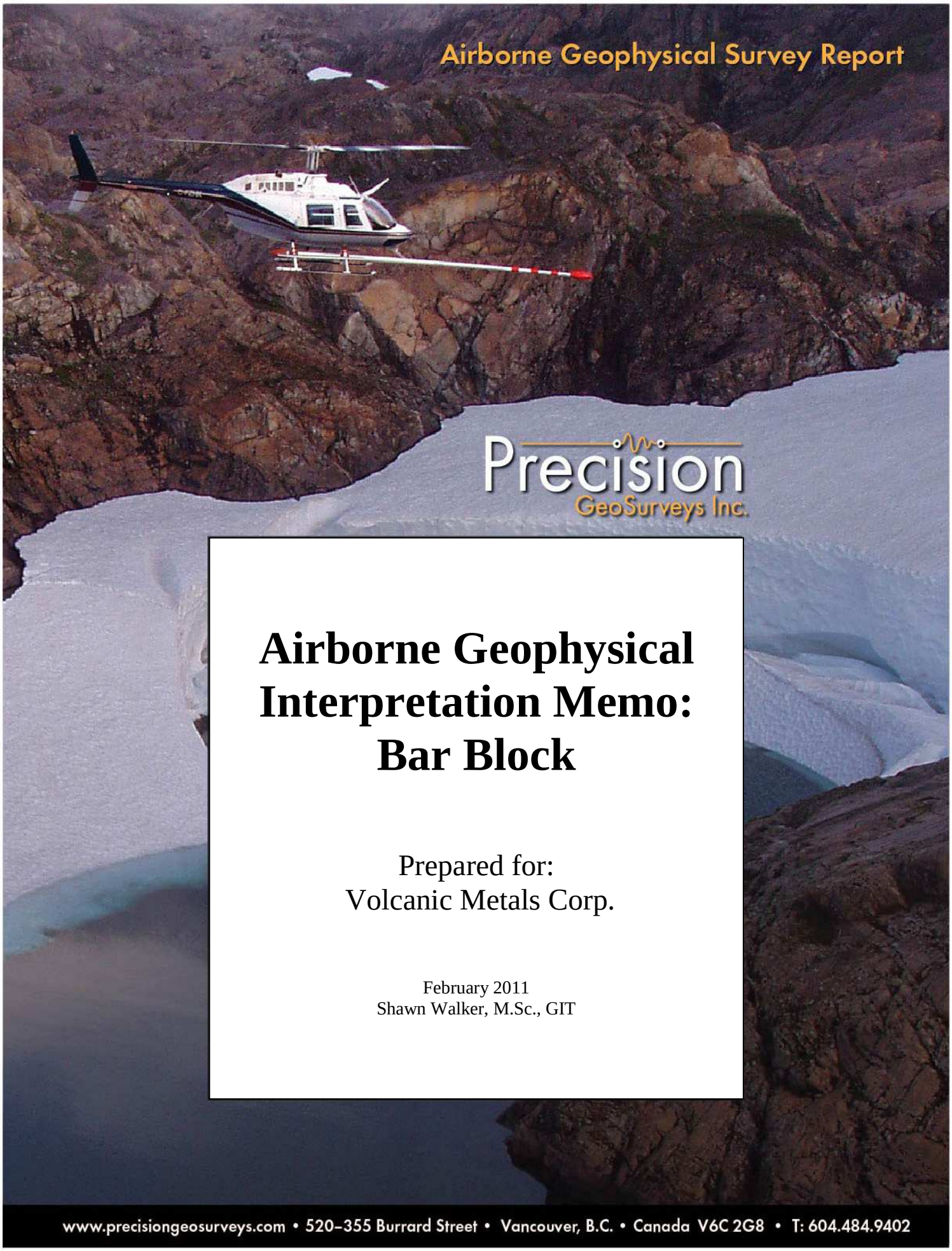

Airborne Geophysical Interpretation Memo: Bar Block

Prepared for:
Volcanic Metals Corp.

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1.0 Introduction:

This report details the interpretation of geophysical data collected by Precision Geosurveys Inc. for Volcanic Metals Corp. The interpretation includes airborne magnetic data collected between October 22, 2011 and November 22, 2011, on the Bar survey block.

The Bar block is located approximately 130 kilometers south east of Dawson, YT and is found east of Scroggie Creek, YT. The survey area of Bar block is approximately 26 km by 20 km. A total of 4756 line kilometers of magnetic data were flown for this survey; this total includes tie lines and survey lines. The survey was flown using a Bell 206 BIII Jet Ranger. The survey lines were flown at 100 meter spacing at a $090^{o}/270^{o}$ heading with a nominal height of 35 meters vertically above the ground; the tie lines were flown at 1 km spacing at a heading of $000^{o}/180^{o}$, also with a nominal height of 35 meters vertically above the ground.

All locations are expressed in UTM Zone 7N with respect to the WGS84 datum.
The magnetic data were collected using a Scintrex optically pumped cesium vapor CS-3 magnetometer at a sample rate of 10 Hz with real time compensation.

The total magnetic relief observed on the Bar block was approximately 3100 nT. However, 95% of the data falls within a 310 nT range, from 57139 nT to 57448 nT.

2.0 Interpretation Procedures:

The data were interpreted using the following steps:

a. Magnetic data and topography were gridded and plotted onto maps in Geosoft.
b. Preliminary targets are identified based on the Total Magnetic Intensity (TMI) and the vertical derivative data.
c. Additional processing is performed on the TMI data. Upward continuation is performed as a low pass filter. The upward continuation data are then subtracted from the TMI data to create a high pass filter in order to detrend the data and to remove artifacts. Downward continuation is performed to create a filter that would allow targets below magnetically quiet overburden to be emphasized. This gives us a clearer picture of the structure and it can highlight changes or breaks along the structure.
d. Primary structure and cross-cutting features are identified using the various grids produced by the different data processing steps.
e. Magnetic targets are picked.
f. Final maps are produced of the TMI as well as the various data processing steps showing the picked targets.

3.0 Target Response:

Aeromagnetic surveys map the distribution and concentration of magnetic minerals, primarily magnetite, in the subsurface and are therefore useful for identifying lithologies, structures, and alteration zones. Because mineral deposits are often related to geological structures such as faults, magnetic data can be used to identify geological features that may host mineral deposits. These features include faults and shear zones, which act as hydrothermal conduits, and units which cut across these conduits.

The magnetic data are first analyzed to determine primary structures such as faults. Linear structures such as faults and shear zones tend to show up on airborne magnetic surveys as long linear magnetic highs, paralleled by a corresponding magnetic low along the down-dip side of the structure.

The data are then reprocessed to determine secondary cross-cutting features such as intrusive structures which cross-cut the primary structure. The reprocessing steps used on the Bar block were: upward continuation and downward continuation. Upward continuation acts as a low pass filter, the upward continuation is then removed from the total magnetic field. The purpose of this is to detrend the data and to remove artifacts created by ground effects. Downward continuation removes the signal suppressing effect of magnetically quiet overburden.

4.0 Targets:

There were a total of five targets identified on the Bar block, as follows:

4.1 Bar Block (Maps 1 – 4)

On the Bar block, one primary target was identified along with three secondary targets and three potential targets.

The primary target on the Bar block (A) is located on the western part of the grid. It has multiple structural intersections and displays cross cutting magnetic highs that are typical of epithermal deposits. Within the primary target zone are two particular locations of interest, denoted as A1 and A2. Target A1 is of great interest due to the number of structural intersections and the cross cutting magnetic highs. Target A2 is of interest as a large magnetic high that is a continuation of the entire structural complex. As well, there are many small linear structures in the southern section of the area. Four of the small structures have been marked.

There are three potential secondary targets on the Bar block marked as b1, b2, and b3. They are located on the northern and eastern sections of the block. They are magnetic highs that appear to be associated with structure but do not show any magnetic highs cross cutting structure. Of these three targets, b1 is

the most interesting, as the north-western extent of the target is not linear and shows possible intersecting structures. However, the small size of the structures makes it a secondary target. At the southern extent of b1 is also interesting. There are two of parallel bodies with corresponding lows.

There are three magnetic highs that correspond to topographic highs; these are designated as c1, c2, and c3. These magnetic highs do not appear to be associated with structure but likely due to large resistive bodies with accompanying magnetic mineralization. These would make good targets if soil geochemistry is favourable.

5.0 Recommendations:

On the Bar block, the primary target should be correlated with soil geochemistry. Follow up procedures would include trenching and mapping and identifying potential drill locations.
Future geophysical work may include an induced polarization (IP) survey conducted across the strike of the primary target.

The secondary and tertiary targets on the Bar block should be correlated with soil geochemistry. If the soil geochemistry is favourable then follow up procedures would include trenching and mapping and identifying potential drill locations.

Respectfully submitted,
Precision GeoSurveys Inc.

Shawn Walker, M.Sc.
Geophysicist

Appendix A
References

Precision GeoSurveys Inc. (2010). Airborne Geophysical Survey Report: Bar Block.

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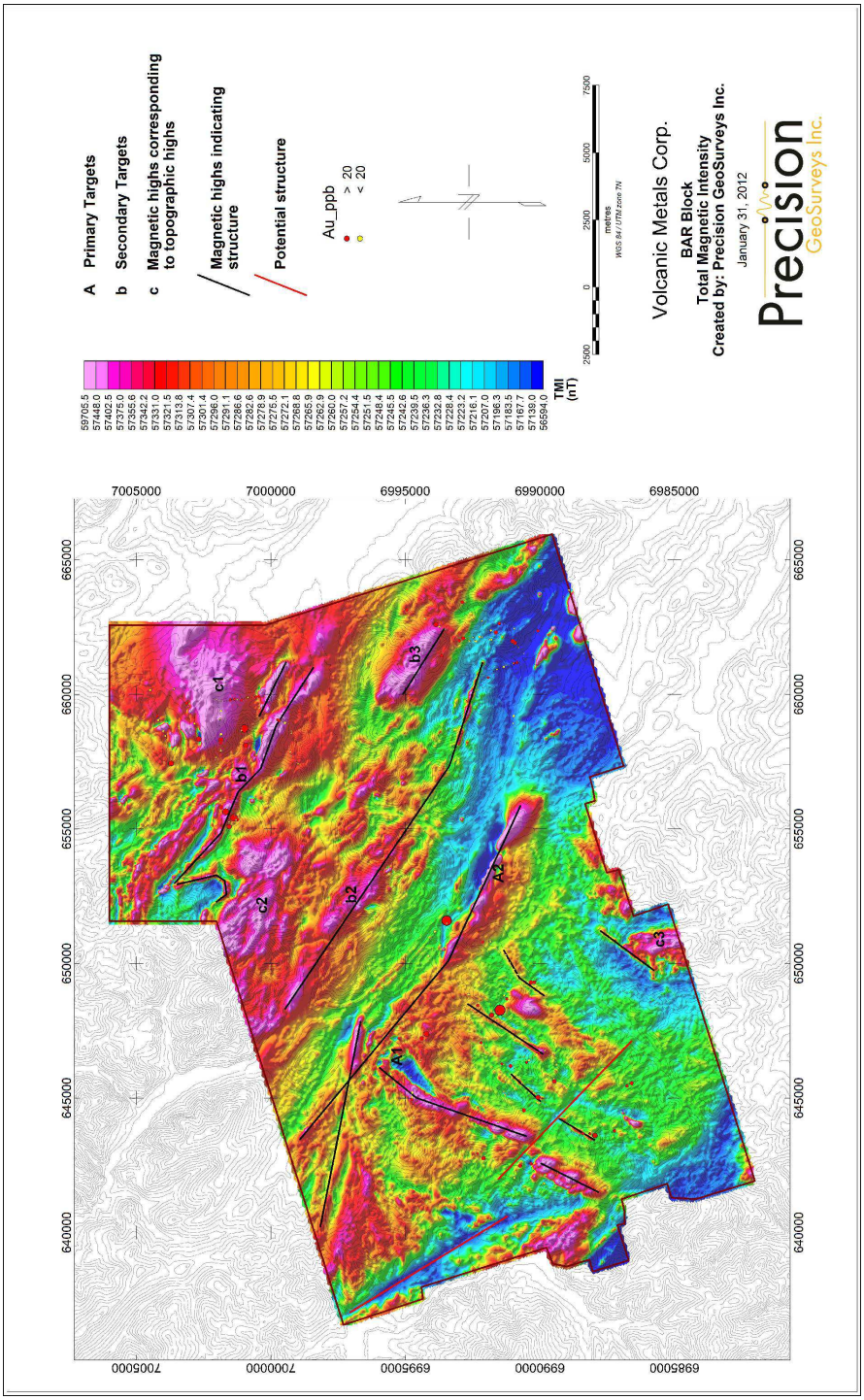
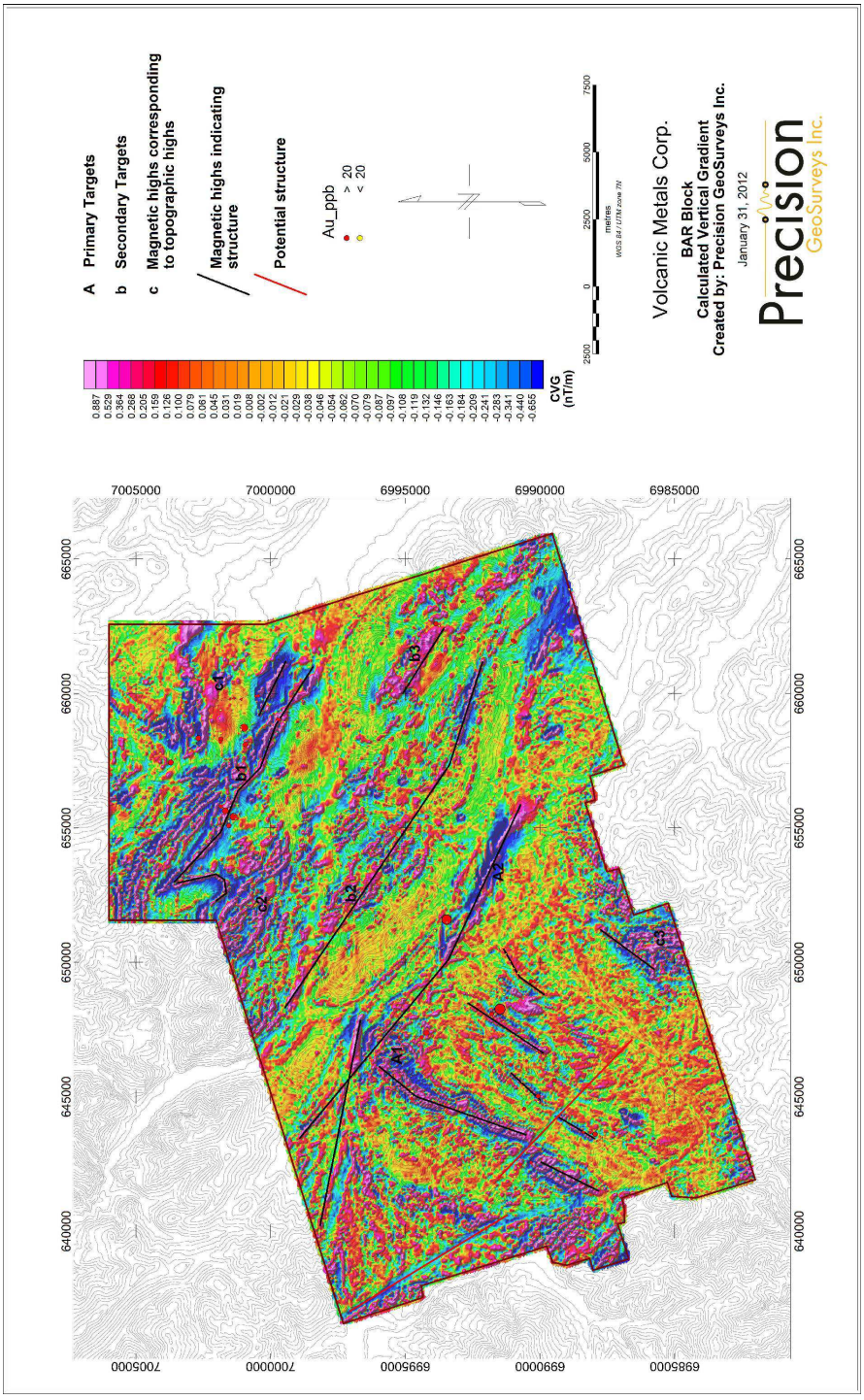
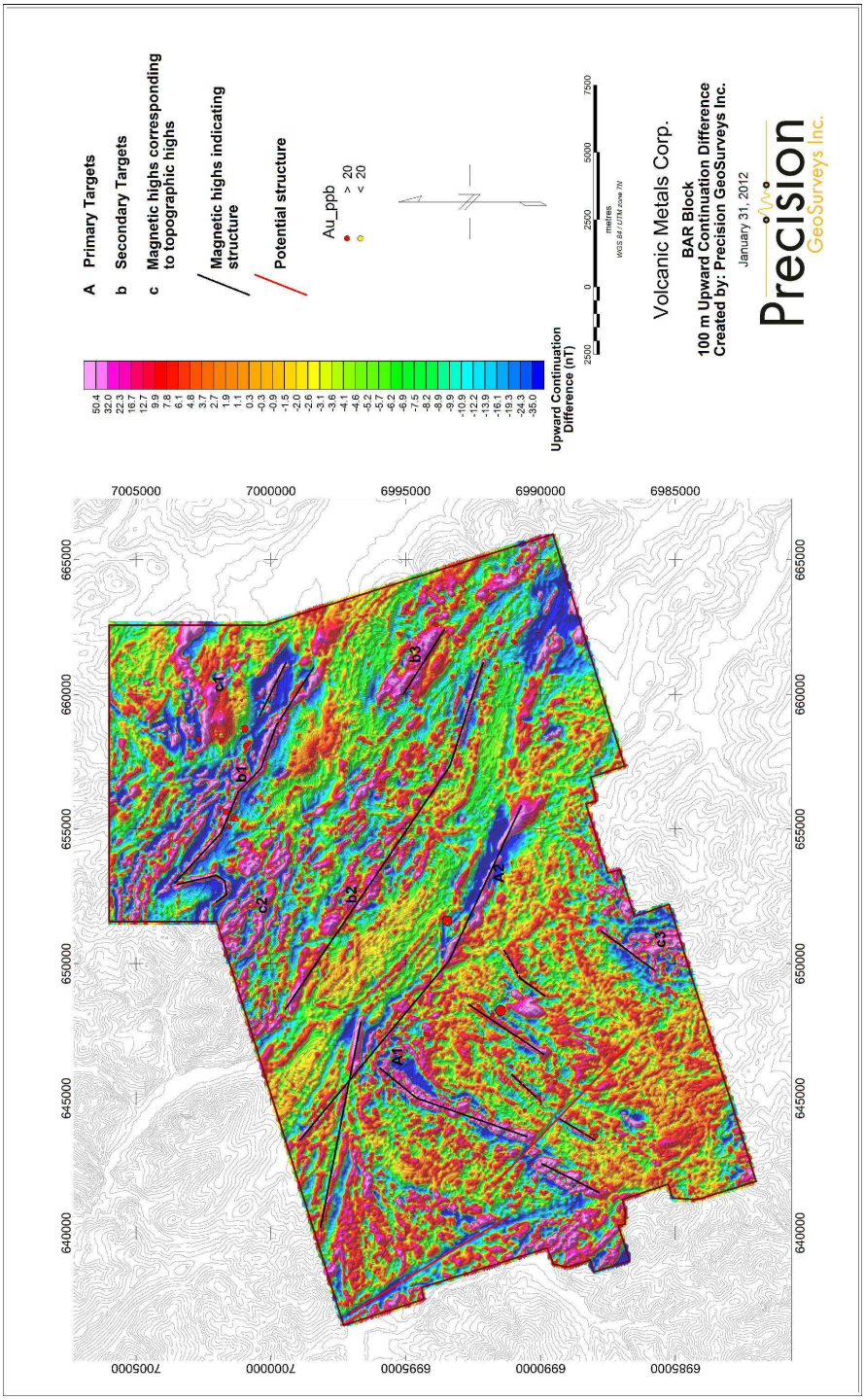
Appendix B
Maps



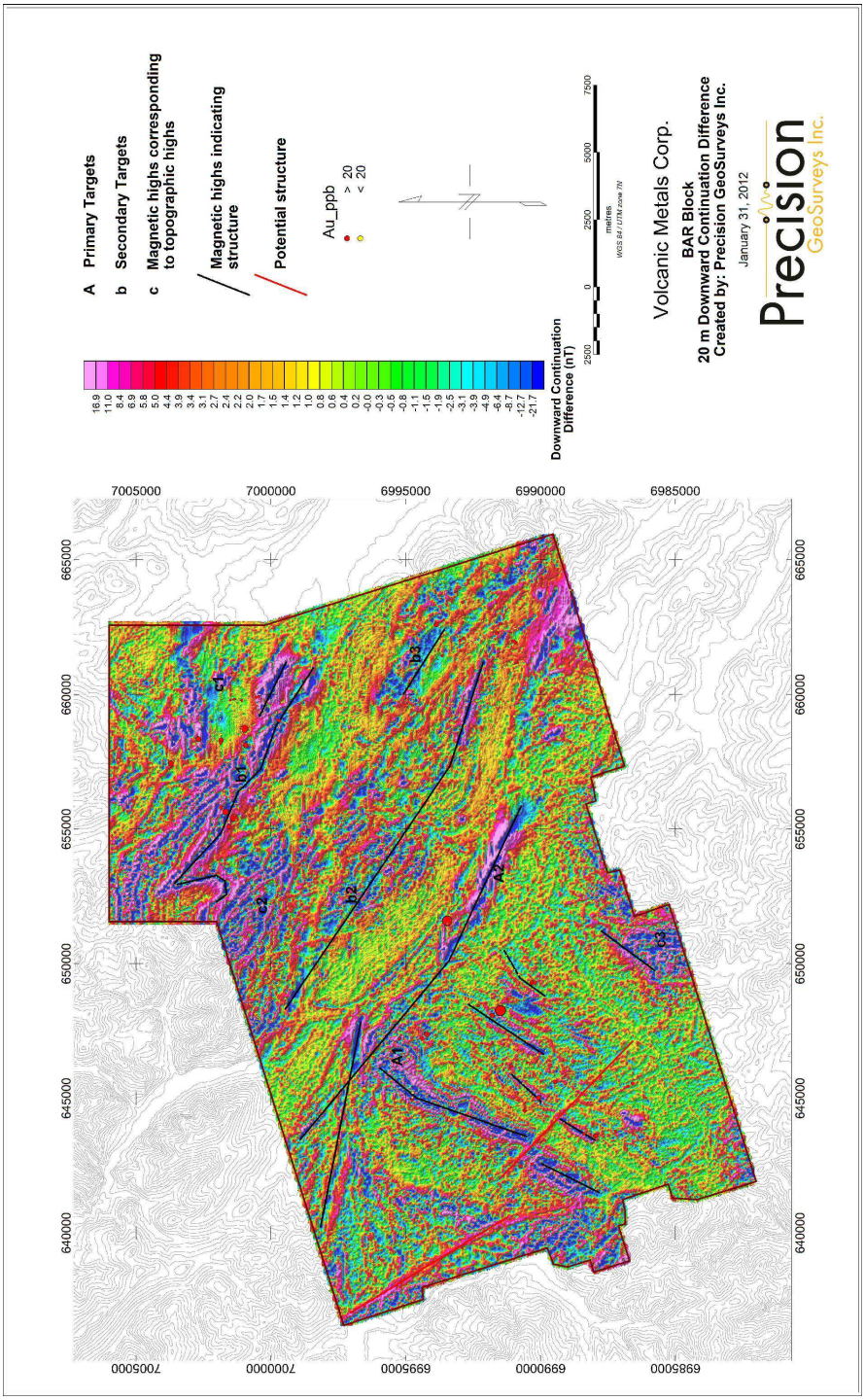
Map 1: Bar Block – Total Magnetic Intensity.



Map 2: Bar Block – Calculated Vertical Gradient.



Map 3: Bar Block – 100 m Upward Continuation Difference.



Map 4: Bar Block – 20 m Downward Continuation Difference.