



Matrix Project Nunavut, Canada

Final Report
for
Kaminak Gold Corporation/Pacific Ridge Exploration, Ltd.

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Attachments:

Geologic Map of the Matrix Project
Sample descriptions/field cards
Spreadsheet of rock chip geochemical results for 2006
Log of MP-1B, MP-2A and MPW-3/3A
Assays and analyses from drill holes
Field map of the Montgomery Lake area
Core photographs

Property Location and Description

The Matrix project is situated about 300 km WNW of Arviat (Eskimo Point) in south central Nunavut, Canada (Figure 1). The claimblock comprising about 135,000 acres, was expanded through staking of additional claims around Montgomery Lake in early July (Figure 2). The 2006 field camp was situated at the Henik Lake airstrip between North and South Henik lakes.

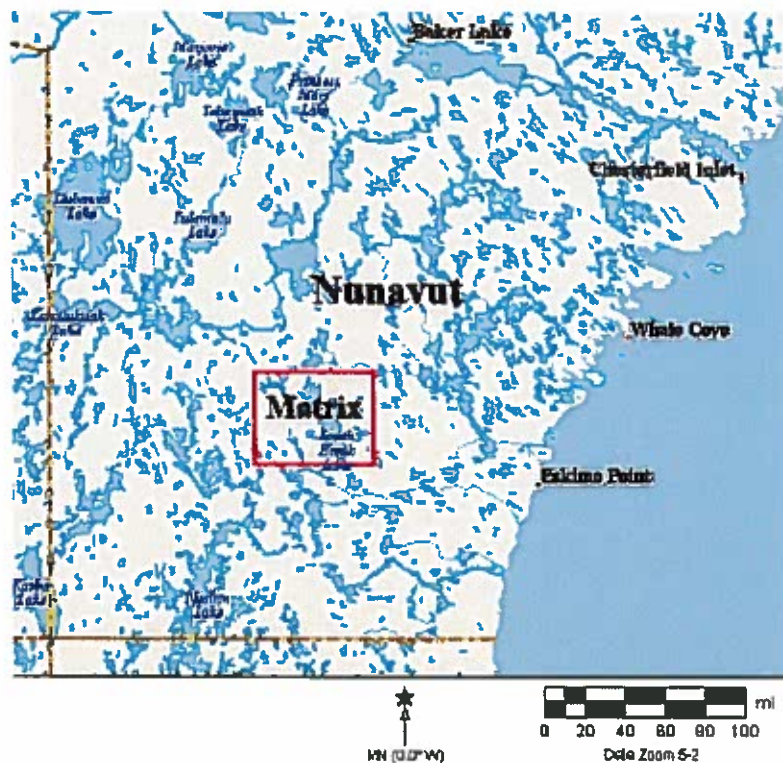


Figure 1: Location of the Matrix Project

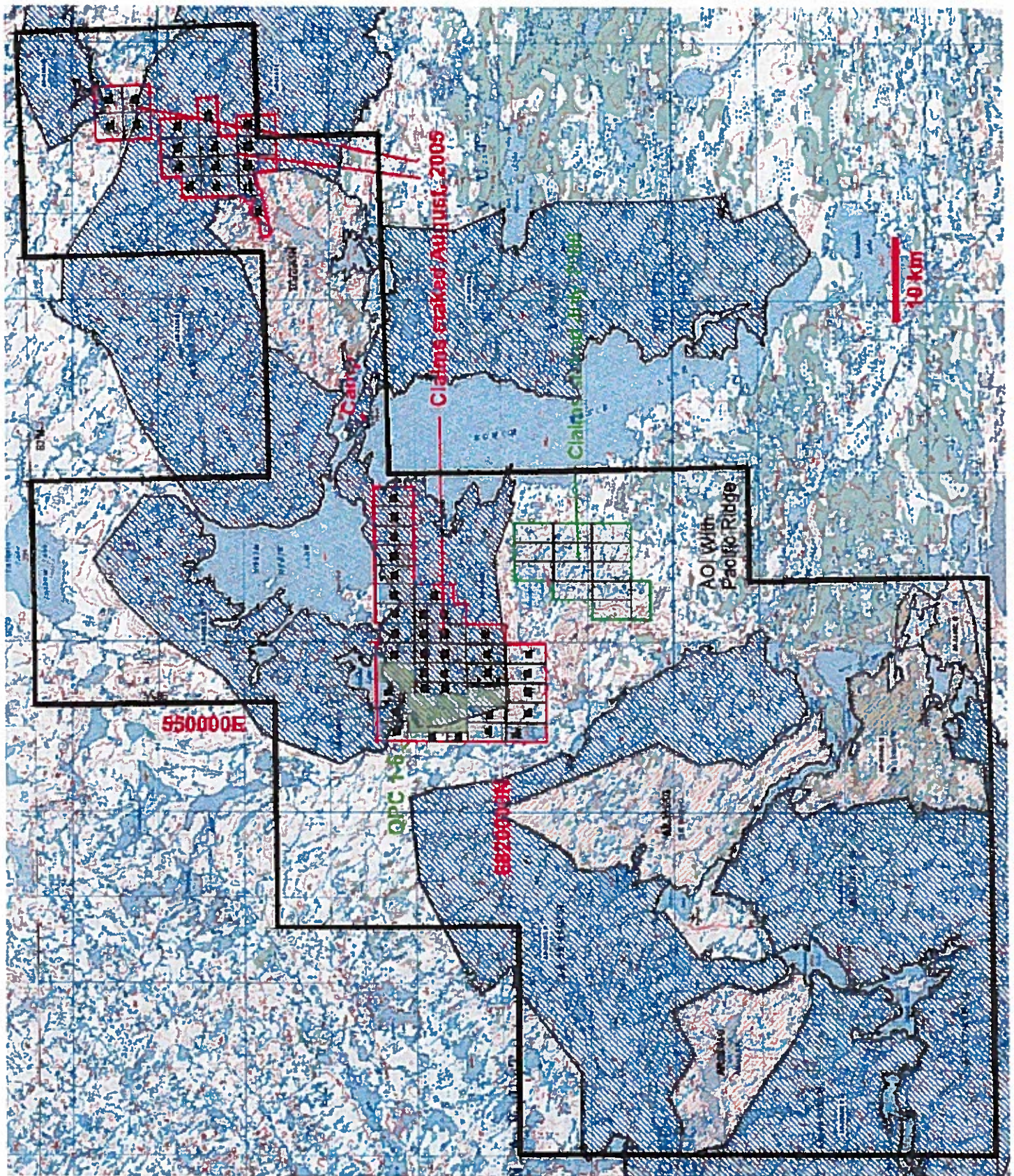


Figure 2: Current Matrix Claimblock

Termination of Agreement with Pacific Ridge Exploration, Ltd. and Kaminak Gold Corp.

On August 23, Newmont Canada Ltd. notified Pacific Ridge Exploration and Kaminak Gold Corp. of their intention to terminate the Matrix JV. Until that time, Newmont had a four-year option to earn a 60% joint venture interest by making a staged \$4.0 million exploration expenditure and cash payments totaling \$400,000. Newmont was eligible to then elect to make an additional \$10.0 million expenditure thereby increasing its interest to 70%. In the event Newmont completed earn-in, Pacific Ridge and Kaminak Gold Corp. would have then equally shared either a 40% or 30% interest as the case may have been.

Summary of the Exploration Model

The type of deposits sought at the Matrix project were auriferous pyritic conglomerates similar to those of the Witwatersrand basin in the Republic of South Africa. Such gold reefs have generated about 1-2 Moz Au per square km, and the lateral extent of such reefs within individual goldfields is typically on the order of 100-300 square km.

At Matrix, exploration efforts were focused on the basal units of the Paleoproterozoic Hurwitz sequence in the Padlei region of southern Nunavut and the older Montgomery Lake group on the west side of South Henik Lake. Rocks of the Hurwitz sequence are variably exposed along the margins of erosional remnant basins on either side of Henik Lakes. The largest of these basins has an irregular outline trending generally SSW from the 2005 field camp for a distance of about 90 km, and it is up to 50 km wide. Smaller remnants are situated east of camp in a NE-trending belt extending about 30 kms to the historic Padlei settlement. Initial mapping and sampling in the region by Lawrence Aspler of the GSC in the 1990's indicated the presence of pyritic, auriferous conglomerate horizons in the lower Hurwitz. Pacific Ridge's more recent exploration program discovered conglomerate-hosted gold mineralization with grab samples to 16.0 g/t gold. These results were generally supported by Newmont during a brief field program in 2004 leading to their interest in continuing work.

Geology of the Lower Hurwitz Supergroup

The stratigraphic sections of the basal Hurwitz Supergroup in Figure 4 were constructed from data gathered on numerous traverses in 2005. The two sections on the left are from the Padlei area east of Henik Lakes while the three on the right are from the region south of Ofstedal Lake in the vicinity of the original claims (Figure 3). These sections are hinged on the base of the Maguese arkosic sandstone (turquoise). Immediately beneath this sandstone is a sequence of sandstone and conglomerate (red) that is distinguished as having a relatively clean quartz composition. In the NE Padlei and Central Padlei sections, conglomerates belonging to this horizon are of the quartz pebble variety and commonly bear several percent detrital pyrite. These commonly have an appearance similar to conglomerates of the Witwatersrand. With the exception of a couple samples with ~2 ppm Au from the basal member of these conglomerates, Au concentrations are typically <1 ppm. In the Ofstedal Lake region, these conglomerates generally contain coarser clasts, even large cobbles, and bear pyrite only locally. Along with white quartz, cobbles of red jasper and black chert are present. This color association has inspired the name, "Christmas" conglomerate. The sands with which the conglomerates are interbedded are often somewhat feldspathic. No significant Au is present in these conglomerates in the Ofstedal Lake region.

A thin horizon of conglomerate termed the "Black" conglomerate lies beneath the quartzitic-conglomerate horizon (black). It is distinguished by abundant black sericite in its matrix and abundant white quartz cobble clasts. Although variably present, it serves as a distinct marker, especially in the vicinity of Squiggle Lake where it is most prominent.

Beneath the Black conglomerate is a series of immature conglomerates and sandstone characterized by abundant chlorite, hence the name "Chloritic" conglomerates (green). On the Padlei side, conglomerates belonging to this horizon are highly channelized and discontinuous and stacked with thick intervals of quartzite. Locally, these contain significant Au grades such as the 12.3 ppm Au mentioned above. On the Oftedal Lake side, this section is condensed and largely composed of stacked conglomerates with little if any sandstone interbeds. These conglomerates are polymictic and commonly bear up to 2% pyrite. Samples of these from the vicinity of Squiggle Lake commonly grade 1-10 ppm Au making this one of the most prospective horizons. This was the target of the lone hole drilled last season and the two holes drilled this year.

Beneath the Chloritic conglomerates is a sequence largely composed of pyritic sandstone (blue), but locally bearing channelled polymictic, pyritic conglomerate and even coarse boulder conglomerates, perhaps tillites. Although this package of rocks is generally auriferous, to 0.3 ppm, no higher grades have been discovered to date.

At the base of the Hurwitz section is a series of polymictic conglomerates characterized by a uniform gray, sericitic matrix and always at least some yellow shale clasts. These are termed the "Gray" conglomerates (gray). They are variably pyritic, locally containing abundant round balls of buckshot pyrite. Clots of carbon are also locally present. Gold is erratically distributed in these rocks with duplicate samples from individual boulders returning results as varied as a few ppb to a few ppm Au.

Beneath the Gray conglomerates, a thin horizon of magnetite iron formation and/or ferruginous mudstone is variably present. These rocks, in turn, rest directly on Archean basement rocks consisting of a variety of mafic and intermediate volcanic rocks and iron formation. Archean rocks typically have distinct foliation and steeper dips compared to Hurwitz siliciclastic rocks above.

The geology of three areas, Oftedal Lake, Squiggle Lake and Central Padlei is shown in Figures 5-7. The picture that develops is one of relatively strong continuity among the broad lithologic subdivisions throughout the region. Undoubtedly, this was once a much broader basin. Several indicators suggest that the original depositional center was likely in the east, perhaps around camp, and include:

- 1) dramatic thickening of the Whiterock Fm in the area around camp
- 2) finer clast sizes in conglomerates on the Padlei side suggest more distal deposition
- 3) higher sulfide contents in Padlei conglomerates may suggest proximity to a reduced fluid reservoir
- 4) red jasper pebbles likely sourced from basement around Montgomery Lake were transported and deposited in conglomerates well to the NE around Padlei

Unfortunately, much of this deeper part of the basin, say centered around camp but extending from Squiggle Lake all the way to Padlei, is now eroded away. It is very conceivable that we are now left with an inverted geosyncline, the center of which has been eroded away. This possibility must be recognized when evaluating the overall potential of the Hurwitz.

Conglomerates from Matrix are typically framework intact and matrix supported, this in contrast to conglomerates from other paleoplacer deposits such as the Witwatersrand and Tarkwa which are typically clast supported and generally clean quartzitic. It remains an enigma as to why most conglomerates at Matrix are matrix supported, yet appear to be fluvial. Apparently, the environment in which these conglomerates were deposited was mud-rich making these considerably dirtier than other such occurrences. The abundance of chlorite and chloritoid also reflects on this dirty nature.

Another point of contrast between auriferous conglomerates at Matrix and those of the Witwatersrand is no apparent correlation between gold and pyrite. Conglomerates at Squiggle

Lake have very low total sulfide, yet up to 10.2 ppm Au. "Aspler's" conglomerate in the Central Padlei has >10% pyrite and similar levels of gold to Squiggle Lake. Several oligomictic conglomerate samples from the Central Padlei have >10% pyrite, yet <1 ppm Au. Conglomerates from Matrix also do not have concentrations of heavy minerals such as chromite one might expect in a paleoplacer. As mentioned before, U is very low at Matrix when compared to the Wits.

Gold grains are very fine at Matrix. Only a few gold grains were observed in thin section, and those that were, are very small, <<100 microns. Samples crushed and panned also reveal very small grains of gold, generally angular or crystalline. This is inconsistent with a placer origin in which one would expect to find at least some coarse particles and perhaps rounded or flattened shapes.

Nearly all samples display a degree a diagenetic alteration. Indeed, the clay mineralogy of many specimens may be a result of diagenesis. Even sulfides display replacement textures indicating fluid movement and an apparent reconstitution of elements after burial. The presence of carbon in association with irregular sulfide clots often observed in the matrix of hand samples and thin sections may indicate significant biogenic activity following deposition.

Summary of Activities, June-August, 2006

The objectives of the 2006 field program were:

- to drill 1,200 m in approximately 8-10 holes at the Squiggle Lake and Oftedal Lake (North) showings
- to investigate, through reconnaissance, pyritic conglomerates in the Montgomery Lake basin

Operations at Henik lakes began June 15 and lasted until July 10. Also, four days were spent examining prospecting permits in the far south of the JV area in early August. The drill program was hampered by numerous problems including an engine failure, breakdown of the fuel system on the replacement engine, loss of drill rods in the first hole and an incident in which a rotor on the helicopter clipped the tail boom. The latter resulted in a seven lost days of drilling. As a result of these problems, only 298 m of conventional drilling was accomplished, and the program ran well over budget. One short Winkie drill hole was completed at the Oftedal Lake showing (North showing).

Complications from the drill program also led to a reduction in prospecting activities. Prospecting was undertaken by Shawn Surmacz and Marcelle Hausseux (SAM) and David Mossman. A brief visit was made to an area about 4 km NW of camp where a sample of altered basement volcanic returned 7 ppm Au last fall. The remaining time, about 6 field days, was dedicated to prospecting pyritic conglomerates belonging to the Montgomery Lake group west of South Henik Lake. Elevated radioactivity was found in some of these conglomerates using a scintilometer. For this reason, 13 claims were staked over the Montgomery Lake basin.

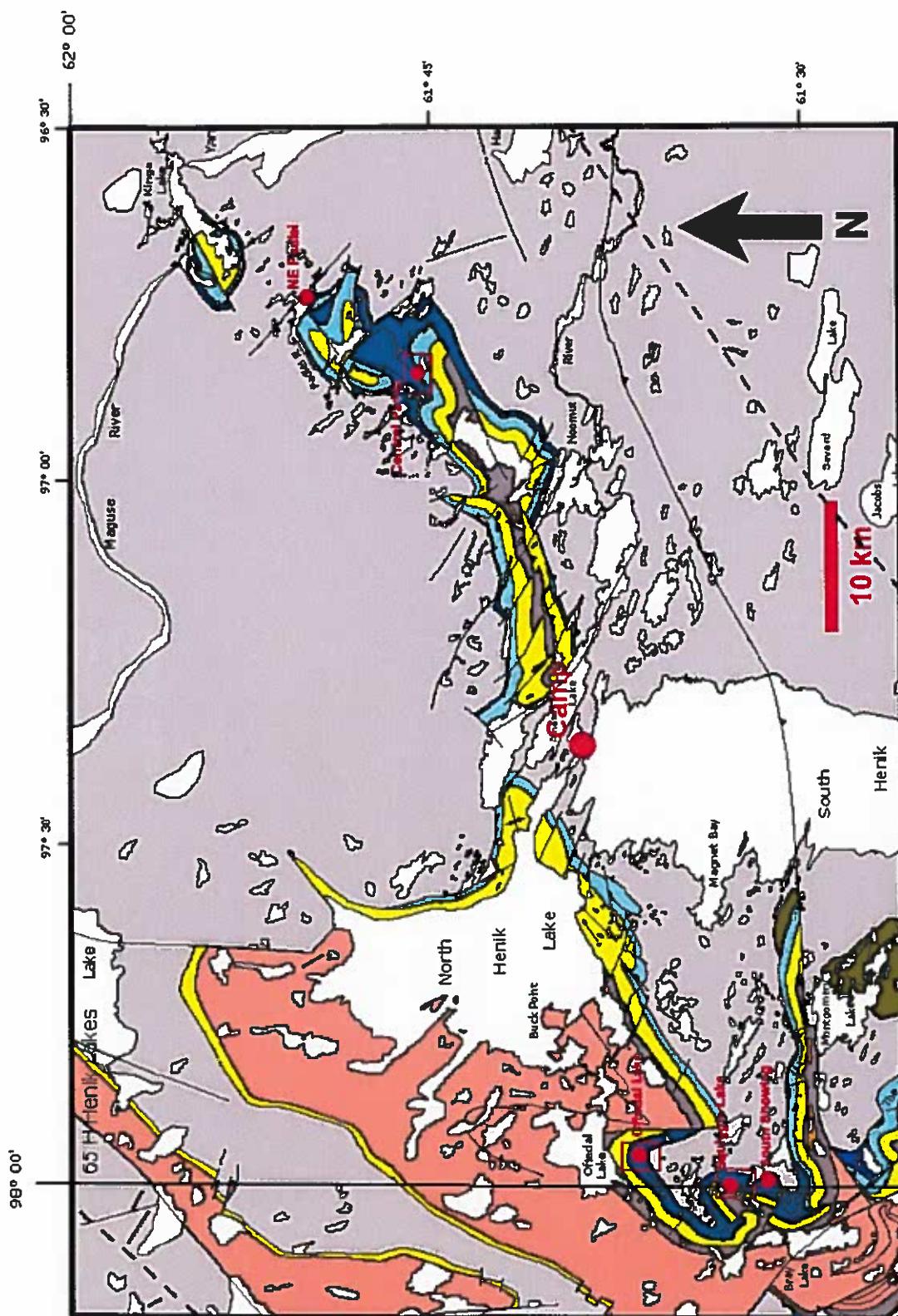


Figure 3: Plan map showing locations of stratigraphic sections of Sub-Whiterock Hurwitz in Figure 5 (red dots). Red squares show the locations of maps in Figures 6-8. Note the Montgomery Lake basin (green) on the south central edge of the map.

Select Stratigraphic Sections from the Padlei and Hurwitz Belts

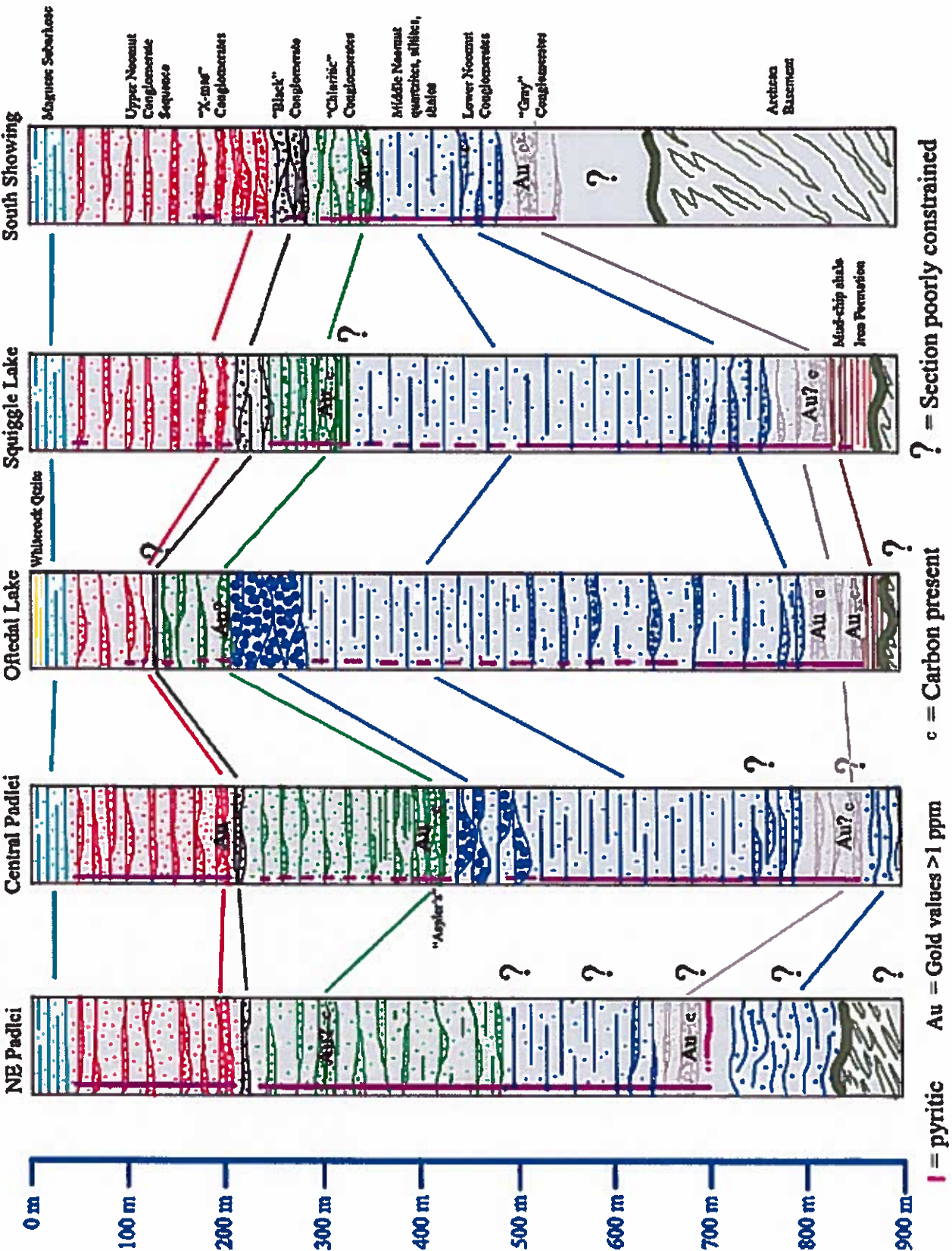


Figure 4: Select Stratigraphic Sections of Sub-Whiterock Hurwitz

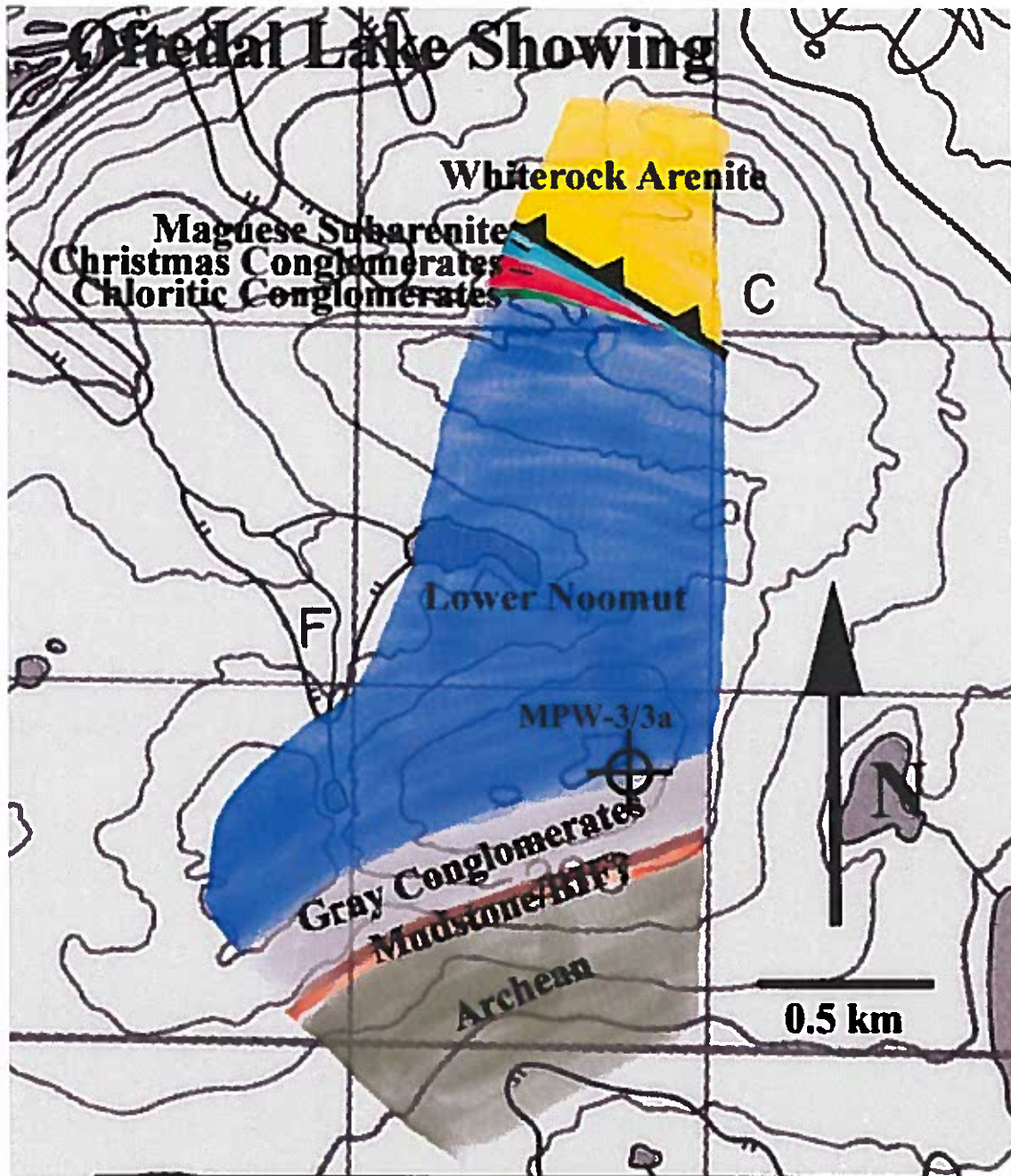


Figure 5: Geology of the Oftedal Lake showing. Rocks of the basal Hurwitz rest unconformably on Archean basement of metavolcanics. A stratigraphic section for this area can be seen in Figure 5. Sedimentary rocks dip about $7-10^{\circ}$ N. The gray conglomerates are of principal interest here. Significant gold has not been found in the undifferentiated Lower Noomut or the chloritic conglomerates which have been largely thrust out of the section. This thrust may be a flexural slip style structure related to folding of the rigid Whiterock Quartzite against the soft conglomerate horizon. A short, 11.3 m vertical, Winkie hole was drilled above the contact with the gray conglomerates.

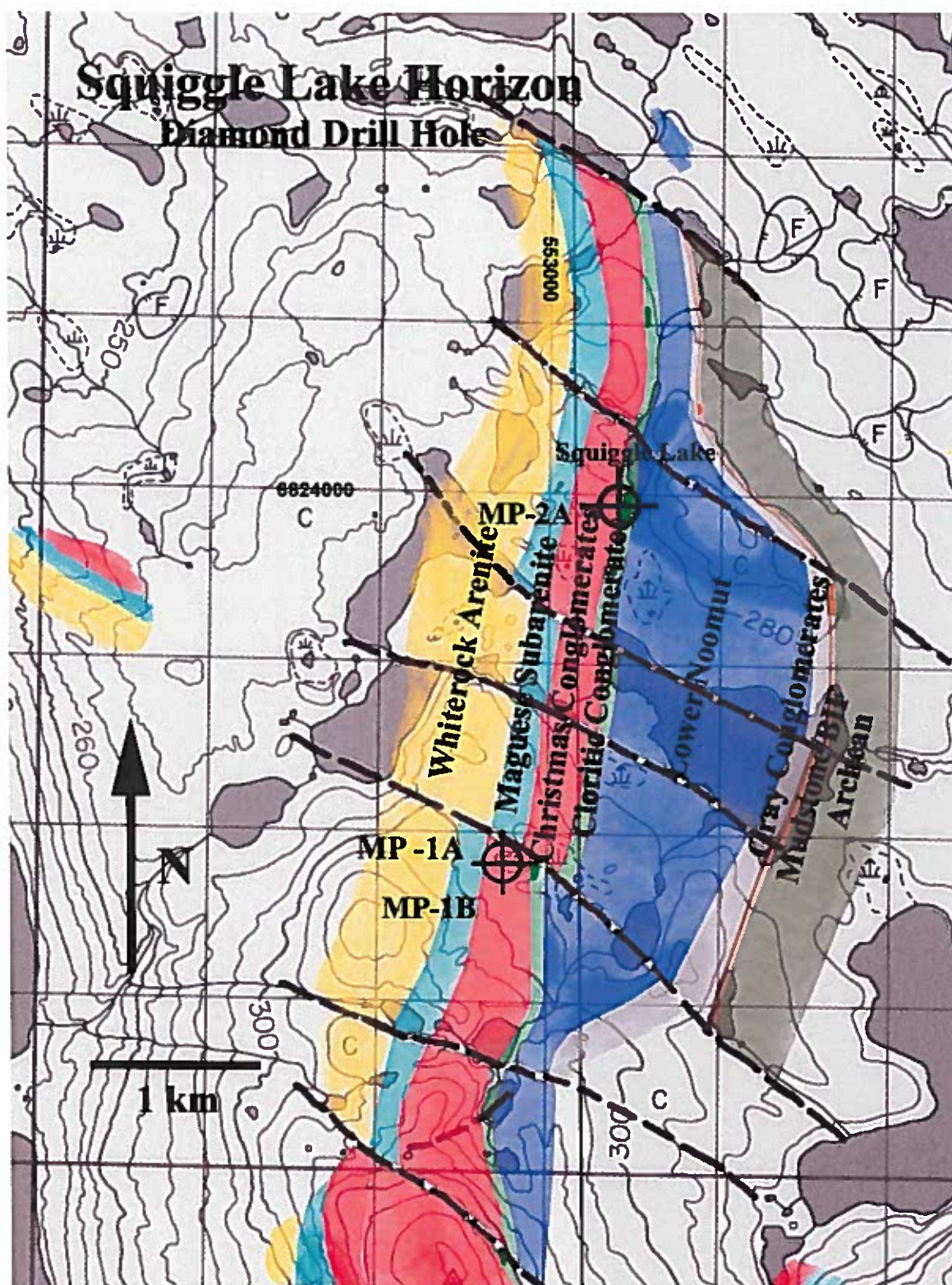


Figure 6: Geology of the Squiggle Lake showing. See Figure 5 for a stratigraphic section. Holes MP-1A, a 101 m vertical hole and MP-1B, 264 m deep, due east @ -60° were collared. Hole MP-2A, 34 m vertical, was collared at 553341E, 6823980N. Hurwitz strata dip about 15° to the west. Here, the chloritic conglomerate is of principal interest.

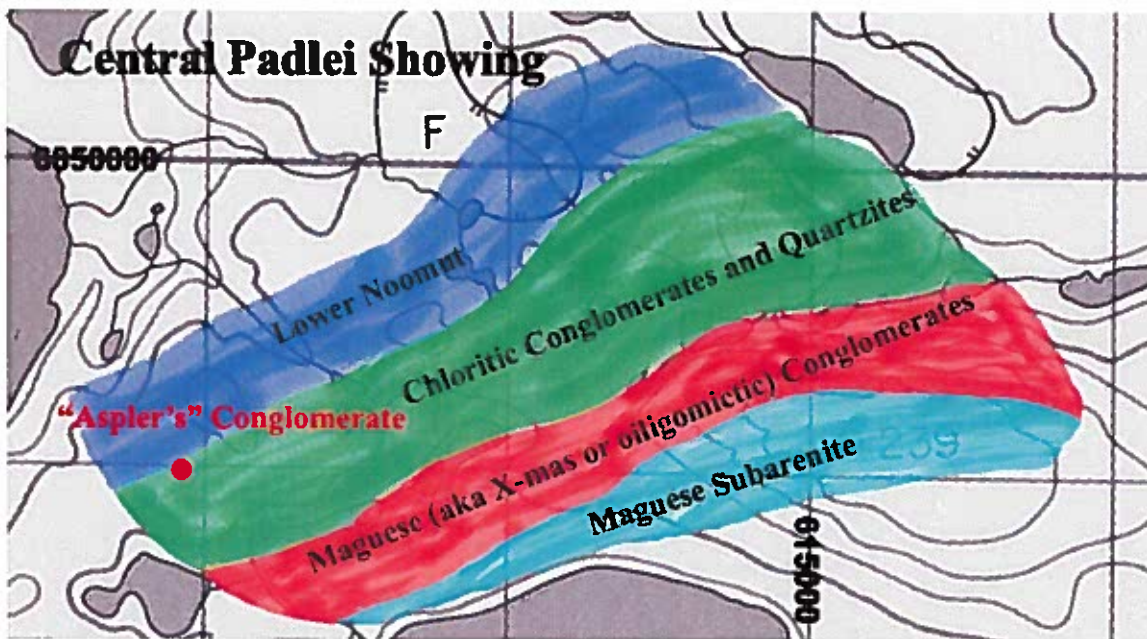


Figure 7: Geology of the Central Padlei showing. See Figure 5 for a stratigraphic section. Hurwitz strata dip about 15-18° to the S. Here, the chloritic conglomerates are of principal interest with the best Au grades occurring near their base at "Aspler's" conglomerate where 1.5m of saw cut returned 7-11 ppm Au. Up to 3 ppm Au is also present in basal oligomictic conglomerates of the Magneese which are very sulfidic in places. These conglomerates are almost certainly related to the X-mas conglomerate at Squiggle Lake.

Sampling

Samples of altered metavolcanic rocks under the Hurwitz unconformity about 4 km NW of camp returned up to 3.5 ppm Au. Because this zone appeared to have little lateral extent and no conglomerates were found in the nearby section of Hurwitz, only two days prospecting was undertaken here.

Exploration of the Montgomery Lake group, an older sequence of siliciclastic rocks under the Hurwitz sequence, was undertaken because of some encouraging gold values found in pyritic conglomerates here late last season. Early this season, use of a scintilometer proved that pyritic conglomerates here were anomalously radioactive providing early encouragement that these might, too, be enriched in gold. Six days of detailed mapping and sampling of the pyritic conglomerate section at the base of the Montgomery Lake group was undertaken to evaluate its potential. These conglomerates were found to be laterally extensive around much of the margin of the basin (see attached field map, perhaps more than has been recognized in the past. Most of the nearly 100 samples are anomalous in Au, usually 10's-100's ppb. Two samples returned notably high gold, 1.99 and 4.25 ppm. The latter was a sample of pebble lag similar to a sample in the area last year that returned 2.8 ppm Au. Carbon and nodular pyrite are also present in this sample. Pebble lags are important in some of the reefs in the Witwatersrand, so these samples

should be considered highly significant. In general, though, the conglomerates of the Montgomery Lake basin are polymictic and often matrix supported, not ideal for hosting significant mineralization of this type. Although U was found to be anomalous, up to 32 ppm, Th was far more enriched, to 202 ppm, and was likely responsible for early high scintilometer counts. Significant Au values to 10.56 ppm, were found in select samples of altered basement rocks underneath the Montgomery Lake unconformity.

Staking

A group of 13 claims covering the Montgomery Lake basin in early July was located by Wanda and Victor Waugh at Newmont's request. These claims are now filed, and being within the JV, will revert back to Pacific Ridge Exploration and Kaminak Gold Corp.

Drilling

Due to numerous technical problems, only two holes were drilled in 2006. The first hole, MP-1B (Figure 6 for location, log attached) was drilled at the same site as last season's lone hole, MP-1A. MP-1B was 264 m deep at -60°. Although this hole intersected 16.15 m of the prospective chloritic conglomerates, it failed to reach its ultimate target, the basal gray conglomerates at depth (Figure 4, refer to Squiggle Lake section). The hole was lost when the rods became lodged, probably due to permafrost conditions. A 3.8 m interval of the chloritic conglomerates returned moderately encouraging results (56.2-57 m @ 0.35 ppm Au; 57-58 m @ 0.46 ppm Au; 58-59 m @ 1.78 ppm Au and 59-60 @ 1.17 ppm Au; total, 3.8 m @ 0.97 ppm Au). Because the hole was drilled nearly perpendicular to bedding, this interval is probably a true width. This interval corresponds to the anomalous interval in last year's hole, MP-1A.

The second hole, MP-2A, was drilled near Squiggle Lake (Figure 6). This hole was vertical, but only 34 m deep. Although it intersected chloritic conglomerates, ground conditions were poor resulting in overall poor recoveries. Anomalous Au to 0.64 ppm (28.4-31 m) was encountered, but these results should be treated with caution as it is believed significant Au loss occurred due to poor core recovery. Also, the entire section of chloritic conglomerates was not penetrated by this hole leaving the lower half untested. Results in MP-1B suggest it is this lower half that is better mineralized.

A short, 11.4 m, Winkie hole (MPW-3, Figure 5 for location) was drilled at the Oftedal Lake showing to test the top of the gray conglomerates. Although this hole cut massive polymictic conglomerates, it failed to reach the targeted pyritic horizon from which a 16 ppm Au sample was taken. Rods became frozen in the hole, and no further attempts were made to drill with the Winkie. No significant Au was encountered.

Expenditures, 2005

Expenditures by Newmont Canada Ltd. for 2006 have not been fully tallied because some invoices are presently outstanding. An estimate of expenditures for 2006 is approximately US\$1,050,000. This may be adjusted downward depending on the sale of remaining fuel to Starfield Resources. Even so, total expenditures by Newmont Canada Ltd over the life of the program will be at least US\$2,700,000.

Conclusions

Gold is strongly anomalous throughout strata of the Lower Hurwitz Supergroup (average of 1000+ samples = 0.44 ppm Au). This summer's work demonstrates that Montgomery Lake conglomerates are similarly mineralized. Although the Matrix drill program was a failure because of logistical reasons, it should be considered a technical success, because anomalous gold was encountered in the targeted chloritic conglomerate in each of the three holes near Squiggle Lake. The continuity of these conglomerates was well-established by this exercise. Considering that these conglomerates as well as the still un-drill tested gray conglomerates beneath both likely underlie a vast area of several hundred sq km, more exploration of these horizons should be undertaken in the future. The same can now be said for the ~100 sq km Montgomery Lake basin. Of particular note, the ~5 km strike of auriferous chloritic conglomerates in Figure 6 should not be considered adequately tested. A significant number of surface samples from this area contain >2 ppm Au demonstrating that better grades are to be found. It is possible that a high grade "channel" may lie within this stretch. Also, the highly auriferous chloritic conglomerates of the Central Padlei showing have yet to be drill tested. Although surface exposure suggests these conglomerates may be discontinuous, several samples grading >10 ppm Au indicate these warrant drill testing.