ANGLO AMERICAN

ANGLO AMERICAN EXPLORATION (CANADA) LTD.
SUITE 800 - 700 WEST PENDER STREET
VANCOUVER, BC V6C 1G8

Tel: (604) 684-1454
Fax: (604) 689-3480
Email: hbed@angloamerican.ca

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August 19, 2004

Phyllis Beaulieu
Licensing Administrator
Nunavut Water Board
Gjoa Haven, NU X0B 1J0
Phone: (867) 360-6338
Fax: (867) 360-6369
E-mail: licensing@nwb.nunavut.ca

Dear Phyllis,

As per our Nunavut Water Licence **NWB2MUS0305**, please find enclosed the Muskox Intrusion Project 2004 Annual Report.

In April - May 2004, AAEC carried out ground geophysical surveys and diamond drilling (two holes) from the McGregor Lake exploration camp.

In May 2004, Anglo American Exploration (Canada) Ltd. terminated its Option and Joint Venture Agreement with Muskox Minerals, and as such, holds no interest in the property or claims.

In late July, personnel from AAEC and the general expeditor for the project returned to McGregor Lake camp and completed an environmental inspection and final clean-up of the site.

I trust all is in order. Please do not hesitate to contact me should you have any questions regarding this report.

Regards,

Gary DeSchutter
Senior Project Geologist
Anglo American Exploration (Canada) Ltd.
gdeschutter@angloamerican.ca

Nunavut Water Board Licence # NWB2MUS0305

2004 Annual Report

- Muskox Intrusion Project
Anglo American Exploration (Canada) Ltd.

August 19, 2004

Introduction

This report summarized the results from the spring 2004 exploration program at the Muskox Intrusion property, western Kitikmeot region, Nunavut Canada. All fieldwork was conducted from the McGregor Lake exploration camp, located at the north end of McGregor Lake (Figure 2) and the program was operated by Anglo American Exploration (Canada) Ltd. staff and contractors. The 2004 work represents the second field program completed on this project by AAEC and its Option and Joint Venture partner, Muskox Minerals Corp; a six-week exploration program, culminating in the drilling of six holes, was completed in August-September 2003.

Location, Access, Infrastructure and Topography

The centre of the Muskox Intrusion Property is located approximately 500 km NNW of Yellowknife, Northwest Territories and 90 km south of the hamlet of Kugluktuk, Nunavut on the Coronation Gulf (Figure 1) at approximately Longitude -115° 13' 46" and Latitude 66° 52' 54". The property dimensions are approximately 40 km long by an average of 9 km wide and are contained within NTS 1:50,000 sheets 086 O3, 086 J14 and 086 J11.

Access to the property is best gained by fixed wing or rotary aircraft although a number of inhabitants from nearby communities have accessed the camp during the winter by snow machine. Float-equipped fixed wing aircraft service the McGregor Lake camp during the summer, which is located at the extreme north end of McGregor Lake. In the past, wheeled aircraft have utilized a make-shift tundra strip immediately northwest of camp during summer months. Wheeled aircraft can access the camp during the winter by using a groomed ice airstrip at the north end of the lake. Most charter flights typically originate in Yellowknife, and fly directly to camp or shuttle supplies from Kugluktuk (1hr 15 minutes to 2 hrs + depending on the type of aircraft used). If necessary, supplies and equipment can be flown on larger aircraft (e.g. Hercules) to the Kugluktuk airport and then transferred to McGregor Lake Camp by smaller aircraft. Kugluktuk is

serviced by barge from Hay River twice each summer and First Air has regularly scheduled service to the hamlet (three to five ATR flights a week from Yellowknife).

Most of the Muskox Intrusion is located in a low-relief valley, except in the south where the Coppermine River cuts a 200 m deep valley across the property, and in the north where hills rise steeply 200 m above the valley floor. Overall, the elevation ranges from a low of 270 m above sea level at the Coppermine River to 650 m on the highest hill. Local north-south trending eskers add to the topographic variability in the area.

The climate is arctic, with long cold winters (temperatures commonly drop below –40°C) extending from freeze-up in October to break-up in June or some years July. Multi-day blizzards are quite common and can be accompanied by extreme winds and snow drifting that frequently exceeds two metres in height. As the property is slightly north of the arctic circle, daylight hours extend around the clock starting in early June. Summer weather is typically warm with a near constant breeze and frequent rain and/or drizzle. Variations in local topography make for unusual fog patterns that may lead to aircraft delays.

Typical tundra vegetation consisting of grasses, willows and alpine plants cover most of the area. Stunted spruce trees occur in low areas near the Coppermine River, especially in the southern part of the property. Fauna in the region comprises a number of species including migratory caribou, Grizzly Bears, Muskox, fox, arctic hare, wolverine and wolves along with the ubiquitous sik-sik, lemming and other ground rodents.

Mineral Claims and AAEC-MSK Option and JV Agreement

In late June 2003, Anglo American Exploration (Canada) Ltd. (AAEC) and Muskox Minerals Corp. (MSK) signed a formal Option and Joint Venture Agreement to explore a portion of MSK's Muskox Intrusion property for nickel,

copper and platinum group metals. The exploration property comprises 42 contiguous claims (26,868 hectares) and overlies the central portion of the Muskox Intrusion proper from the Coppermine River in the south to the northern end of Speers Lake in the north. A listing of the mineral claims included in the Agreement is included below in Table 1.

In May 2004, Anglo American Exploration (Canada) Ltd. terminated its Option and Joint Venture Agreement with Muskox Minerals Corp. and as such, holds no interest in the property or claims.

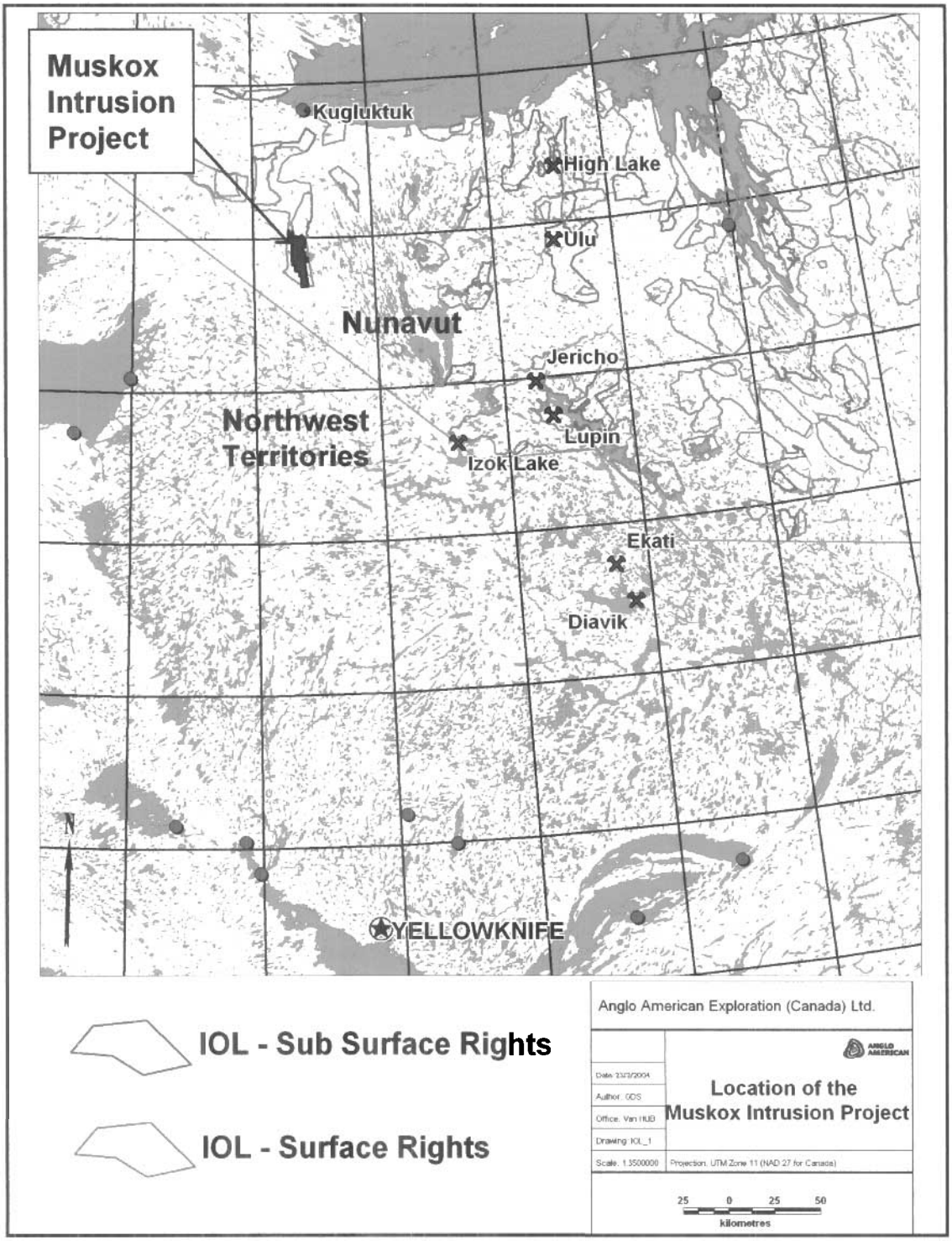


Figure 1. Location of the Muskox Intrusion Property

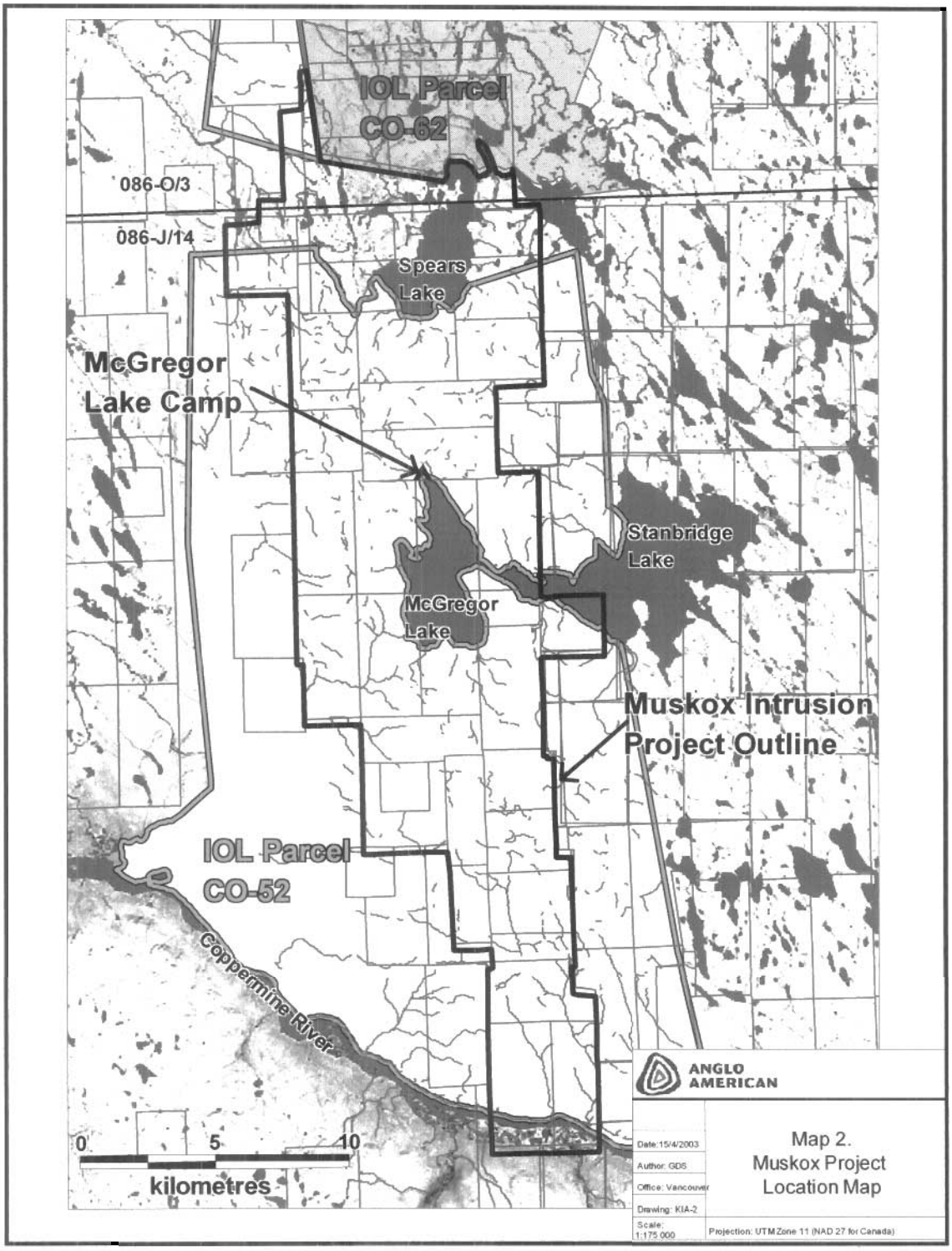


Figure 2. The Muskox Intrusion Property (black outline) with IOL Parcels indicated.

Table 1. AAEC-MSK Agreement Claim Listing

Claim Number	Claim name	Acreage	Hectares	Date Recorded	Crown/IOL?
F51997	MU 23	1487.57	602.00	23-May-95	IOL
F51998	MU 24	1794.97	726.40	23-May-95	IOL
F51999	MU 25	2479.20	1003.30	23-May-95	IOL
F52000	MU 26	2582.49	1045.10	23-May-95	IOL
F52768	MU 29	1425.55	576.90	23-May-95	Crown/IOL
F52769	MU 30	883.15	357.40	23-May-95	IOL
F52770	MU 31	1446.31	585.30	23-May-95	IOL
F52771	MU 32	2386.29	965.70	23-May-95	IOL
F52772	MU 33	2582.49	1045.10	23-May-95	IOL
F52773	MU 34	2469.07	999.20	23-May-95	IOL
F52774	MU 35	2324.27	940.60	23-May-95	IOL
F52775	MU 36	2489.58	1007.50	23-May-95	IOL
F52780	MU 41	2055.67	831.90	23-May-95	IOL
F60680	MU 45	2582.49	1045.10	23-Jul-96	IOL
F60681	MU 46	1446.31	585.30	23-Jul-96	IOL
F60682	MU 47	1549.60	627.10	23-Jul-96	IOL
F60683	MU 48	1756.18	710.70	23-Jul-96	IOL
F60684	MU 49	774.67	313.50	23-Jul-96	IOL
F60685	MU 50	2014.40	815.20	23-Jul-96	IOL
F60686	MU 51	1962.76	794.30	23-Jul-96	IOL
F60687	MU 52	2582.49	1045.10	23-Jul-96	IOL
F60688	MU 53	1807.82	731.60	23-Jul-96	IOL
F60689	MU 54	1859.47	752.50	23-Jul-96	Crown/IOL
F60690	MU 55	2272.62	919.70	23-Jul-96	Crown
F60691	MU 56	1497.95	606.20	23-Jul-96	Crown/IOL
F60692	MU 57	1343.02	543.50	23-Jul-96	Crown
F60693	MU 58	1291.37	522.60	23-Jul-96	Crown
F60694	MU 59	1911.11	773.40	23-Jul-96	Crown
F60695	MU 60	206.58	83.60	23-Jul-96	IOL
F60696	MU 61	103.29	41.80	23-Jul-96	IOL
F60785	MU 62	1033.15	418.10	25-Nov-96	Crown
F60786	MU 63	1497.95	606.20	25-Nov-96	IOL
F60787	MU 64	2375.91	961.50	25-Nov-96	IOL
F60788	MU 65	2272.62	919.70	25-Nov-96	IOL
F60789	MU 66	2272.62	919.70	25-Nov-96	IOL
F60937	MU 67	34.10	13.80	20-Feb-97	IOL
F60938	MU 68	361.51	146.30	20-Feb-97	Crown
F60939	MU 69	335.82	135.90	20-Feb-97	IOL
F60940	MU 70	206.58	83.60	20-Feb-97	Crown/IOL
F60941	MU 71	206.58	83.60	20-Feb-97	IOL
F60942	MU 72	1446.31	585.30	20-Feb-97	IOL
F60943	MU 73	981.50	397.20	20-Feb-97	IOL
42 Claims		**66393**	**26869**		

2004 Geophysics Program

Koop Geotechnical Services, of Flin Flon Manitoba, was contracted to complete surface pulse electromagnetic surveys and borehole pulse surveys for the Muskox Intrusion project. For the surface work over the Canoe Lake Fault Block targets and South Speers targets, the PEM loop and survey lines were emplaced using a differentially corrected hand held GPS. Survey lines consisted of marking stations with 50m or 100m spaced painted wooden laths; line spacing was generally 200m. In total, 16,693 metres of surface PEM were completed in the two areas (179 stations). The locations of the PEM survey are shown below, in Figure 3.

2004 Diamond Drilling Program

A total of 529.44 m of NQ core were drilled in two diamond drill holes, MX04-001 and MX04-002, on the Muskox Intrusion Option/JV property during the spring 2004 exploration program. Although the helicopter-supported drill program was hampered by bad weather (blizzards and ground fog), it was still completed in a timely and effective manner by Titan Drilling of Yellowknife, Northwest Territories. Below, Table 2 lists detailed collar information for each hole. Crew Changes and core retrieval was completed by helicopter when the weather allowed, otherwise snow machines were utilized.

Table 2. Detailed Collar Information for 2003 Drill Program.

HoleID	CoordDatum	UTME	UTMN	UTMZone	HoleAzimuth	HoleDip
MX04-001	NAD 27	573412	7423768	11	270	-75
MX04-002	NAD 27	573460	7424378	11	270	-75

HoleID	SartDate	EndDate	Total Depth	GridName	GridEast	GridNorth
MX04-001	22-Apr-04	28-Apr-04	249.02	FW-02	3412	2380
MX04-002	30-Apr-04	6-May-04	280.42	FW-02	3462	4240

Koop Geotechinical Services of Flin Flon Manitoba completed borehole pulse EM surveys in both holes. All core with obvious concentrations of sulphides was systematically sampled on site with sawn split core sent to ACME Analytical Laboratories in Vancouver and analyzed utilizing ACME's 4Ni analytical package (major oxide, trace elements, REE and base and precious metals, created for AAEC). Samples that returned anomalous values in any of the metals of interest were re-analyzed utilizing ACME's Group 7AR base metal assay (aqua regia digestion) and Group 3B-MS PGE fire assay methods. In the event that core was devoid of mineralization, representative whole core or split samples of each major rock unit were collected and submitted for geochemical analyses, typically every 30m down the hole or every change in lithology.

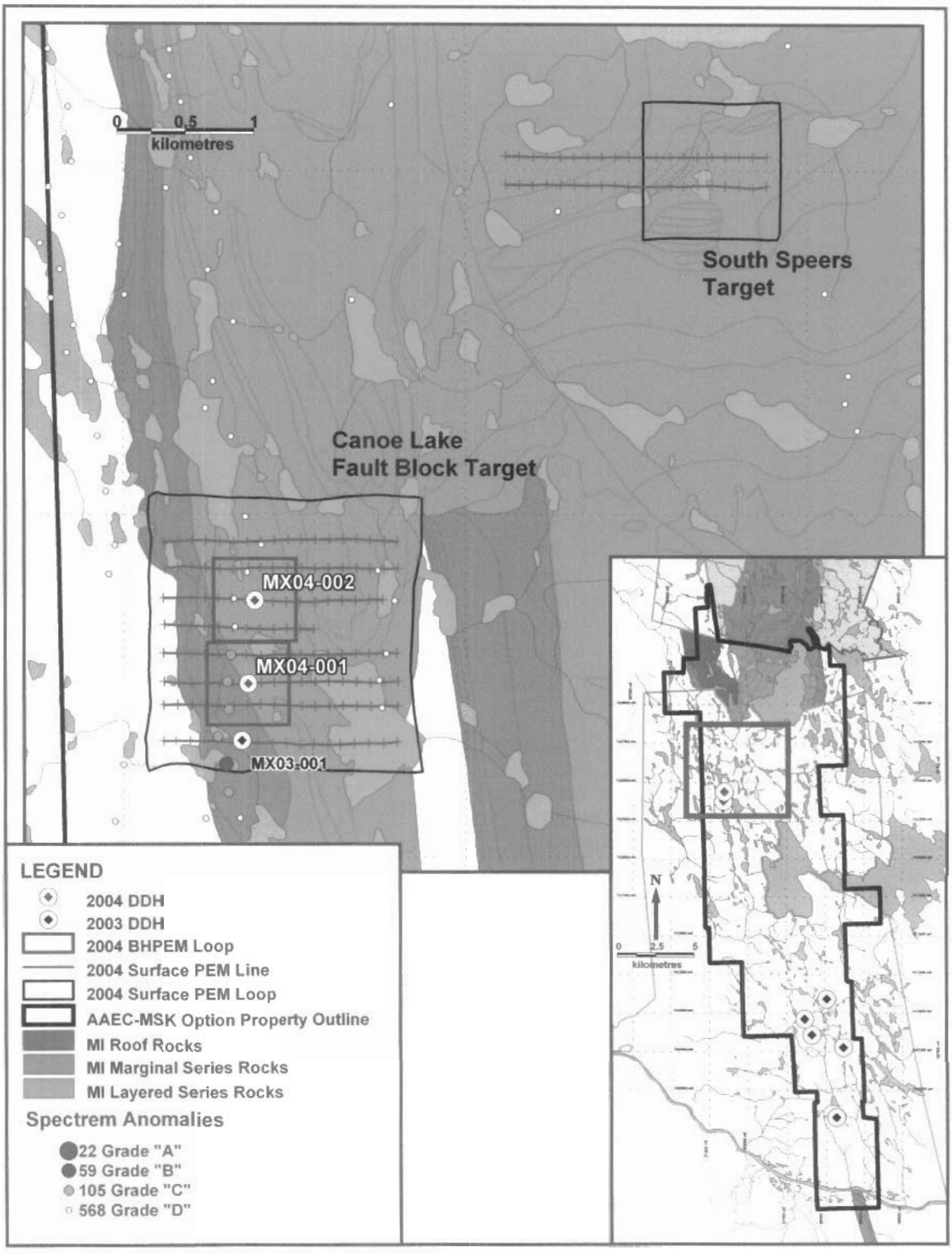
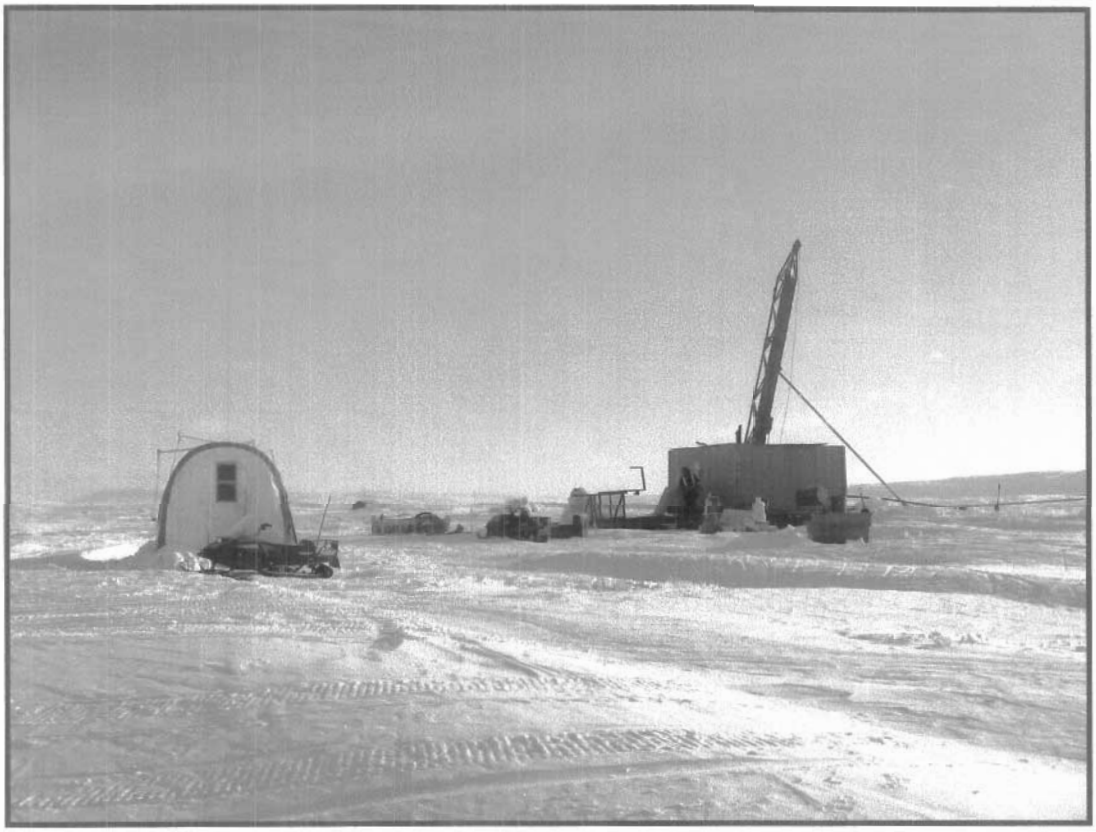


Figure 3. Location of 2004 Drill Hole Collars and PEM work, Muskox Intrusion Project.

Figure 4. Photo of the drill setup for hole MX04-001.



Permitting, Logistics, Safety – Health – Environment – Community (S.H.E.C.) & Contractors

Work permits for the spring 2004 exploration program were granted in 2003 and are valid to 2005 and can be seen in Table 3.

Table 3. AAEC Land Use Permits for the Muskox Intrusion Project

Permitting Organization	Type	Number	Date	Area
INAC	Land Use Permit	N2003C0017	4-Jul-05	Speers Lake Area
KIA	IOL Access Permit	KTL303C008	14-May-05	McGregor Lake Area (CO-52, CO-60)
NWB	Water License	NWB2MUS0305	15-Jul-05	McGregor Lake camp

Relevant contacts for the permitting processes are listed below.

Nunavut Water Board (NWB)
P.O. Box 119
Gjoa Haven, Nunavut X0E 1J0
Phone (867) 360-6338
Fax (867) 360-6369
Attention: Phyllis Beaulieu, Licensing Administrator

Kitikmeot Inuit Association (KIA)
Kitikmeot Inuit Association
P.O. Box 360
Kugluktuk, Nunavut X0E 0E0
Phone (867) 982-3310
Fax (867) 982-3311
Attention: Jack Kaniak – Lands Manager jkaniak@polarnet.ca

Indian and Northern Affairs Canada (INAC)
Land Administration, DIAND
P.O. Box 100
Iqaluit, NU, X0A 0H0
Ph: 867.975.4283
Fx: 867.975.4286
Attention: Spencer Dewar, Land Administrator

Nunavut Impact Review Board (NIRB)
PO Box 2379
Cambridge Bay, NU
X0B-0C0
CANADA
Tel: (867) 983-2593
Fax: (867) 983-2574
Attention: Gladys Joudrey, Sr. Environmental Assessment Officer

Matrix Helicopter Solutions (Yellowknife, NT), the general expeditor for the project, arranged for the opening of McGregor Lake camp on March 15, 2004 when two Twin Otter loads of equipment and personnel were mobilized to the site. Included in one of the trips was a Kubota BX2750 Tractor equipped with a snow blower and plough attachment; this was used to clear a 2,500 foot long, 75 foot wide ice airstrip at the north end of McGregor Lake to allow for larger wheel-equipped aircraft to access the camp, see figure 5 below. The hard driven arctic snow proved to be a formidable opponent for the relatively flimsy snow blower

attachment, which had to be repaired on almost a daily basis by the end of the program.

Several new snow machines (Tundra II's) were utilized throughout the winter program for transportation of geophysical equipment, driller shift changes, water hauling, and general camp activities. As a safety precaution, the snow machine trail from camp to the drill set-ups was picketed with wooden laths. The laths were placed approximately every 10-20m along the trail and were either painted with fluorescent paint or were marked with strips of reflective safety tape.

Obtaining water for general camp consumption proved to be a challenging endeavour. The system that was eventually the most successful was to auger a hole in the ice and pump water into a large boggan right at the source on McGregor Lake and then tow the filled boggan to the water storage tank in camp by one or two snow machines. The water supplied had to be replenished once a day during times when the camp compliment reach 12 persons or more (water use in the camp averaged 250 gallons per day).

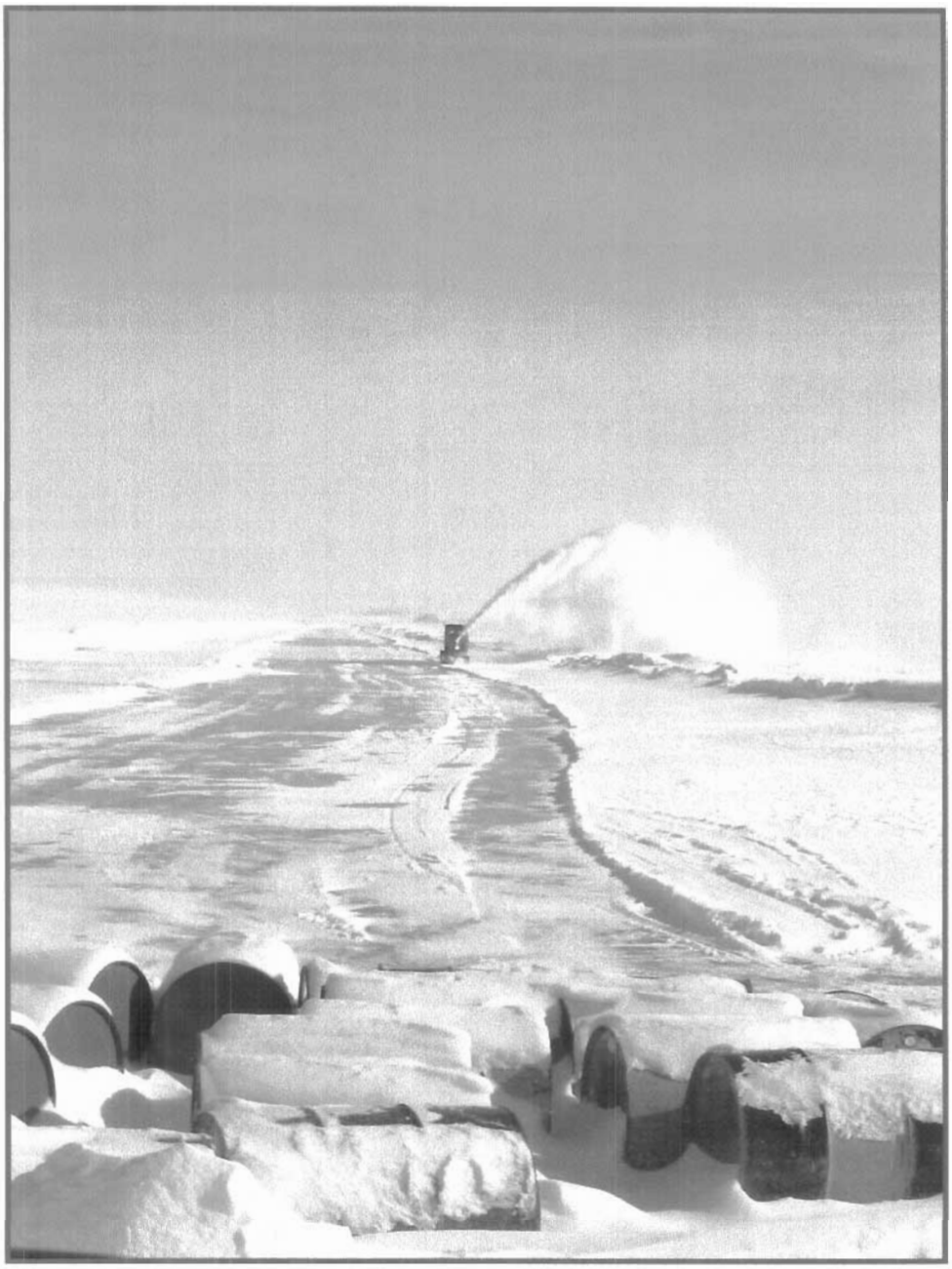


Figure 5. Kubota tractor clearing ice strip on McGregor Lake

All greywater from the kitchen, washing machine and showers was deposited in a sump behind the kitchen tent, well away from any standing or flowing water. Water for drilling, up to 3,000 gallons per day, was drawn from local sources. Drill return/cuttings were deposited in natural depressions/sumps at least 40m

from the high water mark of the nearest water body. All drill muds and salts used during drilling are environmentally safe.

All combustible garbage was burnt in an incinerator on a daily basis. Non-combustible garbage was bagged and transported to Yellowknife for proper disposal when supply flights came to camp.

From the opening of camp in mid March to the final demobilization in mid May, a total of 35 aircraft of varying sizes and configurations (wheels, wheel-skis, and skis only) visited McGregor Lake Camp including: Twin Otter, Turbo Beaver, Shorts Skyvan, Cessna 185, Cherokee Six, Caravan, Dornier 228 and Dash-7.

As part of the general camp clean-up and AAEC's commitment to preserving the environment, a large quantity of historical empty fuel drums and propane cylinders were removed from the property throughout the program. By the end of the demobilization effort in May, over 300 empty 45-gallon fuel drums and over 250 empty 100lbs propane cylinders were removed from the property - many more than AAEC brought to the property or used on during its exploration programs. All Titan Drilling equipment and supplies were demobilized from the property at the end of the program (estimated at 75,000 lbs); along with several smaller aircraft, six Dash-7 aircraft (10,000lbs payload) were utilized to demobilize the Titan equipment from McGregor Lake see Figure 6. As well, all camp equipment belonging to Matrix Helicopter Solutions along with all fuel brought to McGregor lake camp during the 2003 and 2004 exploration programs was removed at the end of the program.

Figure 6. Demobilization Efforts at McGregor Lake, May, 2004

The day after the last of the AAEC crew demobilized from camp, a grizzly bear entered the kitchen tent during the early hours of the morning of May 14. The camp manager managed to scare the bear off with bear bangers but it was later seen lingering around camp at a distance. During the morning of May 14, arrangements were made from Yellowknife to send a Kugluktuk-based Conservation Officer, Allen Niptanatiak, to camp to deal with bear problem. Mr. Niptanatiak, who was eventually accompanied by a Kugluktuk RCMP officer, made his way to McGregor Lake camp by snow machine and arrived during the evening of May 14. The two gentlemen spent the night at McGregor Lake and eventually tracked and shot the bear less than a kilometre from camp on May 15.

Figure 7. Allen Niptanatiak and the problem grizzly bear (May 2004)

Final Environmental Inspection Visit – July 2004

As part of AAEC's exploration project closure process, Doug Hancock, AAEC's Safety- Health-Environment-Community Coordinator for North America/Europe, visited McGregor Lake camp on July 24th and 25th and lead an environmental and occupational health and safety due diligence audit/inspection. The timing of the inspection was to allow for the spring snow to melt and to expose all remaining materials left behind from the last exploration program

The site visit/environmental inspection was completed by four individuals: D. Hancock and R. Mackie on behalf of AAEC and G. Villeneuve and M. O'Neil on behalf of Matrix Helicopter Solutions. The crew spent approximately 15 hours completing a general clean-up including burning garbage, piling of empty fuel drums, propane bottles and scrap metal to return the site back to an acceptable

state. Garbage was removed from the "INCO" cabins and any remaining food was boxed-up and back hauled to Yellowknife. Two twin otter loads of equipment and supplies were removed from the site including three snowmobiles, a fiberglass toboggan, a 250 gallon water tank, power panel and wiring, a large microwave oven, food, scrap metal, garbage, several jerry cans, three oil stoves, shovels, tool boxes an ice auger and a spill kit barrel.

At the request of a couple of residents from Kugluktuk, the wooden floors used as bases for the Weatherhaven tents were left behind for possible future use.

Figure 8. McGregor Lake camp equipment for backhaul to Yellowknife (July 2004)

Figure 9. Historical scrap metal placed in drums at McGregor Lake camp (July 2004)

Figure 10. Cleaning up fire pit at McGregor Lake camp (July 2004)

AAEC prides itself on adhering to strict environmental and safety guidelines during and after all of its activities and upon completion of its exploration programs, strives to leave all its exploration sites in a similar, if not better, state when compared to how they were found. During 2003-2004, in conjunction with its exploration activities, AAEC spent a considerable amount of time and effort cleaning-up the historical mess that has accumulated at this site over the past 50 years. The following list summarizes the materials and equipment that were remaining at McGregor Lake camp upon completion of the site visit on July 25th.

- *Dock* – Portable, floating plastic "block" type
- *Boat* - one 14' aluminum
- *Tent floors* – two 16x40 and three 16x16 plywood floors
- *Fuel* – estimated 500 empty, 45 gal drums / 100, 100lb empty propane bottles
- *Drill supplies* – 8 bags of drill salt, water line hose, drill sloop, plastic water tank, steel toe bar
- *Scrap Metal Pile* old pails, cans, wire and drill rods piled neatly
- *Appliance dump* – 2 deep freezers, TV satdish, washing machine, several empty naphtha cans
- *Burning Pits* (3) – in the "old" pit all metals cleaned up/put in 45 gal drums. In two other pits metal items, cans etc. were racked into pile for pick up and removed from the site
- *Outdoor latrine facility* – 1, 6x6 *outdoor toilet*
- *Wooden structures/buildings (built in the 1950's) (8)*
  1 - 16x20 *core shack* with racks, shelving, file cabinet with papers labeled Meridian Geoscience, Meridian Geoscience "standards" and several boxes of fluorescent bulbs

1 - 16x16 *kitchen* w/t shelving, table, some pots/pans, propane oven/stove, fridge
2 - 16x16 *sleepers*, each with 4 beds, an oil stove and shelving
1 - 20x20 *storage shed* with 5 gal pales/lids and miscellaneous supplies
1 - 12x12 *snowmobile/workshop building* with various items/tools inside
1 - 16x16 *shed* with wobble pump, bundles of lath and shelves
1 - 10x10 *diesel generator shed* (empty)

The following is a listing of suppliers, contractors and employees that participated in the exploration program at McGregor Lake during the 2004 program:

Titan Drilling – diamond drilling contractor (Yellowknife)
Stan Cochrane – President
John Grier, driller
Hank Gamblin, driller
Bill McAllister, driller's helper
Blair Carnniff, driller's helper
Rusty Reber, driller's helper
Jesse Delaney, driller's helper

Venture/Nunasi Helicopters – helicopter/engineer support A-Star
Marty Belinski – Astar Pilot
Carl Healy – Astar Pilot
Glen Hunter – Helicopter engineer

1984 Enterprises Inc. – WCB liaison, first aid attendants, camp cooks (Vancouver)
Arthur Giovinazzo – Camp Cook & First Aid Attendant
Glenn Madden – Bull Cook
Mark Davison – Bull Cook

Matrix Helicopter Solutions – general expeditor, camp management (Yellowknife)
Martin Knutson – Principal
Jan Bruns – General Expediting and charter aircraft support
Paul Villeneuve – McGregor Lake Camp manager
Ron Corey - McGregor Lake Camp manager
G. Villeneuve – July 2004 Site Inspection
M. O'Neil - Site Inspection

Weaver & Devore, Yellowknife – food supplies (Yellowknife)

Mulco Limited – Kugluktuk – logistics/fuel haul support, barrel crushing (Kugluktuk)

Gene's Telecom - radio and satellite phone rentals (The Pas, Manitoba)

Air Charter Companies
Summitt Air – charter aircraft (Donrnier, Short Skyvan)
First Air – commercial flights
Arctic Sunwest – charter aircraft (Twin Otter, Turbo Beaver, Cessna 185, Cherokee)

Air Tindi – charter aircraft (Cessna, Twin Otter, Dash-7)

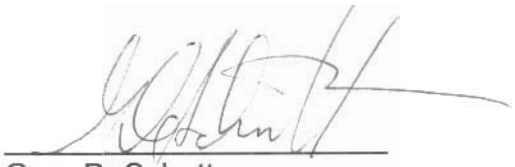
AAEC personnel
Gary DeSchutter – Project Manager, Winnipeg MB
Anthony Kovacs – Project Geophysicist, Vancouver BC
Jeff Kadlun - Camp Assistant, Kugluktuk NU
Johnny Oniak – Camp Assistant, Kugluktuk NU
Darren Ihumatak - Camp Assistant, Kugluktuk NU
David Nivingalok - Camp Assistant, Kugluktuk NU
Doug Hancock – S.H.E.C. Coordinator, Flin Flon MB
Rob Mackie – Field Geologist, Vancouver BC

Koop Geotechinical Services – Surface and Borehole PEM Surveying
Dave Koop – President and geophysical operator

Nunavut Wildlife Service- Remediation of Grizzly Bear problem
Allen Niptanatiak-Conservation Officer

Summary

- In April – May 2004, AAEC carried out ground geophysical surveys and diamond drilling (two holes) from the McGregor Lake exploration camp.
- In May 2004, Anglo American Exploration (Canada) Ltd. terminated the Option and Joint Venture Agreement with Muskox Minerals and as such, holds no interest in the property or claims.
- In July, AAEC and Matrix Helicopter Solutions completed an inspection and thorough clean-up of the McGregor Lake exploration camp.



Gary DeSchutter
Senior Project Geologist
Anglo American Exploration (Canada) Ltd.