Qualifying Report on the Projects on

Goldstake Explorations Inc.

The Golden Gully Gold Prospect

The Barrow Creek Prospects

and

Whitewood Creek Tailings Deposit

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Summary

Goldstake Explorations Inc. has interests in three properties, two in Australia and one near Lead, South Dakota. Each opportunity contains a mineral prospect that has either been mined at one time or has seen exploration resulting in drilling.

Golden Gully lies in the historic Hill End gold camp that produced the largest gold specimen ever found. The property has seen intermittent exploration and exploitation since the 1850’s. Mining efforts were curtailed in 1872 due to unmanageable water inflows at the 250 foot depth. Underground exploration recovered over 400 ounces of gold from 207 tons of ore in 1997. Limited drilling suggests that the mineralization continues below the 250 foot level. A two phase programme is recommended to outline the mineralization with drilling and follow up on these results with a ramp to the 500 foot (150m) level at a cost of three million dollars.

In the Northern Territory, the Barrow Creek exploration license covers 732 square kilometres and two significant prospects. The Home of Bullion Mine is a polymetallic deposit that was exploited in the 1940’s for its copper. Since that time some regional exploration has taken place, but no further work is reported from the mine area. A programme is recommended for the mine area that is designed to define the mineralized zone, its extensions and the surrounding area. A budget of two phases is proposed that will achieve the above and provide a database for a feasibility study. Phase 1 has a cost of three million dollars and Phase 2 a 5.4 million dollar budget.

Prospect D and DA are located in the northwest portion of the license. D is the primary sulphide mineralization at depth and DA is the near surface oxidized and secondary sulphide zone. Each has to be investigated as a separate deposit because of the difference due to secondary oxidation and mineralization. A programme similar to that recommended for the Home of Bullion Mine is recommended for Prospect D and budgets of three million dollars for phase 1 and 5.4 million for phase 2 are recommended. An additional million dollars is required to assess the mineralization in DA.

Whitewood Creek Tailings project in Lead, South Dakota consists of mine tailings from the early days of mineral processing when the processing was primitive and the recoveries poor. A report by Fluor Daniel indicates a resource of 14 million tons grading 0.0495 ounces per ton. Exploitation requires the input of Barrick Gold who share some of the resource. A budget of two million dollars US is recommended to bring the property to feasibility.
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INTRODUCTION AND TERMS OF REFERENCE

The writer has been contracted by Mr. R. Cleaver, President of Goldstake Explorations Inc. to prepare an independent assessment of the mineral assets on the Golden Gully NSW, Barrow Creek NT, Australian properties and the Whitewood Creek Tailings deposit USA. McBride does not have any interest in these properties. He has not visited the properties in the Northern Territory and bases his evaluation on published documents that are referenced herein.

The Golden Gully report is based on a personal visit in 1997 when the mine was last operated and extensive experience in the host Hill End gold camp. His work led to the recognition and subsequent discovery of the Reward Zone, about 2 kilometres to the south, presently being promoted by Hill End Gold, the successor to Nugget Resources Australia Inc.

PROPERTY DESCRIPTION and LOCATION

Golden Gully

The Golden Gully property is situated in the historic Hill End gold camp of New South Wales Australia. Hill End is reached from Bathurst in about a 45 minute drive north. It consists of a dredging lease (DL) number 1231 and two mine leases numbers GL 5801 and GL 5812. Both mine leases were recently renewed and are in good standing until 21 December 2022 and 7 March 2023 respectively. The dredging lease comes up for renewal in on July 21, 2005 at which time a 21year renewal will be requested. The GL’s carry the right to mine the gold resources on the property and the DL gives the rights to surface mine as well as reef mine (Figure 1).

Silver Orchid Pty. Limited has a 70% participating interest, First Tiffany Resource Corporation a 20% carried interest to feasibility study and C.A. Fowler 10%. Goldstake Explorations Inc. owns 20 % of Silver Orchid Pty. Limited and can earn up to a 50% interest in the three leases

Barrow Creek Prospects

The Barrow Creek Prospects lie within EL 23186 which is located in the Northern Territory, Australia. It lies adjacent to the Stuart Highway about 300 kilometres north of Alice Springs and 1200 kilometres south of Darwin (Figure 2). Barrow Creek is the nearest settlement and lies just west of the central part of the exploration lease. The new Adelaide – Darwin railway will pass across the eastern section of the EL a few kilometres east of the major prospects. It is scheduled for completion within a year.

EL 23186 occupies 732.3 square kilometres between latitudes 21degrees, 15 minutes and 21 degrees 33 minutes South and 133 degrees 56 minutes and 134 degrees 16 minutes
Figure 1

Location Map of the Golden Gully, Barrow Creek

and Whitewood Creek Projects

Goldstake Explorations Inc.
Figure 2

Map Showing The Hill End Area (Golden Gully Property)
Figure 3

Map Showing the Barrow Creek Area (Home of Bullion Mine and Prospect D)
East. It was approved for 6 years on August 6, 2002 and is in the names of Imperial Granite and Mineral Pty. Ltd. of which J. Benger is president 25%, R. Cleaver 25% and Goldstake Explorations Inc. 50%. There is no formal agreement among the license owners other than each party will do its best to advance property production and that each party’s investments will be repaid from production income.

Whitewood Creek Tailings

Whitewood Creek was the tailings disposal area for the Homestake and other gold mines in the Lead – Deadwood area of South Dakota, USA. The creek runs north through Lead and Deadwood and continues out of the Black Hills to the Belle Fourche River that is a tributary of the Mississippi River. Lead is the mining center that supports the Homestake Mine; it lies in the northeast corner of the Black Hills National Forest about 50 kilometres northwest of Rapid City South Dakota just south of interstate highway 90 (Figure 4).

Along Whitewood Creek Goldstake Explorations Inc. owns 100% of its five fee simple properties subject to a 20% interest by Strawberry Hills Mining Inc. in the mining process and net profits once a positive feasibility study has been completed. Strawberry Hills Mining Inc. is controlled by a local prospector, Maurice Hoffman. Goldstake entered a 50 – 50 % agreement with Whitewood Development Corp., a subsidiary of Homestake Mining Company, for the entire tailings area. After arbitration the property was divided into two portions with Goldstake receiving 3255 acres and Homestake1966. At present Goldstake owns these 3255 acres in five fee simple properties (Table 1) outright and has the surface rights listed for sale.

Table 1

<table>
<thead>
<tr>
<th>Fee Simple Properties of Goldstake Exp. Inc.</th>
<th>Lead, South Dakota</th>
</tr>
</thead>
<tbody>
<tr>
<td>Keegan</td>
<td>creek tailings</td>
</tr>
<tr>
<td>Oodekoven</td>
<td>creek tailings</td>
</tr>
<tr>
<td>Martins</td>
<td>creek tailings</td>
</tr>
<tr>
<td>Marrs</td>
<td>creek tailings</td>
</tr>
<tr>
<td>Dachtler</td>
<td>proposed tailings disposal area</td>
</tr>
</tbody>
</table>

| Total area | 3255 acres |

Due to past agreements and the complexity of the land position, a successful operation requires the participation of Barrick Gold Corporation.
Figure 4
Whitewood Creek Tailings Project (Leases, Lead, South Dakota)
Whitewood Creek Tailings

This project lies adjacent to the active mining camp of Lead and benefits from its infrastructure. The tailings lie in the creek along its length of 18 miles and on the adjacent flood plain. Highways intersect the area and the creek is readily accessible for exploitation. The climate is moderate and past surface mining has adjusted to deal with it. There should be no operational problems working in the Lead area.

HISTORY

Golden Gully

The Golden Gully gold prospect is situated in the central part of the Hill End Gold Camp, Australia's first reef gold camp. From the early 1850's this area was investigated for gold; first as a follow up to the Turon River and Tambaroora alluvial rushes and later as the search for saddle reef gold lodes. Mining and prospecting evaluated hundreds of veins many of which became profitable mining operations. Activity in the camp peaked in 1872 with the discovery of the largest gold specimen in the history of gold mining, the 620 pound Beyer and Holtermann Nugget. After the 1870’s period, there was consolidation of the properties and intermittent investigation and reprocessing of the mine material mainly by local entrepreneurs.

Mining at Golden Gully has been intermittent since the 1850's; numerous crushings from the historical records produced grades from 35 to 430 grams per tonne. Most of these crushings came from the bedding parallel veins, however some cross courses are reported to have graded over 600 grams per tonne. The main producer was the Cosmopolitan mine that is situated about 350 metres south of the recent area of interest; it is reported to have graded between 70 and 80 grams per tonne. According to the mine manager in September 1872, the shaft sinking was abandoned in 20 oz (600 g per ton) ore at 250 feet (80 m) due to the inflow of water (summarized by Richard Shaw, Prof. Sydney Technological Institute 1997).

Silver Orchid Pty. Ltd. assembled a large land position covering all the significant mine workings in the early 1980’s. Under their guidance and subsequent options, a database was assembled over the entire camp. A few drill holes tested some of the key targets including Golden Gully, The Reward Area and Red Hill. Two drill holes tested the veins at Golden Gully. The first was drilled 10 metres north of the Union airshaft; it returned a value of 56 grams per tonne gold over 0.44 metre plus a second 42 metres above it of 4.4 grams per tonne over 0.11 metres. Approximately 125 metres to the south and about 40 metres north of the Cosmopolitan shaft, a second hole returned 3.25 grams over 0.04 metres followed by two 0.40 gram values over short lengths separated by less than 0.8 metre. These types of values are typical intersections that indicate the presence of classic Hill End ore shoots as described in the section on the general geology.

Using the 56 gram drill intersection as a guide, a drift was driven from a deepened Union Air Shaft north for 80 metres along this shoot. It is reported to have returned 314 ounces
of gold from 207 tonnes for an average grade of 1.52 ounces (47.7gm) per tonne plus specimen gold for a total estimated grade of approximately 2 ounces (68g) per tonne (Figure 5). The writer was shown some of this specimen material. The Union vein has been the principle gold producer. Other parallel veins were reported to have been mined, but are now inaccessible and the extent of mining could not be established. All mining was above the water table at 250 feet (80 m).
Figure 5

Longitudinal Sketch of Golden Gully Mine
After the mining had ceased, the writer visited and geologically mapped the underground workings. The Union Vein is about half a metre wide and is a typical bedding-parallel vein exploited in the Hill End Camp. It was apparent that the vein continues below the bottom level of the Union Air Shaft. To the south, the vein pinched to 15 centimetres and to the north it remained a half metre wide with good grade until it broke out into an old stope. A crosscut to the east, showed that additional veins were present and they flattened in a synclinal fold to the east.

**Barrow Creek Property**

**Home of Bullion Mine**

The Home of Bullion Mine has been the subject of intermittent activity from 1920 to 1950. This review is based on partial reports supplied to the author plus report summaries available on the Internet from the Northern Territory government. Total production was reported to be 5,500 tons of which 2450 tons grading 22.5% copper was shipped in 1949. This material was likely hand-cobbled because it was shipped 2000 miles by road, rail and ship. At least three shafts have been sunk to a maximum of 300 feet (90m) and the zone has been traced for 550 feet (168m) with an average width of 8 feet (2.4m) and a maximum width of 20 feet (6m) (Hossfield, 1936). It carries high precious and base metal values (ie. 5.3 gm gold, 30 gm silver, 11.66% copper and 0.71% lead). Zinc values up to 10 percent are present, but the assaying did not include it on a regular basis. Hossfield (1936) is reported to have determined the resource at 32,000 tons to a depth of 100 feet (30m). A second review by Sullivan (1950) concluded that the oxide zone extended to 110 feet (35m) and secondary sulphides below to 200 feet (60m). Below this depth, the zone consists of primary sulphides with drilling of four holes returned values of 3-5% copper, 1-6% lead and up to 15% zinc. Shaft deepening and underground work at that time indicated a resource of 75,000 tonnes to 300 feet (90m). Limited mining took place and the mine finally closed in 1953.

More recently mainly in the 1990’s, the Home of Bullion area was investigated by regional, airborne geophysical and ground geochemical techniques. Summaries of these surveys are available on the Internet. Short reverse circulation and rotary drill holes tested a few areas, but the effort concentrated on gold not base metal exploration. None of this work was on the old mine area.

**Prospect D**

The Barrow Creek project is situated at longitude 134° 06’ 37” E and latitude 21° 18’ 27” S about 4 kilometres east off the Stuart Highway between Alice Springs and Tennant Creek. It is covered by exploration license 23186. Two prospects are present on these licenses. Kawanee Australia Pty. Ltd. explored an area known as the Prospect D in the early 1970’s. A series of interlayered, steeply dipping meta-clastic sedimentary and doleritic (gabbroic) rocks were identified and investigated with geology, prospecting, soil geochemistry and ground geophysics. Their only filed report is dated 1972 (CR-1972-
0072) and includes much of the basic data. Missing are the reports on this work and the follow up drilling that has been used to calculate a mineral resource. Two types of mineralization were discovered as the result of these programmes. A series of quartz-veined metasedimentary rocks returned copper-lead-zinc mineralization. Nearby a mineralized mafic band returned copper-nickel values up to 1.23% copper and 1.95% nickel over a 5 foot (1.5m) true width and a second intersection of 0.78% copper and 0.22% nickel over a true width of about 35 feet (11 metres) in drill hole 1 (Wilpol 1972, in a letter to P. Cogar). Platinum group metals were not analysed.

Near surface mineralization was tested in 1972 with vertical airtrac holes testing the oxidized mineralization on four fences of holes. These are described as the Prospect DA zone; the principle values are shown on Table 2.

### Table 2

<table>
<thead>
<tr>
<th>Line</th>
<th>From surface to</th>
<th>Copper (%)</th>
<th>Nickel (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>93ft W.(A)</td>
<td>103 ft</td>
<td>2.44%</td>
<td>0.41%</td>
</tr>
<tr>
<td>Zero (B)</td>
<td>96 ft</td>
<td>3.43%</td>
<td>0.91%</td>
</tr>
<tr>
<td>Zero (C)</td>
<td>54 ft</td>
<td>5.77%</td>
<td>0.21%</td>
</tr>
<tr>
<td>100E (D)</td>
<td>96 ft</td>
<td>3.32%</td>
<td>0.11%</td>
</tr>
<tr>
<td>Includes 52 to 58 feet</td>
<td></td>
<td>23.0%</td>
<td>0.21%</td>
</tr>
</tbody>
</table>

Drill hole DDH 1 was drilled under line zero.

Drilling over a strike length of 2 kilometres with 11 holes outlined a mineralized system of primary sulphide and secondary sulphide plus oxide. Drill intersections as high as 1.48% copper, 0.48% nickel, 215 grams silver and 5.8 grams gold over 16.9 feet are reported (hole 7). Gold and silver values are not given for most of the drill results.

These results suggest that a significant copper-nickel resource is present. With the two zones of mineralization in drill hole 1 and the apparent length of the copper-nickel mineralization, the potential to discover a significant deposit is excellent. This is the most recent work filed on the property.

### Whitewood Creek Tailings

The tailings in Whitewood Creek date form the early days of mining in the 1870’s when Deadwood was the “wild west”. Gold mines of the day discharged untreated tailings and mine waste into the creek. These were subsequently deposited downstream on the flood plain with the finer fractions being transported all the way to the Belle Fourche and Cheyenne Rivers. The crude processing at the time and even during the period of the stamp mills produced large volumes of coarse material. After 1917 the only contributor was the Homestake Mining Company which continued depositing tailings into the creek. Homestake completed a settling system in 1977 and the tailings into the creek ceased at that time. During the 120 years of tailings deposition, it has been estimated that a minimum of 14 million tons of solids remain in Whitewood Creek.
Since 1972 government agencies, both federal and state have conducted studies on these tailings to determine their effect on the water quality. The result was that Whitewood Creek was placed on the Environmental Protection Agency’s Interim Priority List (Superfund). Goldstake in 1986 entered into agreements with local landowners to sample the tailings to determine their potential as a gold deposit. This sampling forms the basis for the resource estimate by Fluor Daniel. They estimate that the creek system contains an estimated 14.2 million dry tons of tailings along the 18 mile stretch of Whitewood Creek.

**GEOLOGICAL SETTING**

**Golden Gully**

The geological setting of the Hill End gold-bearing veins, including those at Golden Gully has been described many times over the last one hundred years. Much of this work has been summarized in these and company reports. From 1993 to 1999, the writer remapped the entire area from the Turon River on the south to the Dirt holes workings about 5.5 kilometres north of Golden Gully, a total distance of 13 kilometres. All known veins were examined and where possible underground workings were visited. The results of these surveys were filed with the New South Wales government for work credits on the property of Nugget Resources Inc.

While the original miners did not understand geological principles or normally write down their observations, they learned very quickly the guides for following gold mineralization. Thus the old workings reflect their exploration knowledge. Almost all the workings in Hawkin’s Hill follow bedding-parallel veins or access them. A few that follow cross courses (cross structures) do not contain veins, but rather they follow post mineralization faults. These old workings provide excellent exposures of the mineralized structures and their host rock sequence. On Hawkin’s Hill from Foster’s Tunnel on the south, the mined portions of the veins are stacked in a northeast direction so that as the economic portion of one vein pinches out; the next to the east widens and the gold values form an economic shoot. This pattern continues over a minimum of 11 veins in the section and for a strike length of some 1500 metres. Exploitation of this vein system produced 400,000 ounces of gold. This pattern first was noted in the stopes of the Star of Peace Mine by Mark Hammond in the 1870’s. He was one of the early successful miners in the camp (Hammond, 1988). A similar vein-stacking can be documented in all the principal mining areas including Golden Gully.

These parameters combined provide a simple guide for finding and defining the potential of the Golden Gully property. Parallel veins were known from early exploration and were investigated at shallow depths by shafts and adits. The Union Vein was mined over 1.5 kilometres and to a depth of 45 metres on the south to 75 metres on the north. When Silver Orchid explored and mined the vein from the Union airshaft in 1996-1997 they investigated that part of the vein that was missed in the early days. It returned.
approximately 2 ounces (62 g) per tonne which is in line with the value of 56 g per tonne in drill hole No.1; this hole undercuts the mined block.

The Union Vein can be used to indicate the potential that may be expected from one of the bedding-parallel veins in the Golden Gully vein system. Historical records indicate that the total production was determined to be approximately 15,000 ounces to a maximum depth of 75 metres. The vein is known to continue below that level, but could not be investigated because of the water flow. Recently it was investigated by the previously mentioned drill hole. A sketch prepared for Goldstake shows that the mined zone has a gentle northerly rake (Figure H); beyond the mining area to the north, the only shaft is the City of Manchester that was reported in 1872 to be at 206 feet (60m) in payable ore. Beyond this mine area the land slopes away and is covered by a thick alluvium; there are only few very shallow pits from here to Tambaroora and the Red Hill vein system.

**Barrow Creek Prospects**

**Home of Bullion Mine**

The geological setting of the Home of Bullion Mine is poorly understood. No mention is made of the geology in the original reports and more recent summaries in the government files do not include the geology.

**Prospect D and DA**

Regional airborne surveys have identified anomalies, but there is no record of follow up exploration to the north. Prospect D mineralization lies in a dolerite band within a sedimentary sequence. According to Cogar (1972), these rocks are Precambrian in age and are a steeply dipping sequence of schistose sedimentary and mafic to felsic volcanic rocks, but does not provide any details on the general relationships. Prospect D shows similarities to the past producing Theirry Mine in Pickle Lake, Ontario, Canada. Cogar’s work is the most recent recorded on the property.

**Whitewood Creek Tailings**

The Whitewood tailings form a recent man-made deposit of fine sand and mud deposited from industrial operations into a natural stream. Later water flow has transported the finer and lighter material and concentrated the coarser and heavier material in the stream channel and on the flood plains nearby. This material is now a sequence of flat lying unconsolidated muds and sands that contain the gold-bearing resource.

**DEPOSIT TYPES**

**Golden Gully**

The gold-bearing quartz reefs of the Hill End area are classified as saddle reef deposits.
Having worked in this geological setting in Canada as well as Hill End, the writer is familiar with their characteristics. Saddle reef deposits are considered to be replacement deposits formed in dilation zones in anticlinal folds. In actual fact, at Hill End as well as Nova Scotia, Canada (McBride, 1978), most of the mineralization was mined on the fold limbs.

The writer uses observations from the mining and exploration activity to guide the future exploration. All accessible, mined veins are parallel to bedding in the host sedimentary sequence; occur as stacked parallel veins within narrow slate bands, and show deformation features of the first and only important period of deformation including folds, cleavage, and boudins. Mineralized shoots within a vein develop in that part of the vein that has elevated gold values; the nugget effect is common, but it is the higher background that carries the vein. The Hill End veins show a change in vein and host rock character down the plunge of a vein package and both up and down dip from the portions historically mined. In the mined areas, the host slate is pale gray and thin, but beyond the economic limits it becomes dark gray to black and much thicker. The vein thickens here and the grade rapidly drops to background or below the detectable limit. Exploration should follow the bedding-parallel veins and look for elevated gold values within them.

**Barrow Creek Prospects**

**Home of Bullion Mine**

The Home of Bullion Mine was last explored in the early 1950’s the geology was not recorded by the early workers. The best indications as to the type of deposit are the metal assemblage and some of the local rocks. Copper, lead, zinc, silver and gold have been reported and the zone has been described as a steeply dipping tabular cupferous ironstone. Host rocks are not described, but they are called sheared. These metals together suggest that it is a volcanogenic massive sulphide (VMS) deposit.

Secondary oxidation has produced chalcocite to a depth of 40 metres and the “lode” is reported to be present in drill holes as deep as 115 metres.

**Prospect D**

Prospect D consists of copper-nickel mineralization associated with dolerite sill that are conformable in a clastic sedimentary-volcanic sequence. It is reported to be a tabular body that is folded with the sedimentary rocks (Feros, 1972). The writer is familiar with a past producing mine and major deposit in Canada that lie in this setting. This deposit could be either a replacement in the dolerite or a volcanogenic massive sulphide deposit associated with ultramafic-mafic volcanic and intrusive rocks. It is best explored by tracing the favourable dolerite-sedimentary sequence contact.
Whitewood Creek Tailings

As described above, the deposit consists of tailings from past gold mining operations. Systematic sampling has determined the distribution of gold within these flat lying unconsolidated muds and sands.

EXPLORATION

Golden Gully

Recent exploration on the Golden Gully Property was the mining in 1997. All previous work is described under the section on history and none has taken place in the last 15 years. The writer’s information on the property and the surrounding exploration licenses, as described herein, is from his own investigations. In addition to his visit underground in 1997, he has visited the known adits and mapped around the edges of the property. Most of this work appears in annual reports filed with the New South Wales Department of Mineral Resources.

Barrow Creek Property

Home of Bullion Mine

Home of Bullion Mine was last worked on in the early 1950’s, but the main work was completed in the late 1940’s. No later work has been filed with the Department of Mines of the Northern Territory. The mineralization described from the underground and drilling programmes as oxides and sulphides of economic interest. None of the older work mentions the type of mineralization or the host rocks.

Grab sampling by the present owners returned silver values to 15 ounces, gold to 6 grams and copper to 33.9%. Seven samples were tested for platinum group metals and returned platinum values to 5.8 ppb and palladium to 13.1 ppb.

Prospect D and DA

All known exploration on this prospect has been reported in the section on history. Cogar (1972) summarized the exploration in his report for Kewanee Australia Pty. Ltd.

Whitewood Creek Tailings

These tailings were investigated and originally assessed for their effects on the water by the EPA. In 1986 Goldstake started an evaluation to determine the value of their gold content. Fluor Daniel’s report is the culmination of this assessment and is the last field based study on them.
DRILLING

Golden Gully and Barrow Creek Prospects

All drilling on these deposits has been described under history and is more than 10 years old. Each prospect will require confirmation drilling.

Whitewood Creek Tailings

This evaluation was carried out using backhoe pit and trenches. No drilling has been carried out on these unconsolidated tailings.

SAMPLING METHOD AND APPROACH

Golden Gully

Northern Gold carried out the drill programme in 1984-1985; their work seems to be professional and the assaying was done by an approved laboratory. In the writer’s work in this camp from 1993 to 1999, he found the work to be professional and the sampling results to be reproducible.

Barrow Creek Prospects.

Very little can be said about the controls used by the past explorers of the prospects on this exploration license. From the professional nature of the reports, one would expect the samples were professionally collected and analysed.

Whitewood Creek Tailings

The following description of the tailings sampling and assaying is taken from the Fluor Daniel report. “The samples used to estimate reserves were collected in three different ways. Along stream bank faces, uniform vertical channels were cut with a metal scoop, exposing the lithologies which were logged. The 2 ft by 6ft backhoe pits were dug through the bottom of the tailings using a backhoe, then a vertical channel was cut in the well exposed tailings using a metal scoop. Samples were usually collected systematically on gridlines running perpendicular to the local baseline. The baselines run parallel to the creek. For the more recently sampled properties, the sample spacing was often 165 feet with section lines spaced 330 feet apart. A total of 1,543 sites from 20 different properties were sampled”.

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SAMPLE PREPARATION, ANALYSIS AND SECURITY

Golden Gully

The comments in the previous section also apply to this section. One would expect that the usual precautions were taken with regards to security. During the exploration programmes at Golden Gully and surrounding area, the samples were assayed by a commercial laboratory in Orange, NSW. This laboratory is still serving the mining industry of New South Wales.

Barrow Creek Prospects

The comments in the previous section on the Golden Gully property apply to this section

Whitewood Creek Tailings

The samples were collected by the company personnel and trucked to the Bonder-Clegg preparation lab. in Lead. They were weighed, dried and reweighed. All were sieved through a 10 mesh screen and split. One–10 mesh split was sent to Bonder-Clegg’s laboratory in Vancouver for analysis and the other to storage. In order to determine the reliability of the assay database, Fluor Daniel statistically compared four types of check assays. These were blind blanks, non blind duplicates, blind duplicates and neutron activation analyses. In summary the checks performed verify with some minor exceptions the reliability of the assays on the minus ten mesh material.

DATA VERIFICATION

Golden Gully and Barrow Creek Prospects

The data can only be verified from the reading of the old reports. None of the properties was visited to specifically confirm the old work. It is the intent of this report to raise sufficient funds to confirm the previous results and produce a bankable feasibility study for each of the prospects.

Whitewood Creek Tailings

The data, from the previous work, were evaluated by Fluor Daniel and their programme was done to industry standards of the time. The writer accepts the validity of this work and its results. He has not independently verified their accuracy and sees no necessity to do so.
MINERAL PROCESSING AND METALLURGICAL TESTING

No testing of this type was undertaken as part of this review.

MINERAL RESOURCE ESTIMATES

Golden Gully

The existing database has never been used to estimate a gold resource for this area. To the south Hill End Gold is in the process of raising funds to exploit their mineralization in the Hawkin’s Hill-Reward Area, but do not mention what their resource is. Hill End Gold management does not think that it is possible to estimate the resource prior to mining (G. Reveleigh, President Hill End Gold per. comm). The writer agrees to the point that one needs many drill holes in the zone to estimate the resource with an acceptable degree of accuracy. At Golden Gully the two drill holes and recent underground work are insufficient to provide an estimate under the present criteria. They only indicate a potential for a resource.

Barrow Creek Prospects

Home of Bullion Mine

The Home of Bullion Mine work had indicated a copper resource from work done in the late 1940’s and early 1950’s. It was estimated that approximately 75,000 tonnes grading from 4 percent to as high as 15 percent copper and up to 2 percent lead were indicated. No recent re-evaluation of these results has been undertaken and one has no way of verifying the old results.

Prospect D and DA

A resource for this prospect has been calculated by Cogar (1972) and is quoted in the section on history. They are summarized here because they represent the only attempt to quantify the Kewanee exploration results. Oxide mineralization was calculated to be 1.5 million tonnes grading 0.51 percent copper and 0.15 nickel over an average width of 9.8 metres; the sulphide zone was 1.4 million tonnes grading 0.62 copper and 0.25 nickel. It is not possible to confirm, independently, this resource. This figure is important as an indicator of the magnitude of the resource that may be present and is within the indicated mineral resource category.

Prospect DA, the near surface part of D that was tested with airtrac holes may represent an open pit resource. It represents the oxidized portion of the D zone.
Whitewood Creek Tailings

In 1988 Fluor Daniel was contracted to provide technical services to Goldstake on their Whitewood Creek tailings project. Part of this service was to calculate a gold resource for these tailings. They calculate that the Goldstake portion of the resource is 14.2 million dry tons grading 0.0495 ounce per ton. This resource is classified below:

<table>
<thead>
<tr>
<th>Resource Category</th>
<th>Tonnage (dry tons)</th>
<th>Gold Grade (oz/ton)</th>
<th>+10 Mesh Tonnage (dry tons)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Measured*</td>
<td>10,409,950</td>
<td>0.0495</td>
<td>1,270,690</td>
</tr>
<tr>
<td>(indicated mineral res.)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Inferred**</td>
<td>3,820,000</td>
<td>0.0495</td>
<td>445,000</td>
</tr>
<tr>
<td>(not classified)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>14,229,950</td>
<td>0.0495</td>
<td>1,715,690</td>
</tr>
</tbody>
</table>

* Field sampled properties  
** Unsampled areas

Using the present resource categories the measured above becomes an “indicated mineral resource” and the inferred is not classified.

Fluor Daniel comments on two parameters that may improve the resource estimate. The first is the assay sample size; the original work used a one assay ton sample. Check sampling was conducted using 3000 gram samples recommended by the statistician Pitard; eleven returned values averaging 38 percent higher than the one assay ton. Bonder-Clegg ran eight more large samples and got values 10 percent higher. These preliminary results suggest that the nugget effect may improve the average grade by between 10 and 38 percent. Their second factor is the density factor and it affects the tonnage calculation. The method of determining the density factor was changed during the more recent sampling; this change lead to densities of 10 pounds per cubic foot or 12 percent less than the earlier work. They say that these differences must be resolved.

INTERPRETATION AND CONCLUSIONS

Golden Gully

The Union Vein at golden Gully was mined to a depth of 75 metres in the 1800’s and explored in 1996. Recent work has demonstrated that the mineralized vein continues at depth and that it forms one of many veins in the Golden Gully vein system. It is interpreted that the vein system continues to the north in an area that has not been explored in the past because the favourable geology was buried under alluvium.

If one accepts the past production figures and extends the mineralization to a depth of 150 metres, a vein in this system has the potential to contain in the range of 30,000 ounces and grades up to 680 grams per tonne (20 oz per ton). Future exploration has the
best chance of success if it initially tests the Union Vein in proximity to and northeast of
the Union Air Shaft. Multiple stacked veins are known in this area and have never been
explored in this area or below the 250 foot level. The target for the northern extensions of
the Union Vein from data from recent mining and the drill hole intersection is 15,000
ounces; thus the potential of an unmined vein in this system is in the order of 30,000
ounces to 150 metres. When the stacking pattern of the known veins is taken into
consideration, the potential on the property could be more than 300,000 ounces of gold
above the 500 foot (150m) level. The writer’s studies and success in the Hill End Camp
has shown that this potential can be located by diamond drilling on a 50 metre grid.
Potential below 500 feet has never been investigated, but is known to be significant at
Hawkin’s Hill. It should be tested as part of any evaluation programme.

**Barrow Creek Prospects**

The two prospects on the Barrow Creek Exploration License have been shown to have
significant base and precious metal resources. All of the detailed deposit analysis date
back a minimum of 30 years and as much as 50 years. To evaluate their potential, it is
necessary to confirm each existing database and then carry out exploration programmes
and underground sampling to extend the zones plus search for additional zones with the
same geological controls. It is the goal of the proposed programmes to produce a positive
feasibility study for each prospect.

**Whitewood Creek Tailings**

An independent evaluation of the Whitewood Creek Tailings has shown that the system
contains 10.4 million tons of tailings averaging 0.0495 ounces gold per ton from the
sampled land blocks. This gives a contained gold content of 515,000 ounces. They say
that of this total 250,000 ounces lie on the land owned by Goldstake.

**RECOMMENDATIONS**

**Golden Gully**

The proposed exploration programme would test the multiple vein system and its
potential and would use a series of drill holes on a 15 metre grid spacing. This close
spacing will provide a detailed outline of the veins and an estimate of their gold content.
Gold is known in the Union Vein on the 80 metre level and in a drill hole below it. An
exploration decline to explore the vein at the 150 metre level will permit the detailed
assessment of the Union and adjacent veins. Phase 2 is conditional on the results of Phase
1.
Table 2

Exploration Budget and Development Programme
Golden Gully Property

Phase 1

<table>
<thead>
<tr>
<th>Item</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Drilling</td>
<td>$350,000</td>
</tr>
<tr>
<td>Reporting permits and environmental</td>
<td>$90,000</td>
</tr>
<tr>
<td>Management 15%</td>
<td>$60,000</td>
</tr>
<tr>
<td>Contingency</td>
<td>$50,000</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td><strong>$550,000</strong></td>
</tr>
</tbody>
</table>

Phase 2

<table>
<thead>
<tr>
<th>Item</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Decline 1400 m at $700 per metre</td>
<td>$1,000,000</td>
</tr>
<tr>
<td>Underground development</td>
<td>$750,000</td>
</tr>
<tr>
<td>Management overhead 15%</td>
<td>$200,000</td>
</tr>
<tr>
<td>Reporting, permits and environmental</td>
<td>$250,000</td>
</tr>
<tr>
<td>Contingency</td>
<td>$250,000</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td><strong>$2,450,000</strong></td>
</tr>
</tbody>
</table>

**Grand Total** $3,000,000

Barrow Creek Prospects

These two projects, the Home of Bullion Mine and Prospects D and DA, have been shown to have significant base and precious metal resources. All of the detailed deposit analysis dates back a minimum of 30 years. To evaluate their potential, it is necessary to re-evaluate each existing database and then carryout exploration programmes to extend the zones. To this end a two stage budget is proposed as follows:

Home of Bullion Mine

The Home of Bullion Mine should be evaluated with a two phase programme; the first of which will confirm each resource indicated from the previous work. A second phase contingent on the results of the first would be designed to produce a positive feasibility study. The first phase would cost $3,000,000 and the second $5,500,000; the details are given below:
Table 3

Exploration Budget and Development Programme
Home of Bullion Mine

Phase 1 Exploration

<table>
<thead>
<tr>
<th>Item</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Drilling $100 per metre contract costs for 7000 metres</td>
<td>$700,000</td>
</tr>
<tr>
<td>Assaying, Core preparation etc.</td>
<td>$300,000</td>
</tr>
<tr>
<td>Geotechnical Surveys</td>
<td>$150,000</td>
</tr>
<tr>
<td>Geology and Field Supervision</td>
<td>$200,000</td>
</tr>
<tr>
<td>Camp and Support and Vehicles</td>
<td>$420,000</td>
</tr>
<tr>
<td>Administration, Travel, Permitting</td>
<td>$200,000</td>
</tr>
<tr>
<td>Consultant Company for Feasibility</td>
<td>$500,000</td>
</tr>
<tr>
<td>Contingency</td>
<td>$600,000</td>
</tr>
</tbody>
</table>

Total Phase 1 $3,000,000

Phase 2 Decline to 200 metre depth - 1,400 metres long

<table>
<thead>
<tr>
<th>Item</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Decline base cost at $700 per metre</td>
<td>$1,000,000</td>
</tr>
<tr>
<td>Air and Pipes</td>
<td>$500,000</td>
</tr>
<tr>
<td>Dewatering Pumps and Pipes</td>
<td>$400,000</td>
</tr>
<tr>
<td>Power Main and Back Up</td>
<td>$600,000</td>
</tr>
<tr>
<td>Mining Equipment</td>
<td>$800,000</td>
</tr>
<tr>
<td>Haulage Equipment</td>
<td>$800,000</td>
</tr>
<tr>
<td>Camp 20 Men</td>
<td>$200,000</td>
</tr>
<tr>
<td>Laboratory, Office and Communications</td>
<td>$500,000</td>
</tr>
<tr>
<td>Underground Infrastructure</td>
<td>$300,000</td>
</tr>
</tbody>
</table>

Contingency $400,000

Total $5,400,000

Prospect D

Prospect D requires a similar programme to Home of Bullion. In Phase 1 the primary mineralization will be evaluated from surface by drilling plus geotechnical surveys and in Phase 2 it will be opened up and detailed underground sampling and surveys will be designed to provide a database for a positive feasibility study. The budgets are the same as proposed for the Home of Bullion and are given below:
Table 4

Exploration Budget and Development Programme

Prospect D

Phase 1 Exploration

- Drilling $100 per metre contract costs: $700,000
- Assaying, Core preparation etc.: $300,000
- Geotechnical Surveys: $150,000
- Geology and Field Supervision: $200,000
- Camp and Support: $300,000
- Vehicles 3: $120,000
- Administration, Travel, Permitting: $200,000
- Consultant Company for Feasibility: $500,000
- Contingency: $600,000

Total Phase 1: $3,000,000

Phase 2 Decline to 200 metre depth - 1,400 metres long

- Decline base cost at $700 per metre: $1,000,000
- Air and Pipes: $500,000
- Dewatering Pumps and Pipes: $400,000
- Power Main and Back Up: $600,000
- Mining Equipment: $800,000
- Haulage Equipment: $800,000
- Camp 20 Men: $200,000
- Laboratory, Office and Communications: $500,000
- Underground Infrastructure: $300,000
- Contingency: $400,000

Total: $5,400,000

Prospect DA

Prospect DA is the near surface secondary sulphide and oxide mineralization. It is the company’s intention to obtain a bulk sample of this material using large diameter drill holes. Material from this drilling will be sampled and analysed; the sample rejects will be used for metallurgical testing and may be set aside as feed for a pilot plant. It is estimated that the cost of this programme will cost approximately one million dollars. The details are given below:
Table 5
Exploration Budget and Development Programme
Prospect DA

<table>
<thead>
<tr>
<th>Item</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Drilling</td>
<td>$600,000</td>
</tr>
<tr>
<td>Supervision</td>
<td>$150,000</td>
</tr>
<tr>
<td>Assaying</td>
<td>$ 50,000</td>
</tr>
<tr>
<td>Camp</td>
<td>$ 30,000</td>
</tr>
<tr>
<td>Contingency</td>
<td>$170,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$1,000,000</strong></td>
</tr>
</tbody>
</table>

**Whitewood Creek Tailings**

Whitewood Creek has been evaluated to establish a gold resource in the tailings. Future development requires the assistance of Barrick Gold. To produce a bankable feasibility study and obtain the required permits, a budget of $2,000,000 US is recommended. Of this total, half a million dollars is for permitting and 1.5 million is to upgrade the database used by Fluor Daniel and produce the bankable feasibility study.
REFERENCES

Fluor Daniel, 1989: whitewood Development Corporation, Whitewood Creek Tailings Deposit, Geologic Reserves Report; 27 p


Hossfield, 1936: Report on the Home of Bullion Mine quoted in an incomplete report from the early 1950’s


Wilpolt, R. H. 1972: Barrow Creek Prospects, Northern Territory, letters to P. E. Cogar
Certificate

1) I, Dr. Derek E. McBride P.Eng. of Suite 501, 67 Yonge St. Toronto, Ontario, M5E 1J8, do declare that I am a Qualified Person for the purposes of National Instrument 43-101 of the Ontario Securities Commission and am the sole author of this report titled “Qualifying Report on the Projects of Goldstake Explorations Inc. The Golden Gully Gold Prospect, The Barrow Creek Prospects and The Whitewood Creek Tailings Project”.

2) I hold a Diploma of Technology from the Haileybury School of Mines (1965), a B.Sc. in Geological Engineering (1968) and an M.Sc. in Geological Engineering (1972) from Queen’s University, Kingston, Ontario, Canada and a PhD. in Geology from the University of New Brunswick (1976).

3) I am a registered Professional Engineer in the Province of Ontario, a Fellow of the Geological Association of Canada, a member of the Canadian Institute of Mining and Metallurgy, a member of the Association of Applied Geochemists and a full member of the Society of Economic Geologists.

4) I have been involved in all aspects of mineral exploration for 35 years and have worked on gold, base metal and diamond exploration from the Canadian Shield to the Australian outback.

5) From 1993 to 1999, I was active in and around the Golden Gully Prospect and in 1992 visited the deposits of the Lead, South Dakota Area. I was not able to visit the Barrow creek Prospects due to time and distance.

6) I have reviewed all the available data on the Properties and this report is my analysis of that information.

7) I am not aware of any material fact or material change with respect to the subject matter of the technical report which is not reflected in the technical, the omission of which makes the technical report misleading.

8) I am a qualified person who is independent of the issuer as set out in section 1.5

9) I have read NI 43-101 and have prepared this report in compliance with the National Instrument.

Dated at Toronto January 27, 2003

Dr. Derek E. McBride P.Eng.