

18.0 INTERPRETATIONS AND CONCLUSIONS

The Silverknife Property lies in a well mineralized and historically and currently important precious and base metals exploration intensive region. The Silverknife Property hosts a known historic prospect (the Silverknife Prospect) with defined Ag-Pb-Zn mineralization within only two (2) km of Silvercorp's active Silvertip Ag-Pb-Zn deposit. The Silverknife Property represents a prospective target for economic occurrences of precious and base metals genetically related to the Silvertip deposit.

The Silverknife mineralization identified to date represents a Ag-Zn-Pb mineralization occurring stratigraphically lower in than Silvertip deposit of Silvercorp Metals Inc., located approximately one (1) kilometre east of the Property boundary. Silvercorp has issued public statements indicating that *"A work program has been proposed to address the potential for discovery of high tonnage mineralization adjacent and peripheral to the known resource at Silvertip. Based on the carbonate replacement deposit model, the exploration program will search for both additional manto-style deposits and the high tonnage feeder zones for these mantos as well as the proximal copper gold skarn mineralization. These additional deposits may be found below, adjacent to or well removed from the known mineralization as a result of the primary emplacement 'plumbing system' or due to subsequent tectonic events including thrusting and folding that may have displaced the mantos from their source terrain."* (Cullen, 2010)

The Silverknife mineralization represents a zone of known Ag-Zn-Pb mineralization distal to, and stratigraphically lower than the Silvertip deposit and more proximate to the Cassiar Batholith (heat-source). The author believes the most relevant targets for mineral exploration on the Property are associated chimney-type feeder systems and mantos related to the Silvertip mineralizing event.

To date, there has been insufficient exploration work conducted to adequately define these potential targets and it is uncertain if such targets will be discovered. However, the fact the mineralization has been identified and overlaps onto the Silvertip property is a compelling reason to explore for additional zones of mineralization on the Silverknife Property.

The mineral exploration work conducted to date has been limited in scope and coverage, and hampered by a deep glacial overburden cover in the lower elevations of the Property. The issue of the Quaternary cover cannot be understated and necessitates the usage of modern geophysical (I.P.) means to more tightly constrain potential mineralization targets.

Before any additional mineral exploration is conducted it will be necessary to rectify the historic drill collar locations in relation to the Silverknife Property Boundary. At the present time there are discrepancies among the various Silverknife Property assessment reports with respect to the Property boundary and drill collars and while only a full legal survey of the Silverknife mineral claims would provide certainty, a more detailed GPS survey of the "Discovery Zone" drillout and blazed claim line/posts would clarify the issue greatly.

The emerging exploration camp of Silvercorp Metals Inc. Silvertip deposit represents a substantive change in the potential economics of the district, and owing the Property's position immediately adjacent to (and within the same lithological package) as Silvertip, the active exploration project

should be monitored and where practicable similar exploration styles applied to the Property as a whole. The advancing Silvertip Ag-Zn-Pb deposit represents an attractive exploration model to be applied to the under-explored Silverknife Property.

The mineral exploration programs (prospecting, geological, geochemical, geophysical and drilling) conducted on the Silverknife Property over the last 25+ years have served to define multiple targets of anomalous mineralization. No systematic full scale exploration program has been mounted on the Property, and as a result, the Property has yet to be completely tested. The sporadic exploration the Property has seen has not allowed for a Property-wide analysis incorporating all known data. Further, the work which has been conducted appears to have been hampered by small budgets and limited follow-up analyses or testing.

With current metal prices and the widespread inadequately detailed sulphide mineralization encountered and reported on the Project as well as the active exploration on the Silvertip property, the Silverknife Property warrants a Property-scale re-evaluation, data compilation, and a series of systematic exploration programs to properly identify a potential economic target.

The geochemical/geophysical anomalies defined on the Property, in the author's opinion, were defined from programs of adequate sample density and extent and were appropriately sampled and documented. The results from these programs can, and should be utilized to guide future exploration campaigns on the Property. Follow up mineral exploration work on the Property is warranted and should be targeted toward the expansion of known mineralization (down dip and on-strike) and well as the identification of additional area of mineralization. To accomplish these goals, detailed, modern, geophysical techniques are recommended as is a systematic diamond drilling program.

As with any Canadian exploration project, care must be taken to conduct mineral exploration and extraction with all due environmental care and to the highest possible standards. The author does not view this as a flaw with the Project, but feels particular attention should be paid to environmental considerations on the Silverknife Property. It is recommended that at an early stage in the Project's exploration program, baseline environmental sampling [especially water, stream silt Acid Rock Drainage (ARD) and Acid Base Accounting (ABA) sampling] be conducted to gain an understanding of the chemical character of this watershed and any potential mineral deposit therein.

Further, the author believes that early and consistent communication and dialogue with the local First Nation's peoples is important with respect to this Project.

19.0 RECOMMENDATIONS

Before any substantive field work and/or mineral exploration programs are mounted on the Silverknife Project a more detailed compilation of all exploration data available on the Silverknife Mining Camp and the Silverknife Project itself should be undertaken. The data should be digitized into a useable form such as a GIS package. While this has begun to some extent with the authoring of this report, there is a great deal of Information which remains to be compiled from various unpublished sources (as well as additional published sources). In particular a more coherent database of the lithological units on the project should be compiled into a useable geological package complete with legend as well as all available structural data. A robust compilation of all germane data in the Silverknife Camp would greatly aid all future exploration work on the Silverknife Project.

Unfortunately, several highly prospective mineralized zones immediate to Silverknife Property are held under alternative ownership. The author recommends that close attention be paid to the mineral titles ownership of the immediate surrounding areas. The Property is completely surrounded by mineral titles held by Silvercorp Metals Inc. therefore it would be prudent to open communications with Silvercorp with respect to the Silverknife Property.

After the described desk study and data compilation program are completed, it is recommended by the author that the Silverknife Project should be explored by a staggered series of work programs designed to achieve the following exploration objectives:

- Re-establish Property control (survey all drillholes) via GPS surveys;
- Systematic prospecting of the entirety of the Property and map in detail the limits of the overburden cover;
- Conduct a full core recovery program (re-box, re-log, resample and re-stack) all ore
- Ground based Geophysical assessment (I.P.) of the property following on high priority targets defined from historic drilling and anomalies;
- Drill testing of the Discovery Zone by Diamond drilling.

Additionally, the author recommends environmental and "socio-economic" programs be undertaken contemporaneously to any exploration programs. These studies should focus on:

- Environmental baseline studies including water and stream silt sampling and ARD/ABA testing of mineralization and hostrock;
- Identification and preliminary contact with the local First Nations;
- Identification and preliminary contact with the surface rights holders (logging companies?) toward access road use and working agreements;
- Identification and preliminary contact with local conservation groups and communities.

The author's exploration recommendations are summarized below. It is recommended by the author's that a series of exploration programs should be completed in the order presented below and conditional upon positive results from this Phase I of work, the Phase II recommendations should then be implemented:

PHASE I:

- 1. Phase IA: Systematic and Detailed Silverknife Camp Data Compilation and Digitization:**
A geologist adept at GIS compilation and familiar with the mineralization/geology of the Silverknife Camp should be employed to catalogue and digitize all available information on the Silverknife Project. This data should be assembled into a single coherent GIS package which could be utilized to guide all future work on the Project. In particular a detailed geological basemap highlighting all known (ground-truthed) outcrop exposures and areas of anomalous geochemical signatures should be produced from this exercise. In addition, the geologist should garner a clear understanding of the identified mineralization within the Silverknife Camp and apply that knowledge to exploration planning on the Silverknife Property. A program budget of \$6,000 and duration of ten (10) days are required for this phase, which could be done any time. No work permits would be required for this phase of work.
- 2. Phase IB: Core Recovery Program:** The collapsed core rack and failing core boxes in the central storage area should be patiently re-assembled. All identifiable core should be re-boxed and at that time re-logged and where deemed required, re-sampled. This program would require a patient geologist and team to effectively recover this important data. A program budget of \$22,770 and duration of ten (10) days are required for this phase, which could be done any time. No work permits would be required for this phase of work.
- 3. Phase IC: Ground Based Survey/Prospecting/Geological Survey Program:** A ground based survey program focused on the detailed GPS surveying of all identifiable historic drillsite locations, roads, trails, legal corner posts and historic grids should be undertaken on the Discovery Zone and Property as a whole. Additionally, prospecting and exploration program consisting of continued grid based prospecting and mapping sampling should be undertaken over the extent of the Property. Specifically, mapping should concentrate on detailing the limit of the deep glacial cover on the Property and detailed descriptions of each of the lithological units exposed on the Property. A program budget of \$47,190 would be necessary for this 20 day program and could be conducted between June and September. No work permits would be required for this phase of work.
- 4. Phase ID: Detailed Geophysical Survey:** A Geophysical survey (Induced Polarization(I.P.)/VLF-EM Survey) should be conducted over and the Discovery Zone and immediate area with a focus on identifying the down strike extension of the known mineralization. The survey should be conducted over a tightly spaced grid (50 metre spaced N-S lines with 25 m stations). A total of 15 line kilometres of IP survey should be budgeted for. A Notice of Work application to the B.C. Ministry of Energy, Mines and Petroleum Resources would be required which would entail the placement of a reclamation bond with the Government for this program. A program budget of \$62,920 and a 20 day period would be required for this phase and could be conducted between June and September.
- 5. Phase IE: Diamond Drilling of Discovery Zone:** An eight (8) hole, 1,000 metre drilling program should be conducted on the Discovery zone focused on testing the western (down dip) extension of the mineralized zones intersected to date as well as targeting high priority IP targets

generated from Phase ID. At least two of these drill holes should be drilled to 300+ metres to test stratigraphy to depth and potential structural and lithological controls to mineralization (feeder zones) as well as to potentially locate the buried heat source. A Notice of Work application to the B.C. Ministry of Energy, Mines and Petroleum Resources would be required which would entail the placement of a reclamation bond with the Government for this program. A program budget of \$225,000 and a 30 day period would be required for this phase and could be conducted between June and September.

6. **Phase IE: Technical Report Update:** A N.I. 43-101 Technical Report should be prepared after the completion of Phase I. This would which take approximately 1 month to complete and cost an estimated about \$15,000. Additionally, a report should be prepared and filed with the Provincial Government to apply the Phase I expenses to the Silverknife Property.

The aforementioned recommendations are expanded into a proposed budget for such activities below:

PHASE IA

Table 19-1: Silverknife Data GIS Compilation – PHASE IA

Work	Notes	Number	Cost	Work Cost
Research	Consultant	4 days	\$600/day	\$ 2,400
GIS Database	Consultant	6 days	\$600/day	\$ 3,600
Total	Including work from this report			\$ 6,000

PHASE IB

Table 19-2: Core Recovery Program – PHASE IB

Work	Notes	Number	Cost	Work Cost
Core Recovery	Consultant	10 Days	\$600/day	\$ 6,000
Supervisor	Geologist	8 days	\$700/day	\$ 5,600
Consumables	Boxes/Bags/Etc	300/100	\$10/box	\$ 3,000
Assays		100 samples	\$25/sample	\$ 2,500
Travel and Accom.	Vehicle/Hotel/ Food	\$200/day/ person		\$ 3,600
Total with 10% Contingency				\$ 22,770

Table 19-3: Property Survey/Prospecting/Geological Mapping – PHASE IC

Work	Notes	Number	Cost	Work Cost
Prospecting/Survey	2 Prospectors	40 man days	\$300/man day	\$ 12,000
Geology Control	1 Geologist	20 days	\$700/day	\$ 14,000
Hotel + Expenses	Truck, Hotel, food	60 man days	\$200/day	\$ 12,000

Analyses	Soils, Rocks	100 samps	\$25/sample	\$ 2,500
Supplies/Consums.	Sampling equipment		\$1,000	\$ 1,000
Compilation	Consultant	2 days	\$700/day	\$ 1,400
Total with 10% Contingency				\$ 47,190

Table 19-4: Detailed Geophysical Surveys – Phase ID

Work	Notes	Number	Cost	Work Cost
I.P.	Consultant	15 line km	\$3,000/linekm	\$ 45,000
VLF-EM	Consultant	15 line km	\$ 200/linekm	\$ 3,000
Mob/Demobilization	Consultant	2 days		\$ 2,000
Hotel and Travel		\$200/day/man	30 man days	\$ 6,000
BC Notice of Work	Consultant	2 days	\$600/day	\$ 1,200
Totals w/ 10% contingency				\$ 62,920

Table 19-5: Diamond Drilling Program– Phase IE

Work	Notes	Number	Cost	Work Cost
Diamond Drilling	Consultant	1,000 metres	\$120 / metre	\$ 120,000
Project Geologist	Consultant	20 days	\$700 / day	\$ 14,000
Mob/Demobilization	Consultant	2 days		\$ 8,000
Core Samples	Assays	400 samples	\$22 / sample	\$ 8,800
Fuel	Diesel	40 barrels	\$180/drum	\$ 7,200
Hotel and Travel		\$125/day/man	40 man days	\$ 5,000
BC Notice of Work	Consultant	2 days	\$600/day	\$ 1,200
Sampling crew	Consultants	40 man days	\$300/man/day	\$ 12,000
Consumables	Bags, boxes, etc			\$ 10,000
Totals w/ 10% contingency				\$ 205,000

Table 19-6: Technical Report – Phase IF

Work	Notes	Number	Cost	Work Cost
Technical Report	Geologist	25 days	\$700/day	\$ 15,000
Totals				\$ 15,000

PHASE I Totals (with contingency) equal \$358,700.

Respectfully Submitted,

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Dated this 4th Day of February, 2010