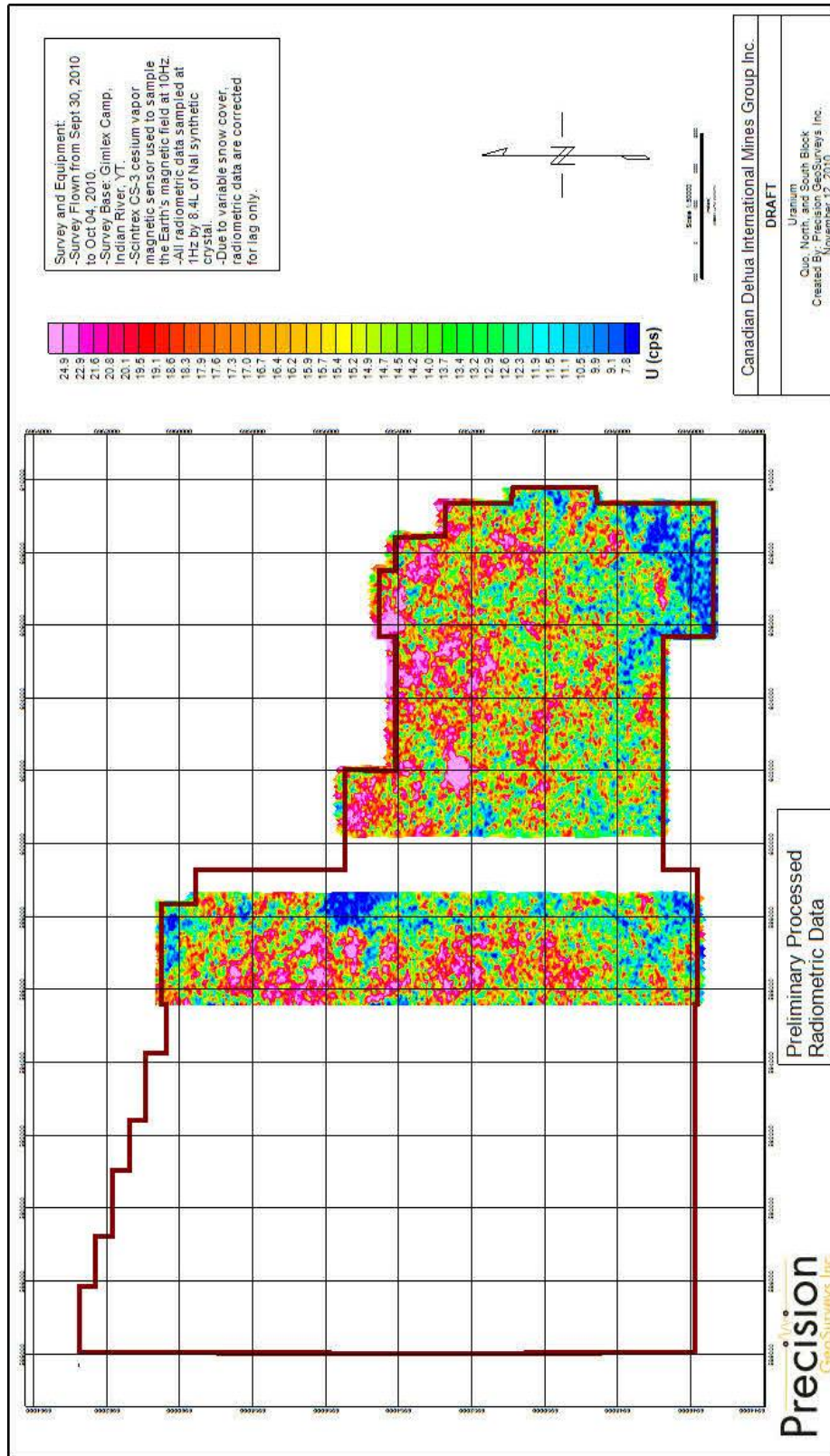
Map 1: Quo, Grout North, and Grout South block total magnetic intensity.



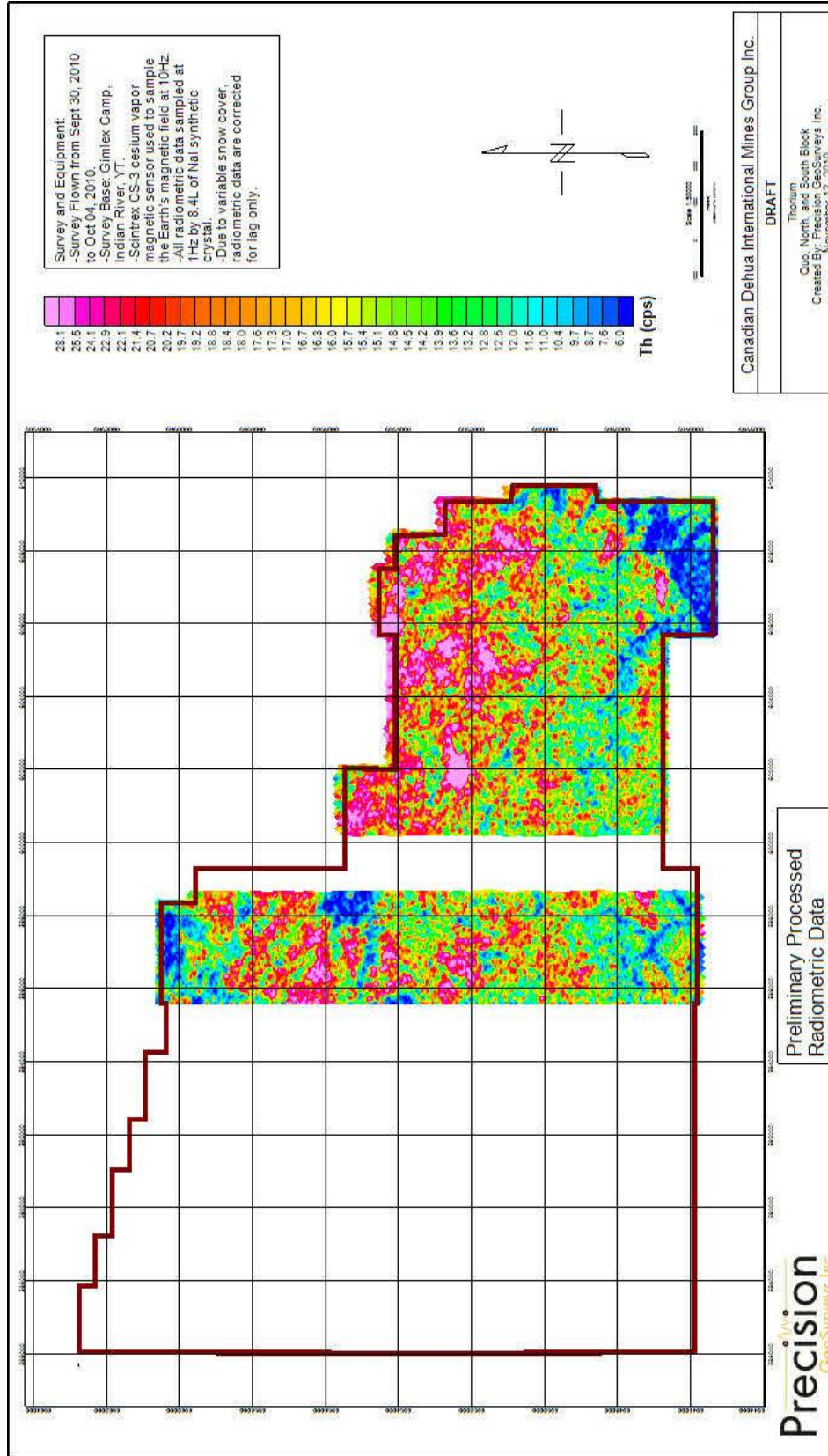
Map 2: Quo, Grout North, and Grout South block total count.



Map 3: Quo, Grout North, and Grout South block potassium.



Map 4: Quo, Grout North, and Grout South block uranium.



Map 5: Quo, Grout North, and Grout South block thorium.