BAY RESOURCES LTD
Form 10KSB
September 29, 2005

United States
Securities and Exchange Commission
Washington D.C. 20549

FORM 10-KSB

Annual Report Pursuant to Section 13 or 15(d) of
The Securities Exchange Act of 1934

(Mark one)

[x] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended June 30, 2005 or

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 0-16097

BAY RESOURCES LTD.
(Exact name of Registrant as specified in its charter)

Delaware	98-0079697
(State or other jurisdiction of incorporation or organisation)	(IRS Employer Identification No.)

Level 8, 580 St Kilda Road Melbourne, Victoria, 3004, Australia
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code 011 (613) 8532 2860

Securities registered pursuant to Section 12 (b) of the Act:

Title of each class	Name of each exchange on which registered
N/A	N/A

Securities registered pursuant to Section 12(g) of the Act:
Common stock, par value $.0001 per share
(Title of Class)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements the past 90 days.

Yes X No _

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB.|X|

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act)

Yes _ No X

State Issuer's Revenues for its most recent fiscal year.

None

The aggregate market value based on the average bid and asked price on the over-the-counter market of the Registrant's common stock, ("Common Stock") held by non-affiliates of the Company was US$5,324,902 as at June 30, 2005.

There were 16,711,630 outstanding shares of Common Stock as of September 22, 2005.

DOCUMENTS INCORPORATED BY REFERENCE

Not Applicable

Transitional Small Business Issuer Yes:___ No:_X_

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PART I

Item 1 Business

General

Our name is Bay Resources Ltd. and we sometimes refer to ourselves in this annual report as "Bay Resources", the "Company" or as "we," "our," or "us." We are an exploration stage mining company. Our objective is to exploit our interest in the mineral claims in Nunavut, Canada which are in the Committee Bay Greenstone Belt and in the Slave Craton. Our principal exploration target is for gold and we are seeking to determine whether adequate gold reserves are present on the property covered by our claims to develop an operating mine. We are in the initial stages of our exploration program and have not yet identified any ore reserves.

We hold the interest in the Slave Craton and our wholly owned subsidiary named "Golden Bull Resources Corporation" (formerly 4075251 Canada Inc.) holds the interests in the Committee Bay Greenstone Belt. Our wholly-owned subsidiary is referred to in this annual report as `Golden Bull."

We sometimes refer to our claims collectively in this annual report as either the "Committee Bay Properties" or the "Slave Properties". Our claims are registered in the Mining Recorders Office in the Mining District of Nunavut and give us the right to explore and mine minerals from the property covered by the claims.

We were incorporated in the State of Delaware on February 1, 1973. We commenced our mineral exploration activities in 2002. Prior thereto, we were engaged in a number of other business activities that have been discontinued. Our executive offices are at Level 8, 580 St. Kilda Road, Melbourne, Victoria 3004 Australia and we have an office at 1 Yonge Street, Suite 1801, Toronto, Ontario M5E 1W7, Canada. Our website location is www.bayresourcesltd.com and you can send an email to us at peter@bayresourcesltd.com. Our wholly owned subsidiary, Golden Bull, was incorporated on May 27, 2002 in the Province of Ontario, Canada and is licensed to do business in the Northwest Territories and Nunavut Canada.

Currency

We use the Australian dollar as our reporting currency, since we are headquartered in Australia and our administrative expenses are incurred in Australian dollars. References to dollars are to Australian dollars (A$) unless otherwise indicated as being Canadian dollars (CDN$) or United States dollars (US$). As of September 20, 2005, the currency exchange rate was approximately

US$1.00 equals A$1.30504, and US$1.00 equals CDN $1.17020, as published by Bloomberg at www.Bloomberg.com. For the convenience of the reader, the Australian Dollar figures for the year ended June 30, 2005 have been translated into United States Dollars ("US$) using the rate of exchange at June 30, 2005 of A$1.00=US$0.7620.

History of the Company

Our predecessor corporation, Bayou Oil, was incorporated under the laws of Minnesota in 1973 and since that time it had a number of activities that have been ceased.

On February 13, 1998, we incorporated a 100% owned subsidiary, Bayou Australia Pty Ltd, a corporation incorporated under the laws of Australia.

On June 29, 1999 we undertook a reverse stock split on a 1:20 basis and changed our Articles of Incorporation to amend the par value of our shares from US$0.15 cents to US$0.0001 cents per share. On September 27, 1999 we changed our name from Bayou International, Ltd to Baynet, Ltd.

In May 2000, we commenced work on the development of a B2B mining portal however, this is no longer proceeding as it was considered uneconomic.

On July 13, 2000 we changed the name of our subsidiary, Bayou Australia Pty Ltd to Baynex.com Pty Ltd. On August 21, 2000 we incorporated a new wholly owned subsidiary, Baynet International Pty Ltd, a corporation incorporated under the laws of Australia. In October 2000, it changed its name to Bay Resources (Asia) Pty Ltd.

During fiscal 2001, we conducted a due diligence review of St. Andrew Goldfields Ltd ("St. Andrew") with a view to taking a substantial investment in St. Andrew. Following the conclusion of the review, we decided not to proceed with the investment.

During the 2002 fiscal year we commenced our gold exploration business by:

(i) entering into an agreement to explore for gold on Tahera's extensive property interests on the Slave Craton in northern Canada; and

(ii) making application via Gold Bull, for properties in the highly prospective Committee Bay Greenstone Belt in Nunavut, Canada.

In October 2002 we entered into an agreement (via our wholly owned subsidiary Bay Resources (Asia) Pty Ltd) with the Tibet Bureau of Geology and Minerals Exploration Development, China to earn a minimum 51% interest in the Xigaze copper belt running in a 200 kilometer east-west trend either side of Lhasa. However, in February 2003 we decided to withdraw from these arrangements as a result of further hurdles being placed before us by the Chinese authorities that were not known at the time of entering into the agreement.

In April 2004, we raised US$1,670,000 (A$2,253,000) through a private placement, issued 1,753,984 shares of common stock and 1,753,984 warrants to repay all of our debt and commenced exploration on the Slave Craton and Committee Bay properties.

It is the policy of our Board of Directors that we will not engage in any

activities which would subject us to registration and reporting requirements of the Investment Company Act of 1940.

Description Of Business

We are an exploration stage mining company. Our objective is to exploit our interest in the mineral claims in Nunavut, Canada. We hold interests in the Slave Craton and through our wholly owned subsidiary, Golden Bull Resources, in the Committee Bay Greenstone Belt in Nunavut. Our principal exploration target is for gold and we are seeking to determine whether adequate gold reserves are present on the property covered by our claims to develop an operating mine. We are in the initial stages of our exploration programs and have not yet identified any ore reserves.

Slave Craton Project

During 2002, we reached an agreement with the Canadian company, Tahera Diamond Corporation, to explore for gold on Tahera's extensive properties on the Slave Craton in Nunavut, Canada. At that time, Tahera's Slave land package includes 177 claims and 11 Inuit Land Concessions covering approximately 471,000 acres. Tahera is a exploration company conducting diamond exploration in the northern Slave Craton and plans to bring its Jericho diamond pipe into production in late 2005. Tahera has put together an extensive database of geologic and geophysical information and does not wish to conduct exploration for gold and base metals. Under the agreement, they will allow us to use the database to explore for gold. We have agreed to pay them a two percent net smelter return royalty on any production from gold and base metals we discover having used Tahera's extensive database.

The Tahera data to which we have access, includes electromagnetic geophysical surveys, overburden and bedrock mapping, overburden sampling and drilling data. The overburden samples cover some 60,000 square kilometers of the northern Slave Craton with some 17,000 samples being potentially available for gold and base-metal analysis. The overburden samples have been taken on a reconnaissance scale with line intervals at 2.5-5.0 kilometers with some detailed surveys at 50-100 meter sample spacings. The samples cover areas of known gold mineralisation including in the vicinity of the Lupin and Ulu gold deposits.

We believe there are some exceptional gold targets on Tahera's ground; principally in the High Lake Volcanic Belt, and in the Contwoyto Formation near Lupin. In the High Lake Volcanic Belt, several high grade gold showings on the ground include surface samples of 24 grams per tonne ("gpt gold"), 130 gpt gold, 176 gpt gold, and 220 gpt gold, and drillhole intersections to 25.5 gpt gold / 1.54 meters. The target is silicified shear-hosted gold, similar to the 565,000 ounce ULU gold deposit which borders the Tahera ground.

Tahera's Jericho and Contwoyto properties lie in close proximity to the Lupin gold mine, which is a high grade, gold deposit of over three million ounces. We believe that there is significant potential for gold mineralization, similar to that found at Lupin, on Tahera's Jericho and Contwoyto properties. Previous work has revealed surface gold values of 11 gpt, 15 gpt, 21 gpt, and 28 gpt gold in Banded Iron Formation ("BIF"). The geology is very similar to the nearby Lupin gold mine (2-3 kilometers to the west) where gold mineralization is in a "Z" folded iron formation. The R43-R45 target on Tahera's ground is a 10 meters wide, 1.3 kilometers long iron formation, that has an unsampled "Z" fold of the same magnitude as Lupin.

We have included a list of the mining claims that are covered under our agreement with Tahera in Appendix B to this report.

Committee Bay Greenstone Belt Project

In June 2002, we staked land in the highly prospective Committee Bay Greenstone Belt.

The Committee Bay Greenstone Belt is located approximately 240 kilometers northeast of Baker Lake in Nunavut, Canada and is believed to represent one of the largest unexplored greenstone belts in North America, with potential to host world-class gold deposits. The Baker Lake area is best known for the Meliadine gold Project, currently in the pre-feasibility stage.

Originally 29 claims were staked totalling a land area of 71,694 acres in the Committee Bay Greenstone Belt in central Nunavut, Canada. These claims were recorded on October 16, 2002. From the original area we retained a total of 49,439.48 acres on 21 claims. To keep the claims in good standing, we needed to spend a total of CDN$197,798 of assessment work by October 16, 2004. A total of CDN$98,879 (CDN$2 per acre) is required in each subsequent year up to 2012 (at which point a decision to bring the claims to lease must be made). We have included a list of our mining claims in the Committee Bay Greenstone Belt in Appendix B to this report.

The Canadian Government completed a Targeted Geoscience Initiative ("TGI") between 2000-2003 in the Archean Committee Bay Greenstone Belt. Total government funding for the Committee Bay Greenstone Belt TGI area was approximately CN$3.5 million. The stated objective of the TGI was to increase the level and cost-effectiveness of private sector exploration for mineral resources. Government work in the Committee Bay Greenstone Belt included 1:100,000 scale geologic mapping, prospecting, surficial mapping, drift prospecting, and airborne geophysics (400 meter flight line spacing). A joint government-industry (GSC - DeBeers Exploration Canada Ltd.) partnership initiated in 2001, involves heavy-mineral analysis of esker samples for diamond indicator minerals.

The stratigraphy of the Committee Bay Greenstone Belt includes Banded Iron Formations (BIF) up to 50 meters thick, komatiite volcanic flows, basalts, intermediate to felsic tuffs, and quartz-cobble conglomerates. Deformation is recorded by major shear zones, second order faults, complex folding, and felsic intrusions. Numerous gold showings are spread out over a 260 x 40 kilometer area including the Inuk zone (12.8 gpt gold over 5 meters) in northeast Committee Bay and the Three Bluffs zone (27.41 gpt gold over 9.44 meters) in the Hayes River area.

Our Wrench claim group adjoins the Bluff claim block, where the mine grade/width intersections of 27.41 gpt gold over 9.44 meters and 61.6 gpt gold over 4.84 meters were announced in September 2003 by Committee Bay Resources Ltd ("CBR"), a company listed on the Toronto Venture Exchange with a large landholding in the Committee Bay Greenstone Belt. The government airborne magnetic survey shows that oxide iron formation (the host at the Three Bluffs discovery) strikes northeast from their showing onto our Wrench claims. A number of gold occurrences are known on this trend, including a 9.7 gpt gold sample taken in an area of folded oxide iron formation, quartz veining and pyrite + pyrrhotite on our Wrench claim.

The geology is highly prospective for BIF hosted gold (as in the 3 million ounce Meadowbank and the 4.6 million ounce Meliadine gold deposits to the south). Our

claims protect several auriferous iron formations with surface values to 9.7 gpt gold. In addition to the BIF hosted gold targets, this Belt has potential for shear-hosted lode gold, Witswaterstrand style gold, komatiite hosted stratiform nickel-copper (Kambalda analogy), and platinum group elements ("PGE's") in layered igneous complexes (Laughland Lake Anorthosite Suite). Samples from previous work in the Committee Bay area returned samples up to 245 gpt gold, 0.5% nickel, and 0.8% copper.

The region is best known for the Meliadine Gold Project, which is currently in the pre-feasibility stage, as well as the Meadowbank Project of Cumberland Resources, which is in post feasibility stage. These two projects host 7.5 million ounces of gold resources. The Committee Bay Greenstone Belt is also situated in the same general area as the developing diamond play currently being explored by De Beers, BHP-Billiton, and Stornoway Ventures Ltd. We have accumulated a large landholding in the Belt.

CBR signed a letter of intent with Gold Fields Explorations Ltd, in June 2003, to form a joint venture, whereby Gold Fields Exploration will take an equity position in CBR and will spend US$10 million on exploration to earn a 65% interest in that project.

Mining In Canada

The mining industry in Canada operates under both federal and provincial or territorial legislation governing the exploration, development, production and decommissioning of mines. Such legislation relates to the method of acquisition and ownership of mining rights, labour, health and safety standards, royalties, mining and income taxes, exports, reclamation and rehabilitation of mines, and other matters. The mining industry in Canada is also subject to legislation at both the federal and provincial or territorial levels concerning the protection of the environment. Legislation imposes high standards on the mining industry to reduce or eliminate the effects of waste generated by extraction and processing operations and subsequently deposited on the ground or emitted into the air or water. The design of mines and mills, and the conduct of extraction and processing operations, are subject to the regulatory restrictions. The exploration, construction, development and operation of a mine, mill or refinery require compliance with environmental legislation and regulatory reviews, and the obtaining of land use and other permits, water licenses and similar authorizations from various governmental agencies. Legislation is in place for lands under federal jurisdiction or located in certain provinces and territories that provides for the preparation of costly environmental impact assessment reports prior to the commencement of any mining operations. These reports require a detailed technical and scientific assessment as well as a prediction of the impact on the environment of proposed mine exploration and development.

Failure to comply with the requirements of environmental legislation may result in regulatory or court orders being issued that could result in the cessation, curtailment or modification of operations or that could require the installation of additional facilities or equipment to protect the environment. Violators may be required to compensate those suffering loss or damage by reason of mining activities and the violators, including our officers and directors, may be fined or, in some cases, imprisoned if convicted of an offence under such legislation. Provincial and territorial mining legislation establishes requirements for the decommissioning, reclamation and rehabilitation of mining properties that are closed. Closure requirements relate to the protection and restoration of the environment and the protection of public safety. Some former mining properties must be managed for a long time following closure in order to fulfill regulatory

closure requirements. The cost of closure of existing and former mining properties and, in particular, the cost of long-term management of open or closed mining properties can be substantial.

Government Regulations

We are committed to complying and, to our knowledge, are in compliance with all governmental and environmental regulations. Permits from a variety of regulatory authorities are required for many aspects of mine operation and reclamation. Our exploration work is subject to the Mining Land Use Regulations of the Indian and Northern Affairs Canada Mining Act. This Act requires us to obtain permits prior to performing significant exploration programs. We are currently conducting exploration under a Land Use Permit, which is valid until June 20, 2006.

We cannot predict the extent to which future legislation and regulation could cause additional expense, capital expenditures, restrictions, and delays in the development of our Canadian properties, including those with respect to mining claims. Our activities are not only subject to extensive federal, provincial and local regulations controlling the mining of and exploration for mineral properties, but also the possible effects of such activities upon the environment. We will be obligated to take steps to ensure that such streams draining the property do not become contaminated as a result of our activities on the property. We are not aware of any environmental problems on the property as of the date of this prospectus.

The mining industry in Nunavut, where our exploration properties are situated, operates under Canadian federal and territorial legislation governing prospecting, development, production, environmental protection, exports, income taxes, labour standards, mine safety and other matters. We believe our Canadian operations are operating in substantial compliance with applicable law.

Our exploration works is subject to environmental regulation primarily by the Federal Department of Indian Affairs and Northern Development and the Nunavut Water Board. The Department of Fisheries & Oceans (Canada) and the Department of the Environment (Canada) have an enforcement role in the event of environmental incidents, but presently have no direct regulatory role in relation to exploration activity.

On April 1, 1999, the Nunavut Land Claims Agreement, dated May 28, 1993, between the Inuit of Canada's eastern arctic region and Her Majesty the Queen in right of Canada, came into force. Under this agreement, the Inuit were granted ownership of approximately 360,000 square kilometers of land in an area referred to as the Nunavut Settlement Area, including ownership of subsurface rights in approximately 37,500 square kilometers of those lands. Third party interests in lands in the Nunavut Settlement Area created prior to April 1, 1999 are protected under the Nunavut Land Claims Agreement. Where a third party was granted a mining lease under the Canada Mining Regulations in lands comprising the Nunavut Settlement Area, that interest continues in accordance with the terms and conditions on which it was granted, including any rights granted under the legislation that give rise to the interest. However, where any successor legislation has the effect of diminishing the rights afforded to the federal government, it will not bind the Inuit without its consent. The Inuit are entitled to receive whatever compensation is payable by the interest holder for the use of exploitation of mineral rights. The federal government continues to administer the third party interest on behalf of the Inuit, unless the third party and the Inuit enter into an agreement under which the third party agrees to the administration of their interest by the Inuit. In the event such an

agreement is reached, the applicable legislation will cease to apply to the third party interest. Subsurface interests in such lands continue to be administered in accordance with applicable legislation relating to those interests and are not affected by the Nunavut Land Claims Agreement.

Third party interests in lands in the Nunavut Settlement Area created on or after April 1, 1999 are granted, in the case of surface rights, by the appropriate regional Inuit association and, in the case of subsurface rights, by Nunavut Tungavik Incorporated. Which will hold subsurface title to Inuit owned lands and will be additionally responsible, in consultation with the appropriate regional Inuit associations, for the administration and management of those subsurface rights.

Government Requirements For Maintenance Of Claims

Slave Craton

Fees and exploration expenditures associated with the maintenance of Tahera Corporation's ground covered under the Slave Craton Agreement with Bay Resources is the responsibility of Tahera.

Committee Bay Greenstone Belt

The Nunavut Government has granted our interest in the 21 mineral claims in the Committee Bay Greenstone Belt described in this Report.

To keep the 21 claims in good standing, we were required to spend a total of CDN$197,798 of qualifying assessment work by October 16, 2004. Assessment work must be filed with the Mining Recorder within 30 days of the claim's anniversary date or within 60 days of the lapsing notice date. We actually spent CDN$1,566,962.

A total of CDN$98,879 (CDN$2 per acre) is required in each subsequent year up to 2012 (at which point a decision to bring the claims to lease must be made). However, the excess of CDN$1,369,164 spent can be used to offset the expenditure requirement in following years. As a result we have already met our commitment until 2012.

Description of Exploration Properties

Please note that the Glossary at the end of this Report contains definitions for the geological and other specialized terms used in this section.

Property Location And Description

Slave Craton

Hood River Ground

The Hood River mineral claims and Inuit Owned Land Concessions are in the High Lake Volcanic Belt located in the northwest section of the Slave Structural Province in the Mackenzie District of Nunavut (Figure 1) on NTS Map Sheets: 76L/10, 14, and 15 and 76M/3. The land holdings here include 4 mining claims (Hood 3, 4, 12, and 14) totalling 10,330 acres, and 5 contiguous IOL concessions (CO 20-00-01, CO 20-00-03a, CO 20-00-03b, CO 20-00-04, and CO 20-01-01) totalling 21,381.64 acres. Only the IOL concessions are within the greenstone component of the High Lake Volcanic Belt and therefore of exploration interest

to us. The approximate center of the Inuit Concessions is about 45 kilometers north of the Arctic Circle, and 530 kilometers NNE of Yellowknife at 66o 54' 37" N, 110o 55' 12"W. The Inuit Concessions are held 50:50 by Benachee Resources Inc. and Snowpipe Resources Ltd. (both wholly owned by Tahera). There are no known encumbrances on the concessions. Tahera's land use permits are in effect for 2005 and will cover proposed exploration work by us.

Contwoyto Lake Ground

The CO-08 IOL Concession underlain by the Contwoyto Formation on the east side of Contwoyto Lake contains blocks (CO 08-00-01, CO 08-00-02, CO 08-00-03, CO 08-00-05, and CO 08-00-06). The original C0-08 Concession Agreement totaled 65,250.8 acres and is located in the Mackenzie District of Nunavut (Figure 1) on NTS Map 76E/15. These concessions are all contiguous except for CO 08-00-01 which is approximately 1-2 kilometers west of the main block, separated by the northeast arm of Contwoyto Lake. The approximate center of the C0-08 Concession is about 100 kilometers south of the Arctic Circle, 100 kilometers north-northwest of Lac de Gras, and 380 kilometers NNE of Yellowknife at 65o 49' 23" N, 111 o 13' 08"W. The C0-08 Concession Agreement is held 50:50 by Benachee Resources Inc. and Snowpipe Resources Ltd. (both wholly owned by Tahera). The IOL concessions are not surveyed and there are no known encumbrances on the concessions. Tahera's land use permits for 2005 are in effect and will cover proposed exploration work by us.

Committee Bay Greenstone Belt

Our Committee Bay Claims are located 245 to 365 kilometers northeast of the town of Baker Lake (Qamani'tuaq), Nunavut, Canada, or 210 to 320 kilometers west to southwest of the town of Repulse Bay (Ngoldjat). The community of Kagaaruk (formerly Pelly Bay) is 190 to 305 kilometers northeast of the claim groups. The centre of the claim area is approximately 66(degree) 37'N, 92(degree) 00'W.

Our land holdings in the Committee Bay Greenstone Belt include 21 claims in 10 claim blocks on NTS (National Topographic System) sheets 56 K, 56 J, and 56 O. These claims total approximately 49,439.48 acres and all were recorded on October 16, 2002. These claims have not been legally surveyed.

Access, Infrastructure, Local Resources

Slave Craton

Access to all the areas in the Slave Craton is by aircraft. In summer months, float equipped aircraft can utilize local lakes of appropriate size including Contwoyto Lake, Napatulik Lake, Penthouse Lake (unofficial name), and Carat Lake. In addition airstrips are available for fixed wing aircraft equipped with tundra tires at Kinross' Lupin mine site, Wolfden's Ulu gold deposit, and Tahera's Carat Camp (Jericho). Helicopter support is needed to mobilize personnel to and within the property areas. The winter road which links Yellowknife to the Lupin mine site on Contwoyto Lake has historically been used for economical transportation of supplies in winter months.

Tahera's properties are located in the treeless Arctic within the zone of permafrost. Vegetation consists primarily of lichen and moss. The weather in the property areas is typical of the continental barrenlands which experience cool summers and extremely cold winters. Winter temperatures can reach -45 degrees Celsius occasionally accompanied by high winds creating extreme wind chill conditions and extensive drifting snow. Summer temperatures are generally in the

5 to 10 degree Celsius range but can reach the high 20's degrees Celsius. Minimum and maximum temperatures recorded at the nearest permanent weather stations are -53(0) C at the Lupin mines site, and +32(0) C at Coppermine. The ground remains snow covered for more than 250 days a year. Snow accumulation begins in September and remains into June. Average annual snowfall rarely exceeds 1 meter, most of which falls during autumn and spring storms. Small lakes are clear of ice usually by the third week in June (though ice on the larger lakes can persist into the middle of July) and start freezing over again in late September. Wind speeds have been recorded in excess of 100 kilometers per hour.

The topography of the C0-08 Concession Agreement consists of low rolling hills with areas of low-lying swampy muskeg near Contwoyto Lake at the south end of the concessions. Local relief is low, rarely exceeding 150 meters. On the C0 20-01-01 Hood River Concession, there is about 115 meters of relief in the form of deeply incised linears and steep cliffs. The basalt units form topographic plateaus, elevated over the sediments and granitic rocks. Outcrop density here is typically 50 - 60%, with the cover consisting of north-trending lakes, grassy swamps, and boulder-strewn glacial drift.

The closest community with regularly scheduled air service is Kugluktuk (formerly Coppermine) which is 145 kilometers northwest of the Anuri/Rockinghorse concessions and 200 kilometers northwest of the Hood River concessions. First Air has scheduled flights everyday from Yellowknife to Kugluktuk. The main centre for transportation to the land holdings is through Yellowknife, 530 kilometers southwest of the Hood River concessions, and 410 kilometers southwest of the Contwoyto concessions. Fixed wing and helicopter charter services are available in Yellowknife, as are all supplies (groceries, lumber, fuel, etc.) and expediting services. The only infrastructure that exists to service the land holdings includes Tahera's Construction Camp (Jericho site), the 20 person camp at Tahera's Rockinghorse property, the 12 person Tahera camp northwest of the Hood River concession, and possibly the Wolfden camp on the ULU claim. A limited network of approximately 3.5 kilometers of roads connects the airstrip, camp, fuel farm, and Jericho mine site on the Jericho claim area northwest of Contwoyto Lake.

Committee Bay Greenstone Belt

Access to the claims is by fixed wing aircraft equipped with tundra tires able to land on short natural features such as eskers. Alternatively, float equipped planes have the option of landing at some of the larger lakes (Laugh land Lake for example) or on sections of the Hayes River. The closest community with regularly scheduled air service is Baker Lake, about 350 kilometers to the southwest. Canadian North and First Air flights arrive from Yellowknife and Iqaluit. Calm Air flies from Winnipeg to Rankin Inlet (Kangiqliniq) and then on to Baker Lake daily except Sundays. Kivalliq Air flies from Cambridge Bay (Qaluktuuttiaq) to Baker Lake enroute to Rankin Inlet. Fuel and expediting services are available in Baker Lake. There is no infrastructure in the claim area.

The Committee Bay Greenstone Belt lies within the zone of permafrost. The mean annual temperature of -20oC reflects its Arctic location (the Arctic Circle transects the property area). The climate is typical of the Eastern Arctic with average temperatures in the winter months of -30oC to -35oC, and +10oC to +12oC in the summer. The ground remains snow covered for more than 250 days a year (generally September to June). Rivers break up in June and lakes are ice bound until mid July. In the summer and fall, the temperature differential between the

warm land and the cooler ocean can create fog blankets in low lying areas. Wind speeds have been recorded in excess of 100 kilometers per hour.

The project area is on the northern section of the Wager Plateau, a shield area that has been significantly modified by glacial processes. Elevations range from 122 meters above sea level in the southwest to 560 meters above sea level in the northeast. The Hayes River and its tributaries flow northwest into Chantrey Inlet. In the southwest, the Brown River flows into northwestern Hudson Bay. The Arrowsmith River, to the north, flows into the Gulf of Boothia.

Property History

Slave Craton

The following section deals with historic exploration on Tahera's land holdings. Non diamond-related exploration activities are emphasized as these relate to Bay's interest and exploration agreement with Tahera. Specifically, previous exploration work on the Hood River/High Lake and Contwoyto Lake land holdings are detailed as these are deemed to be most prospective for gold.

Hood River/ High Lake Belt

Borealis Exploration conducted a field program in 1970 in the "Penthouse" area (now part of Tahera's Concession CO 20-00-01). The program consisted of mapping, trenching, sampling and drilling. Trenching on the "Penthouse gossan" returned values up to 1.37 gpt gold, 92.57 gpt silver, 6.48% copper, and 1.10% lead. An X-ray sized drillhole drilled under the trench intersected 1.37 gpt gold, 15.09 gpt silver, and 0.18% lead over 0.9 meters. The PH 1-13 claims were staked over this showing and these had lapsed by 1983.

The Blackridge area was first investigated between 1965 and 1970 by Borealis Exploration. Borealis conducted an airborne electromagnetic ("EM")/magnetic gamma ray spectrometer survey over their Permit 62 (NTS 76L/15). The actual auriferous zone was discovered in 1974 by Long Lac Minerals during regional prospecting in the Hood River area. This showing is now within Tahera's Concession 20-00-04. A claim was staked here in 1975 and surface grab samples of 6.2 gpt gold and 8.4 gpt gold were reported. Noranda Exploration Ltd. is reported to have done airborne geophysics with follow up ground work in 1981. Aber Resources Ltd. was the next company to have filed assessment work for the showing, having staked the Blackridge claim in 1983, along with a contiguous claim BR1-2. A program of gridding, geophysical surveys (magnetics and very low frequency "VLF"), and drilling (6 holes totalling 199 meters) was undertaken in 1985. The principal mineralized zone was traced for at least 700 meters northeast in a 2.5-3.5 meter wide zone within gabbro at a gabbro/sediment contact. The highest surface grades included a chip sample of 7.5 gpt gold/ 9 meters and the best intersection from drilling was 10.3 gpt gold / 1.07 meters.

Hy-Tech Resources Ltd. conducted an exploration program in 1988 on the HY 17-19 claims to the west of Aber's claims. These claims which belonged to Expeditor Resource Group Ltd. were staked on January 13, 1988. The work by Hy Tech included 113 rock samples and 60 soil samples. The best value was 610 parts per billion ("ppb") gold (with 4.3% arsenic) at a volcanic -sediment contact in the southeast corner of historic HY 17. BHP Minerals Ltd. evaluated the HY 17-19 claims in an agreement with the claim owners (Consolidated Envirowaste Industries Inc.) in 1992. Nineteen rock samples and one soil sample was taken. The best result was 2.87 gpt gold.

BHP Minerals Ltd. staked the CROWN and CROWN 2 claims in 1987 following the discovery of auriferous mineralization during reconnaissance traversing. Samples of silicified material with mineralization at a sediment/volcanic contact returned values to 4 gpt gold. This "Main zone" was traced for 800 meters. Further work on the Crown claims in 1988 and 1989 included 63 kilometers of gridding, geological mapping, rock chip sampling (181 samples), limited soil geochemical sampling (4 samples), 55 kilometers of ground magnetics-VLF surveys and 77.5 meters of trenching.

Aber Resources staked the DEN 1 - 16, 19, 20 claims in 1987 to the west of BHP's CROWN claims. Covello, Bryan, and Associates then staked the JEB 1-3 and FIDO 1-3 claims in 1988 to be included in this Aber claim group. Work by Covello, Bryan, and Associates in 1988 included gridding, mapping, sampling and geophysics. High values (up to 15.63 oz/t gold from grab samples) were returned from these claims prompting BHP to enter into a joint venture with Aber on this land package. From 1989 to 1991 BHP drilled 951.87 meters in eighteen drillholes and took 253 core samples, 1,109 rock samples and 573 soil samples. Along the 55 kilometers of gridding they performed a number of geophysical surveys.

Following discovery of the ULU gold deposit in 1989, BHP mapped the core ULU claims (including part of Tahera's current IOL Concession 20-01-01) at 1:5,000 scale and select areas were mapped at 1:1,000. Geochemical surveying included humus and B horizon soil samples. A limited trenching program exposed mineralisation in a 45 meter x 15 meter section in the northwest portion of the main deposit (the "Flood" Zone). Geophysical surveys over the mineralised zones included Total Field Magnetics, VLF-EM, VLF-Resistivity, Induced Polarisation, Applied Potential, and Radiometrics.

The 1993 Nunavut Land Claims Agreement came into effect on April 1, 1999. Under this agreement the Inuit were granted surface ownership of about 360,000 square kilometers of land, of which they have the subsurface rights for approximately 37,500 square kilometers. Nunavut Tungavik Incorporation ("NTI") is the entity through which these subsurface rights are administered. The areas that BHP worked on in the Hood River (CROWN, DEN, FIDO and ULU) were ultimately incorporated into NTI lands, with the exception of the original ULU claim which was brought to lease by Echo Bay Mines Ltd.

In March, 2003, Strongbow Resources Inc. and Nunavut Tungavik Incorporated announced an agreement whereby Strongbow could explore 604,723 hectares of Inuit Owned Lands in 28 non-contiguous parcels within the West Kitikmeot region of Nunavut. Their IOL parcel CO-27 covers all the south half of the High Lake Greenstone Belt and borders Tahera's IOL concession on the east, south, and west.

Contwoyto Formation

Following the discovery of the Lupin Mine on the western shore of Contwoyto Lake in 1960, exploration for additional Lupin-style BIF hosted gold deposits commenced throughout the Contwoyto Formation. This resulted in the discovery of a number of showings including Fingers Lake, Butterfly, Raft, (143 gpt gold surface grab), Pan (34 gpt gold surface grab, 11.31 gpt gold/3.11meters trenching), Musk (8.4 gpt gold/10 meters surface grab), Mud (14.1 gpt gold/15.8 meters), Esker Lake, Brad (11.3 gpt gold/ 4.82 meters drilling) , Striker (9.39 gpt gold/3 meters surface, 47.3 gpt gold/3.4 meters drilling), Troy, and Donut (24.41 gpt gold /3 meters surface grab). The bulk of this work was done in two stages; (i) after the discovery of the "Main Showing" (later to become the Lupin mine) in 1960 by Canadian Nickel Company; and (ii) after Echo Bay Mines Ltd.

optioned the Lupin showing in 1979 and started mining in 1982. Limited exploration for BIF hosted gold targets continued to 1995, after which much of the ground was staked over for diamond exploration.

Gold exploration specific to the Tahera-Bay agreement on the northeast side of Contwoyto Lake started in 1962 with Canico (Canadian Nickel Company Limited). Canico held Prospecting Permit 35 which covered NTS sheets 76E/10 and 76E/15. From 1962 to 1964 they preformed mapping, prospecting, trenching, and airborne and ground magnetometer surveys.

Echo Bay mapped and sampled their C1 - C4 claims on the northeast border of the northeastern arm of Contwoyto Lake in 1983, retaining just the C2 claim in 1984. During the course of taking 97 grab samples on the C2 claim in 1983, they discovered the R43-R45 and R44-R47 showings which returned values up to 11.1 gpt gold. Limited follow up surface sampling in 1984 did not yield anomalous results. Echo Bay used a syngenetic gold model at this time, and this sampling therefore would not have been properly focused on important structural considerations (such as quartz veining in fold hinges) crucial to locating the gold bearing rock.

Hecla Mining optioned a total of 33 claims over the northeastern arm of Contwoyto Lake in 1985 from Contwoyto Goldfields. A helicopter-borne EM, magnetics, and VLF-EM survey was conducted over these claims by Dighem Surveys in 1985. This was followed in 1986-1989 with both ground and airborne geophysics, surface mapping and sampling, geochemical soil and till surveys, trenching and diamond drilling. The claims were transferred to Hecla in 1986. In 1986, Hecla investigated 74 of the 363 airborne anomalies. 327 rock samples were taken and 57 silicate-facies iron formations were mapped. Drilling by Hecla on the 5-5 grid (currently within Tahera's Contwoyto Concession CO 08-00-02) included eight holes totalling 942 meters in 1987 and four holes totalling 352.9 meters in 1988.

Cominco performed sampling, geophysics, and drilling on their Coco 6 and 15 claims from 1988 to 1990. They discovered the Ox showing by surface sampling in 1988 and this was followed up by more sampling (9.65 gpt gold/ 3 meters chip) and drilling. Gold bearing iron formations were intersected (see mineralization section).

Hecla acquired and merged into Acadia Mineral Ventures Ltd. Acadia and Contwoyto Goldfields optioned the main Contwoyto property to Kingswood Ventures Ltd in 1992. Their ground position covered all of the main gold showings known on Tahera's Contwoyto Concessions. Drilling by Hecla in 1987 on the 5-5 land grid included 8 holes totalling 942 meters. All eight holes intersected iron formation with five of the eight holes intersecting sulphide-rich and/or siliceous sulphidic iron formation. The best intercept was 2.31 gpt gold/ 7.85 meters (6.27 meters true width).

Four short drill holes on the 5-5 grid in 1988 tested a folded iron formation as outlined by an IP survey. Diamond drillhole ("DDH") 88-4 tested 225 meters west of the 2.31 gpt gold/ 7.85 meter intercept in DDH 87-6. DDH 88-4 intercepted 2.88 gpt gold/ 3.9 meters in a pyrite-rich siliceous iron formation. Excalibur International Consultants were contracted to perform a review of previous work on the property. Excalibur recommended a seven-hole drill program after reviewing the database. Two of the seven drillholes were recommended for the 5-5 grid area which is on Tahera's current concession CO 08-00-02.

Tahera's predecessors started exploring the northern Slave Stuctural Province

for diamonds in 1993. (Tahera was the result of the amalgamation of Lytton Minerals Ltd and New Indigo Resources Inc. in 1999.) 4.3 million hectares were staked encompassing a significant portion of the northern Slave Craton. More than 37,000 till samples and 11,000 square kilometers of airborne geophysics were collected since exploration commenced in 1993. This work resulted in the discovery of 20 kimberlite bodies on various Tahera properties. Additional geophysical surveys in 1995-1997 included a helicopter-borne VLF EM and magnetic survey over a 110 square kilometers in the Contwoyto Lake area. A total of 1,500 square kilometers was covered in a helicopter-borne survey over the Jericho and Contwoyto Lake land holdings in 1998. Survey line spacings were at 50 meters with a sensor height of 30 meters.

Committee Bay Greenstone Belt

The Committee Bay Greenstone Belt was the subject of two separate 3 year (2000-2003) government TGI. These TGIs are a collaboration between the Geological Survey of Canada, Canada-Nunavut Geoscience Office and university partners. The stated objective of TGI was to increase the level and cost-effectiveness of private sector exploration for mineral resources. Government work in the Committee Bay Greenstone Belt included 1:100,000 scale geologic mapping, prospecting, surficial mapping, drift prospecting, and airborne geophysics. Airborne magnetic surveys (400 meter flight line spacing) were carried out within three 1:250,000-scale NTS map sheet areas (56K, 56J/9-16, 56O/1-8, and 56P) and released as total field maps in 2002. Quaternary research involved multimedia sampling for gold and base metals and this drift prospecting/sampling was carried out between 2001 and 2003.

Following the release of Heywood's original geology map in 1961, several exploration companies performed work in the Committee Bay Greenstone Belt. The nickel copper potential of ultramafic rocks was the primary target of this first exploration wave. King Resources staked 400 claims in the Committee Bay Greenstone Belt (NTS 56I, 56J, 56K, 56O, 56P) in 1969/1970. They mapped the "A" claims that year (site of our current "A" claim) and conducted trenching, and geophysical surveys. This program outlined several electromagnetic conductors coincident with surface mineralization. Values up to 0.18% nickel were returned from trenching. King Resources also mapped, trenched, and conducted geophysical surveys on the "E" claims (site of our current "E" claim) and identified several similar conductors. The best trench value on the "E" claims was 0.51% nickel on a 1.46 kilometer long conductor. King Resources also spent time on their "B" claims evaluating a prospective rusty zone of rocks with disseminated and locally massive of pyrite and pyrrhotite with trace chalcopyrite. King Resources conducted geophysical surveys looking for nickel on the "B" claims in 1969. A VLF conductor was outlined coincident with rusty zones in sedimentary rocks adjacent to ultramafic rocks. The ground magnetic survey revealed a strong anomaly at least one kilometer long. Mapping and trenching over the zone produced a high of 0.19% nickel.

Aquitaine Company staked 347 claims in 56J and 56K in 1970. This claim package included the HAR claims over the Laugh land Lake Anorthosite Suite or LLAS . Aquitane preformed airborne and ground geophysical surveys over the LLAS in 1971. A weak airborne EM response was generated. A sulphide-bearing oxide facies BIF, traceable for 2 kilometers along the northern border of the LLAS was drilled with eight Winkie holes totalling 175 meters in 1971. Intervals of pyrite + pyrrhotite +/- chalcopyrite were encountered in the BIF (including 2 meters of massive pyrrhotite). The highest value was 0.7% copper, and 0.2% nickel. Gold was not analyzed. The anorthosite itself was apparently not drilled.

Cominco undertook general nickel-copper reconnaissance in 1970 and 1974 and more detailed work in 1975 and 1976. Geologic mapping, ground magnetic and EM surveys were conducted over permit 349 (granted April 1, 1975) on 56J/13 in the Hayes River area. Although prospective rock units with nickel and copper values were found, no further follow up was recommended. Some rock geochemistry was done by Cominco on their "OX" grid and other sulphide showings. The Ox grid is 1 kilometers north of King Resources "A" Claims.

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In 1986, Wollex Exploration Ltd. of Calgary (division of Comaplex) took reconnaissance rock samples within the current Pickle claims area. The highest values were 908 ppb gold and 0.5% nickel from a 13 meter wide gossanous shear zone in a folded ultramafic flow. No further work was done here by Wollex. Our current three Pickle claims (PICK 1-3) are found southwest of the Central Tonalite. This claim area was investigated as Prospecting Permits 1332 and 1333 which were granted to the Committee Bay Joint Venture (CBJV) on February 1, 1993. Reconnaissance sampling by CBJV returned values of 5.77 and 8.61 gpt gold in sheared BIF with pyrite + arsenopyrite. Although the Pickle 1 claim was staked in 1995, no follow-up work was filed. The IF is 70-100 meters thick and traceable for 1.5 kilometers. The gold values are found in sulphidic sections (arsenopyrite and pyrite) of the sheared oxide + silicate BIF over a distance of 1.35 kilometers.

In 1992, R.A Olson Consulting Ltd. ("ROACL") conducted reconnaissance in the Committee Bay area on behalf of the Committee Bay joint venture (CBJV). Several highly anomalous gold values were returned from the 392 rock samples taken, with a high of 121 gpt gold (Williamson, 1993). ROACL preformed follow-up work in 1993, taking 348 samples, mapping, prospecting. Higher gold values corresponded with BIF with quartz veining and/or silicified, and pyrite + pyrrhotite +/- arsenopyrite. In 1995, 505 rock chip and grab samples were taken, and eight drillholes totalling 811.41m completed (producing 596 samples core samples). This work exclusively focused on the Bluff 1-7 claims (Hayes River area, 56J), and the Inuk area further to the northeast. Part of the geological crew was from Cyprus Canada, who had entered into the Committee Bay joint venture. In 1996, the CBJV collected 447 rock samples, drilled 6 holes totalling 781 meters (at Three Bluffs), and flew a 13,262 line kilometers detailed geophysical survey (magnetics and VLF). This survey covered an area between the current KIM claims over to the Bluff 1-7 claims. Approximately CDN$5.4 million was collectively spent on the Committee Bay Greenstone Belt between 1992 and 2001 by Committee Bay North Ltd., Echo Bay Mines Ltd., and Apex Geoscience. This exploration focused on three areas: Laugh land Lake, Hayes River and Curtis River.

Numerous gold occurrences were discovered by the CBJV on the Laughland Lake (56K) 1:250,000 sheet between 1992 and 2001. Initial reconnaissance sampling by the CBJV in the now Bay Pickle Claim area returned values of 5.77 and 8.61 gpt gold.

More than 677 rock samples were taken on two showings, "Four Hills" and "Cop" further to the north. Gold values included highs of 28.02 and 48.07 gpt gold. Additional work included airborne and ground geophysical surveying, gridding, and detailed geologic mapping. Four claims (Cop 1-4) totalling 10,330 acres are still held here by Apex Geoscience and Committee Bay North Ltd. CBR completed a 227 kilometer helicopter-borne Time Domain Electromagnetic geophysical survey over the Four Hills and Cop showings in 2003.

Further to the south, the CBJV discovered the Ghost and West Plains showings. Gold values to 13.37 gpt gold are found within complexly folded silicate IF. The

Ghost 1 claim was staked here by the CBJV in 1995. Reconnaissance sampling 10 to 15 kilometers further south by the CBJV in 1992-1994 (within their Prospecting Permits 1333 and 1484) returned values of up to 6.95 gpt gold. The Plains 1 claim was staked in 1995. CBJV reports the gold assays were from high strain zones in silicate iron formation with sulfides. CBR completed a 180 kilometers helicopter-borne Time Domain Electromagnetic geophysical survey over the West Plains claims in 2003.

Numerous gold occurrences were also discovered by the CBJV on the 56J 1:250,000 sheet between 1992 and 2001. These include the Coyote, Ridge, and Bluff group of showings. Reconnaissance sampling in the Coyote area was first done by CBJV in 1995 (within their Permit 1981) and then again in 1996. Values to 246 gpt gold were returned from intensely sheared gabbro with quartz veins, pyrite + pyrrhotite + chalcopyrite + visible gold. CBR completed an 86 kilometer helicopter-borne geophysical survey over their single Coyote claim in 2003.

The Ridge showing was discovered in 1995 on CBJV's Permit 1771. Gold values to 2.34 gpt gold were returned from silicified, intensely folded oxide + silicate BIF. Quartz veins with up to 10% disseminated pyrrhotite + pyrite are found within "Z-shaped" fold noses. The BIFs are traceable on surface for 500 meters, and on the magnetics for several kilometers. Only limited follow-up work (11 samples) was done in 1996, and the prospecting permit was allowed to lapse. The stratigraphy and structure is similar to the Meadowbank's North Portage deposit. The showings were recently restaked by CBR with 13 claims (HYR 1-12, and HYR 15, recorded August 30, 2002). CBR completed a 225 kilometer helicopter-borne Time Domain Electromagnetic geophysical survey over these Ridge claims in 2003. Recent sampling results to 27 gpt gold.

The Bluff 1 to 7 Claims in the Hayes River area (56 J) cover four main gold showings. These 7 claims, totalling 18,077.5 acres, were staked in 1995. They are now held by Committee Bay North Ltd and have an anniversary date of October 12, 2005. Exploration work included rock chip sampling, detailed ground magnetics (5 meter x 20 meter stations), 1:500 scale mapping, and drilling of lower amphibolite-grade, highly folded BIF (oxide, silicate, and sulphide facies). Surface grab samples returned 26 rock samples greater than 10 gpt gold. Some visible gold was discovered in chloritic and silicified oxide IF. The four main showings are "Three Bluffs", "Antler", "Hayes", and "Ledge."

At Three Bluffs (on the Bluff 3 claim), the BIF is 10-55 meters wide, and was originally traceable for at least 1.9 kilometers. The best chip samples were 6.81 gpt gold /21.00 meters, 11.61 gpt gold/4.80 meters, and 19.04 gpt gold/3.90 meters. The best results from 12 drillholes in 1994-1996 included 11.52 gpt gold/1.89 meters, 8.58 gpt gold/2.55 meters, and 6.31gpt gold/4.15 meters. Follow up drilling here in 2003 included 6 holes totalling 694 meters. This work extended the known mineralization approximately 240 meters and returned spectacular intercepts of 19.93 gpt gold/5 meters, 61.6 gpt gold/4.84 meters, and 27.41 gpt gold/9.44 meters. The iron formation has now been traced for 6 kilometers along strike and mineralization in the form of sulphides and silicification is reported to increase towards the northeast (towards our Wrench claims). Chip samples taken in the central and eastern portions of the iron formation included 11.6 gpt gold/4.8 meters and 19.04 gpt gold/3.9 meters.

Also in 2003, a helicopter-borne time domain electromagnetic survey was undertaken totaling 214.1 line kilometers at 120/60 meter spacing.

Another gold occurrence on the BLUFF 3 claim is the Ledge showing. A 10 meters wide oxide BIF has been traced for 1.2 kilometers. The best grab sample result

was 21.43 gpt gold from a pyrrhotite + pyrite bearing sections of the BIF. A ground magnetic survey in 1996 showed continuation of the magnetic signature to the northeast.

The Antler showing is on the BLUFF 2 claim. Sheared oxide BIF with sulphide-rich, silicified quartz arenite, is traceable for approximately 420 meters. Mineralisation includes quartz veins and brecciated BIF with pyrrhotite + pyrite. A high of 120.82 gpt gold was returned from grab sampling. The best result from the two holes drilled in 1994 was 6.72 gpt gold/0.75 meters.

The Hayes showing on BLUFF 1 claim contains a 4-5m wide sulphidic (pyrrhotite + pyrite) BIF with narrow sheared and siliceous intervals traceable for 260 meters. Rock chip samples included 11.67 gpt gold/0.60 meters and 23.38 gpt gold/0.30 meters.

The CBJV also discovered several gold showings in the Curtis River area (56 P). These included the "Inuk", "Mist", and "Koffy" showings with gold assays to 1,894 gpt, 31 gpt and 334 gpt gold respectively, in BIF. Shearing, silicification, quartz veining, and pyrite plus pyrrhotite are present. Some of the current claims were previously covered by CBJV Permit 1772. An airborne magnetic survey was completed over these showings in 1996. Ground geophysical surveys (total field magnetic and VLF-EM) and 773.6 meters in six drillholes was completed on the Inuk showing (56 P/7) in 1997. A high value of 12.81 gpt gold over 4.99 meters was obtained from mineralized iron formation. 5 holes totalling 544 meters of drilling were completed at the Inuk showing in 2003. The best intersection was 16 gpt gold / 12.6 meters. 12.4 line-kilometers of gridding and 3.0 line kilometers of ground geophysical surveying (total field magnetics and VLF-EM) were performed in 1997 over the Mist-Koffy Grid. Rock samples returned values to 12.04 gpt gold. Additional sampling in 2001 included an assay of 31.29 gpt gold. Surface channel sampling in 2003 yielded an assay of 334.15 gpt gold over 0.8 meters. Three drillholes totaling 238.9m were completed at the Koffy showing in 2003. The highest grade intersection was 3 gpt gold / 3.4 meters. Also in 2003, a helicopter-borne time domain electromagnetic survey was undertaken totaling 108 line kilometers.

CBR, a company with landholding in the Committee Bay area, signed a letter of intent with an affiliate of Gold Fields Explorations Ltd in February 2003, to form a joint venture, whereby Goldfields Exploration will earn a 65% equity position in CBR upon spending US$10 million on exploration over 8 years.

Our five Wrench claims (WREN 1-5) were previously within Prospecting Permits 1477, 1481, and 1482 granted to the Committee Bay Joint Venture (CBJV) on February 1, 1994. Reconnaissance sampling by the CBJV in 1993 returned a series of gold anomalies (high of 3.68 gpt gold) over approximately three kilometers in sheared oxide BIF in their northern part of their BLUFF claim block (BLUFF 7). The government aeromagnetic survey shows a continuation of this auriferous iron formation for at least three kilometers onto the Wrench claims. Government sampling in 2001 on this trend returned a high of 9.7 gpt gold from sulphide bearing (pyrite + pyrrhotite), quartz-veined intervals of oxide BIF. Additional kilometer-scale segments of IF with anomalous gold are present further to the east within the Wrench claim block.

After their 2004 drill program, CBR was able to produce an inferred mineral resource for their Three Bluffs project.

This drilling defined gold mineralization for at least 1km along strike and to a depth of 320m from surface. A near surface high grade inferred mineral resource

of 1.9 million tonnes grading 8.0 gpt gold for 487,000 ounces was defined by 49 drill holes. Using a lower cutoff grade this inferred mineral resource is expanded to 5.1 million tonnes grading 4.0 gpt gold for 657,000 ounces.

The developing Eastern Arctic diamond plays currently being explored by De Beers, BHP-Billiton, Northern Empire Minerals Ltd., and Stornoway Ventures Ltd. are to the northeast and southeast of the Committee Bay Greenstone Belt. Impressive diamond results were returned from the Melville Island kimberlites. The Churchill diamond play north of Rankin Inlet intersected 11 kimberlites in their first drill program in the spring/summer of 2003.

Geological Setting

Slave Craton

The Slave Structural Province encompasses an elliptical area 500 kilometers wide by 750 kilometers long and is located between Great Slave Lake to the south and Coronation Gulf to the north. Rocks within the Slave Structural Province are assigned to three lithotectonic assemblages identified as: an early assemblage of granitic rocks, gneisses and quartz arenites; Yellowknife Supergroup sediments, volcanic rocks and synvolcanic intrusions; and a younger sedimentary-plutonic assemblage of clastic sediments and granitic rocks. The distribution of ultramafic rocks in the Slave is volumetrically insignificant when compared to Archean cratons of a similar age (e.g. the Superior Province). Another significant difference is the greater percentage of turbidite domains within the Slave.

The earliest assemblage includes the ca. 4.03 Ga Acasta gneisses, 2.82 Ga - 3.15 Ga granitoid gneisses as well as a 2.85 Ga quartzite-banded iron formation group generally found west of 111(Degree). The Yellowknife Supergroup is exposed as twenty-six linear volcanic belts surrounded by granitic batholiths. These volcanic belts are typically isoclinally folded and largely range in age from 2715-2671 Ma. The belts have been divided in the literature into mafic volcanic-dominated (Yellowknife type) and felsic volcanic-dominated (Hackett River type). Yellowknife-type volcanic belts are dominated by massive to pillowed basalt flows with lesser amounts of felsic volcanic and volcaniclastic rocks, clastic sedimentary rocks and occasionally synvolcanic conglomerate and carbonate units. The Hackett River-type belts are defined by the abundance of calc-alkaline felsic and intermediate volcanic rocks intercalated with turbidite. A late (2.62 - 2.60 Ga) volcanic and sedimentary assemblage consisting of felsic to intermediate volcanic rocks associated with conglomerate and sandstone ("Timiskaming-type") has been identified overlying some of the volcanic belts. A pan-Slave deformation event is recorded in all supracrustal rocks by the presence of at least greenschist facies mineral assemblages. Higher metamorphic grades, indicated by the presence of cordierite and andalusite, are recognised in some belts.

Granitoid rocks that are coeval with, or postdate the supracrustal assemblages comprise greater than 50% of the Slave Province. Synvolcanic granitoid rocks are typically tonalites, diorites, and granodiorites, and these have been dated at 2.70 to 2.64 Ga. Late to post-deformational granitoids include megacrystic biotite granodiorite and two-mica granites and range in age from 2605 to 2580 Ma.

At least five episodes of Proterozoic diabase dyke "swarms" (2400 Ma - 600 Ma) have been recorded in the Slave Structural Province. These include the northeasterly trending 2.23 Ga Malley dikes, the east-west Mackay suite of 2.21

Ga, the north trending 2.02 Ga Lac de Gras dikes (2.02 Ga) and the north-northwest trending 1.27 Ga Mackenzie set. These dyke sets form local positive relief where they intrude easily eroded lithologies such as the metaturbidites and negative relief in areas where they are juxtaposed with granites and gneisses.

Proterozoic metasedimentary cover rocks, having limited aerial extent in the Slave Structural Province, are located near Rockinghorse Lake and northeast of Contwoyto Lake, straddling the Burnside River, and extending to Bathurst Inlet. These rocks comprise the Goulburn and Epworth groups and represent cratonic and marginal geosynclinal environments and lie unconformably on Archean basement.

Committee Bay Greenstone Belt

The Prince Albert Group ("PAG") incorporates a series of Archean aged greenstone belts that stretch approximately 600 kilometers northeast from the Aylmer Shear Zone in the south to the eastern tip of Melville Peninsula in the north. The 300 kilometers long section southwest of Committee Bay is referred to here as the Committee Bay Greenstone Belt. This diverse supracrustal assemblage includes iron formation (oxide + silicate facies), semipelite, quartzite, komatiite, basalt and intermediate to felsic tuffs. Synvolcanic intrusions include gabbro, quartz diorite, tonalite, granite and granodiorite. An anorthosite complex intrudes the sequence northeast of Laughland Lake. Based on stratigraphic and age similarities, the PAG is interpreted to be correlative with the Woodburn Lake Group, on the order of 100 kilometers to the southwest. The Mary River Group, 230 kilometers northeast of the Melville Peninsula on Baffin Island, may represent the northern continuation of the PAG. The 2.718 to 2.732 Ga age of the Committee Bay Greenstone Belt places it in the Timmins (2.70 - 2.725 Ga) to Red Lake (2.73 - 2.99 Ga) range.

Government mapping in conjunction with the regional aeromagnetic survey has outlined three predominant crustal domains in the central Committee Bay Greenstone Belt: (i) the central domain comprises northeast-striking, tightly-folded, amphibolite-facies supracrustal belts, cored by younger plutons; (ii) the northern domain comprises high-grade metasedimentary and plutonic rocks separated from the central domain by shallowly-dipping, high-strain zones and; (iii) the southeastern domain includes a large northeast-striking foliated, K-feldspar-magnetite granodiorite batholith, intrusive into the central domain.

The approximate supracrustal stratigraphic sequence in Committee Bay from the base up is basalt (~2.73 Ga), porphyritic felsic rocks, komatiite, and oxide iron formation (~2.722 - 2732 Ga), psammite and quartzite (~2.718 - 2.722 Ga), intermediate volcaniclastic rocks interlayered with psammite and komatiite (~2706 - 2711 Ga) and wacke/semipelite with oxide iron formation (~