

Business Plan

Magnetite as Iron Ore

For

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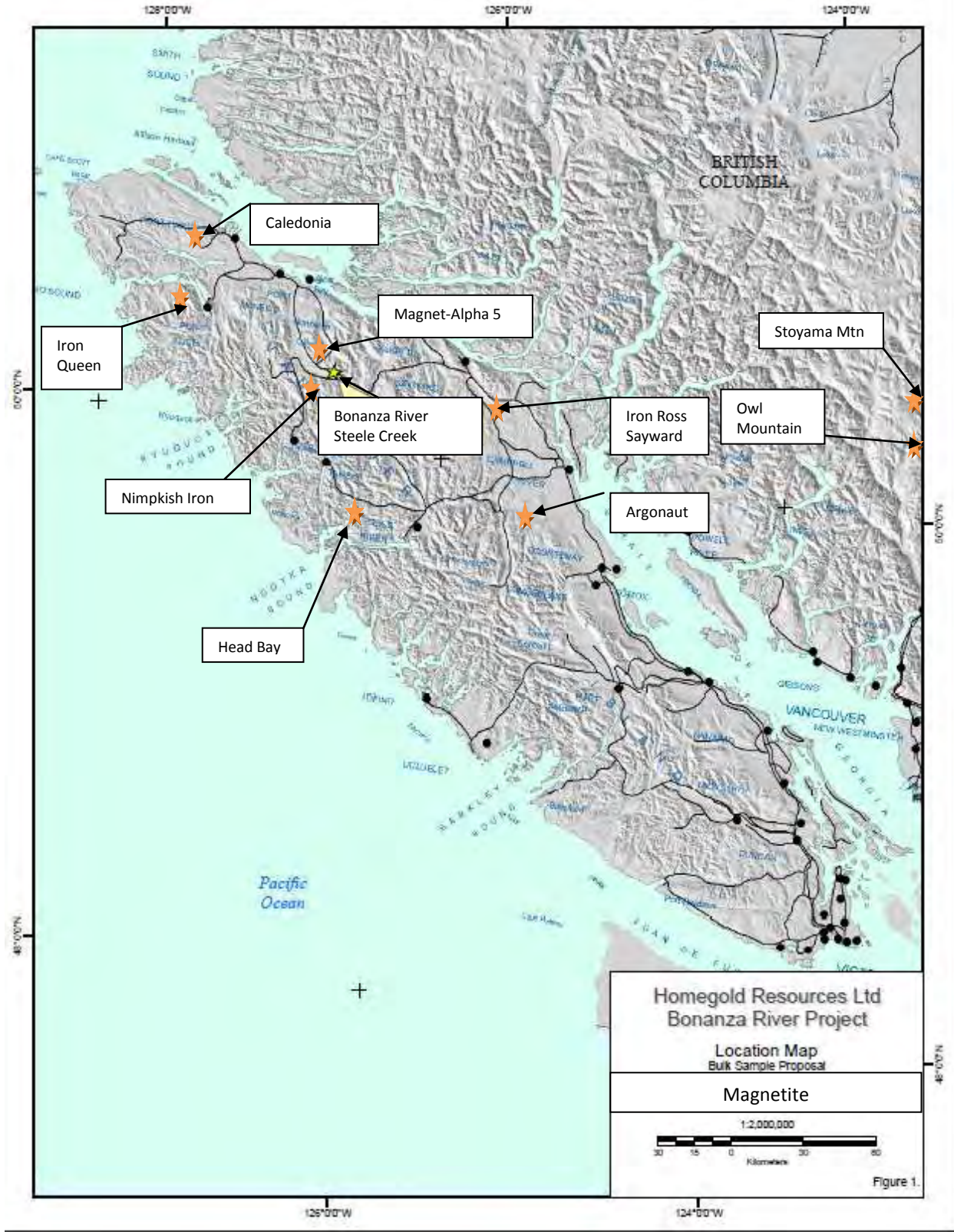


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Homegold Resources Ltd
 Bonanza River Project

Location Map
 Bulk Sample Proposal

Magnetite



Figure 1.

Business Plan

Magnetite as Iron Ore

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(A) Overview

The purpose of this business plan is to set out a 5 year strategic plan for Homegold and Partners in a new iron ore production venture. The Plan will also define potential investors; to assist in obtaining financing for growth in continuing projects, expansion of our operations; and to ascertain new markets for the magnetite products. While we strive to achieve our external goals and objectives, we will concurrently work at achieving our internal goals and objectives in the areas of corporate governance, executive and management team expansion, and policy and procedure. Our bottom line is concerned with not only profitability, but is also focused on the sustainability of the environment and our social responsibility in the communities where we are located as well.

Currently, Homegold Resources Ltd. has two properties in the permit phase and eleven other separate properties in the exploration phase. Steele Creek and the old Nimpkish Iron Mine are located on Northern Vancouver Island within the traditional territory of the Namgis First Nation.

Expansion of a second phase of Magnetite production can be by opening up the waste dumps and tailings at the old Nimpkish Iron Mine along the Nimpkish River north of Woss.

The relationship between Homegold and the Namgis First Nation will be firmly established with a Partnership Agreement. The Namgis are now considering a partnership on the larger economic proposal. The outlook for continued growth in our relationship remains positive.

In an effort to keep our costs down, one cost saving measure has been to manage the company on a contractual basis with part-time contracts. In most cases the management team has been wearing two or more hats. In the early stages, this made economic sense, but now that we are poised for expansion, it makes sense to hire an Operations Superintendent to work on a part-time basis in the North Island to manage the operations, to comply with the regulatory agencies, to maintain safety standards and to adhere to the contractual agreements that are in place. In so doing, the President and Geologist will be able to focus more on finding new potential properties.

Homegold has several properties that are in various stages of exploration. We have thirteen (13) potential properties that all have immediate magnetite production possibilities. Of our 13 properties, the most imminent to come into development and production are the Steele Creek property, Nimpkish Iron, Iron Ross near Sayward and the Argonaut dumps and tailings. The venture will consist of drill/blast

magnetite production followed by magnetite concentration to produce a 10 mesh, 60% Fe product that will be loaded on a ship and delivered to China.

The Project is potentially very profitable, as more fully described in Appendix I. Recent increases in commodity prices, largely driven by increased demand from China, have produced substantial increases in the world market price for iron ore, copper, gold and other metals. The Project will keep its capital costs low by using contract miners, and will load large-sized vessels to minimize shipping costs. Additionally, capital and operating costs are much lower in China than in the US, so processing the ore into finished products in China makes economic sense despite the increased cost of shipping raw ore.

Exploration and Development of other Homegold Properties

Currently we have three other properties that have potential in the short term: Iron Ross, Nimpkish Dumps and Argonaut. Each property is at a different stage in the exploration phase, but in fact all three properties were past producers. In the first quarter of 2011, Homegold's intention is to begin further programs on each property. Finding a market before going into production is the hallmark of industrial minerals. Our strategy is to become more aggressive in finding markets once we have determined the extent of the resource and its mine ability. Also we will be working to achieve wider margins. Dependent upon the size of the resource, the quality of the industrial mineral and the accessibility to the market, these factors will help determine what model to pursue: whether to hire a contractor; or whether to employ our own workforce and purchase/lease our own equipment; or a combination.

With the imminent plan to hire an Operations Superintendent, our Geologist J.T (Jo) Shearer will have more time to investigate and acquire potential properties on behalf of Homegold. Jo's knowledge is invaluable and certainly gives Homegold a tremendous advantage in identifying properties for exploration and potential development.

Homegold's goal is at a minimum to bring one new property into production each year, beginning in 2011.

(B) Projects

B-1 Steele Creek

Steele Creek is located on Northern Vancouver Island in the traditional territory of the Namgis First Nation. It is also considered to be located within the Regional District of Mount Waddington. The largest community near to the property is Port McNeill. The material will be trucked over a logging road through the Western Forest Products TFL onto the highway to Port McNeill.

The Steele Creek quarry is one of thirteen zones owned by Homegold on the property. Currently we are proposing to extract 60,000 metric tonnes from four small zones.

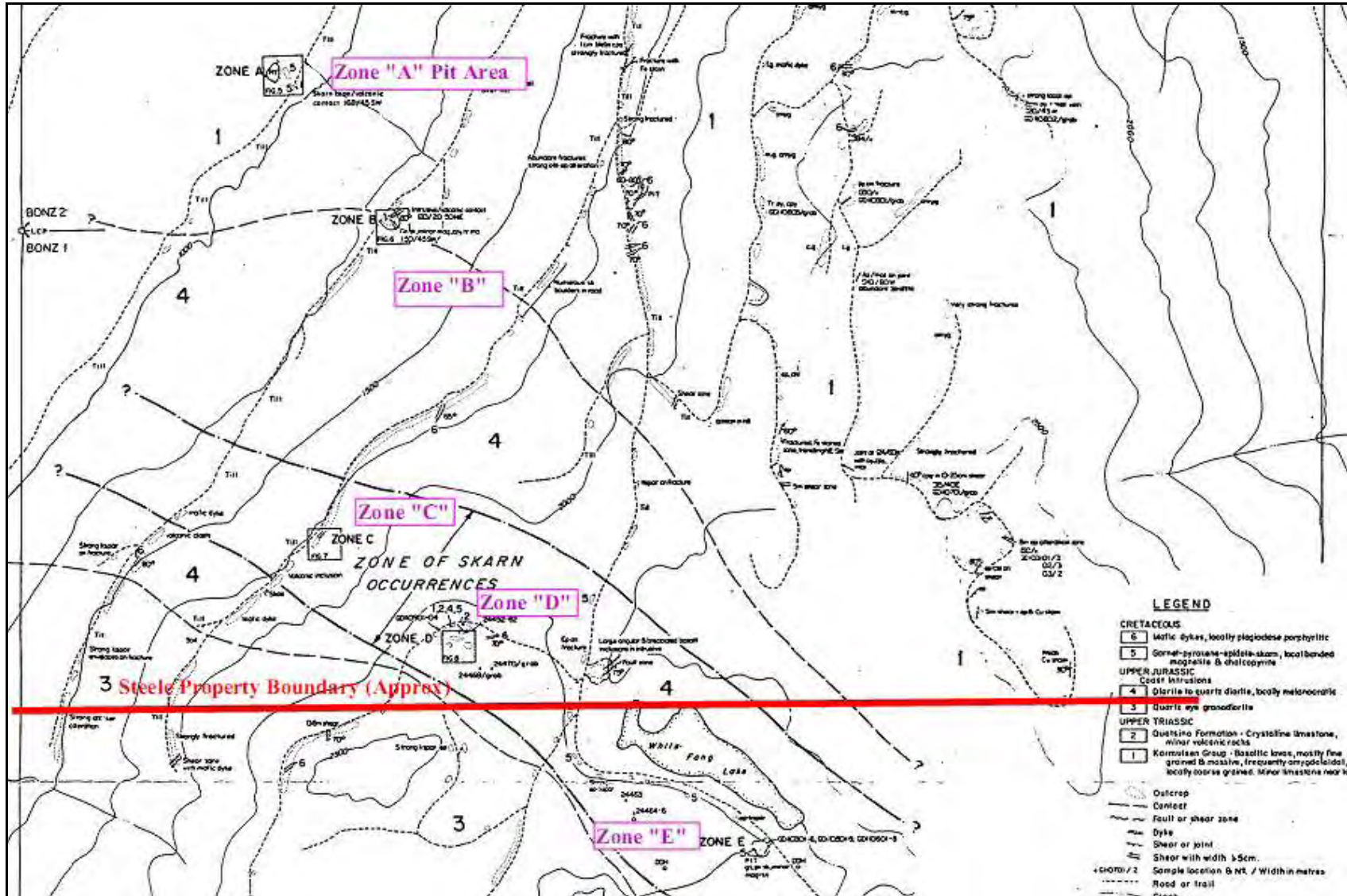
The Steele Creek Magnetite Project will consist of open-pit mining of magnetite ore, crushing the ore to size, magnetic separation, stockpiling, and loading ocean-going ships. The ore will be shipped to buyers in China where it will be processed to produce iron ore for steel production.

The Project will mine the initial Steele Creek deposits, located on mining claims approximately 17.5 Km southeast of the village of Beaver Cove. The deposit contains approximately 60 thousand tons of magnetite averaging 47% Fe.

The drill holes have been plotted most with the direction and inclination so the holes show [12'@45](#) means 12 feet of drill hole collar to bedrock at 45 degrees. This is the apparent depth of OVB and does not factor in the angle of cut and slope direction. Some holes were drilled across the slope but at 90 degrees does not give true depth of OVB but apparent depth as slope is not factored into the equation. That will take more time to do with cross sections. The OVB at the lower or Bonanza pit area is no more than two metres as observed on previous expeditions. The true OVB depth up the creek is about 1.5 metres.

The most promising target area is between Zones D and C which appear to be connected. Zone D is at the top of the hill whereas C is further down slope which may give an advantage in mining. It appears the area between Zone C and D is continuous. The grade of magnetite is 80% and about true width of 9 feet. There is another pod upslope from the Pit area at Area B and several numerous mag highs just southeast of the pit upslope as seen on the color enhanced mag map from IBC.

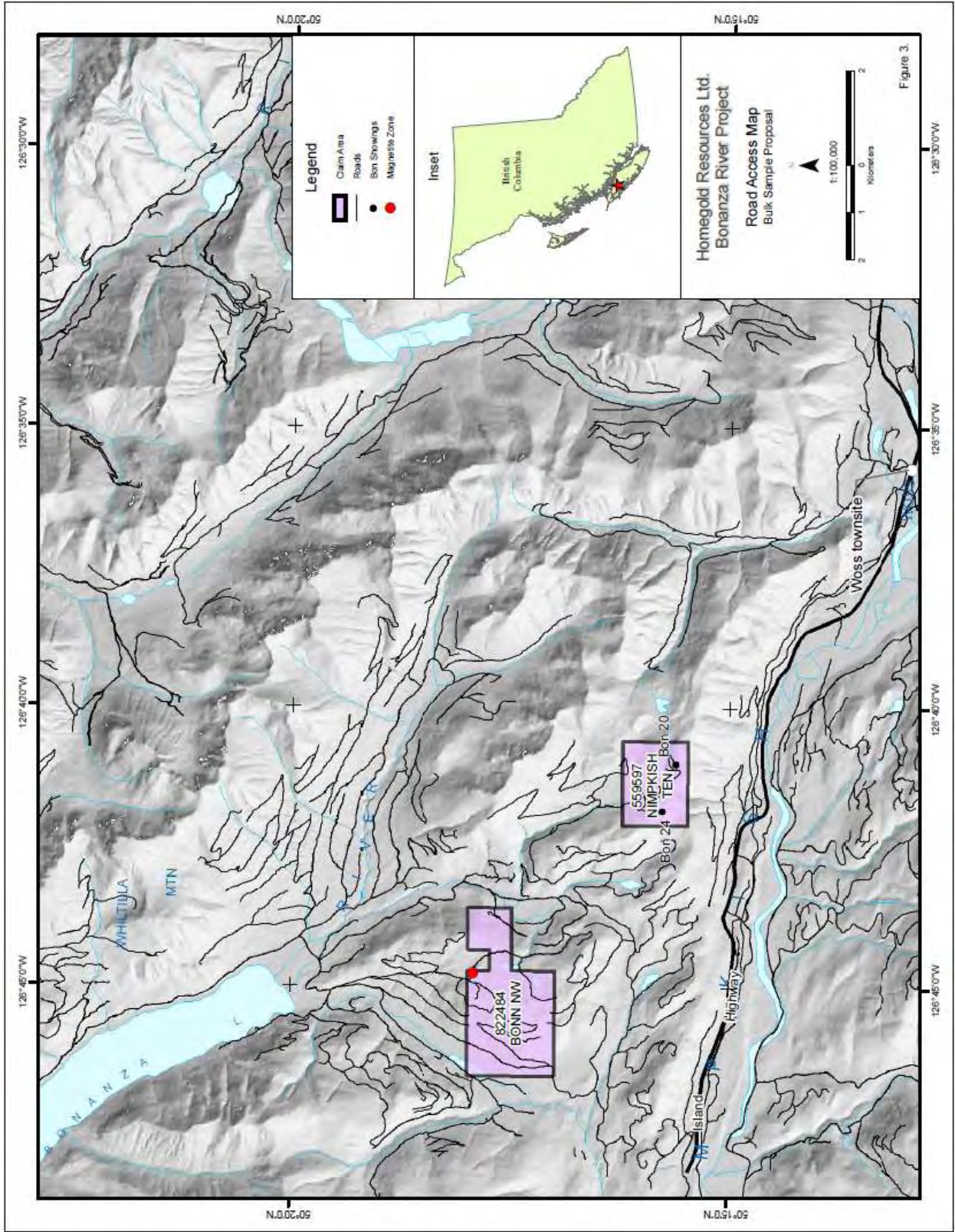
Maps with locations of DDHs Steele Creek Area

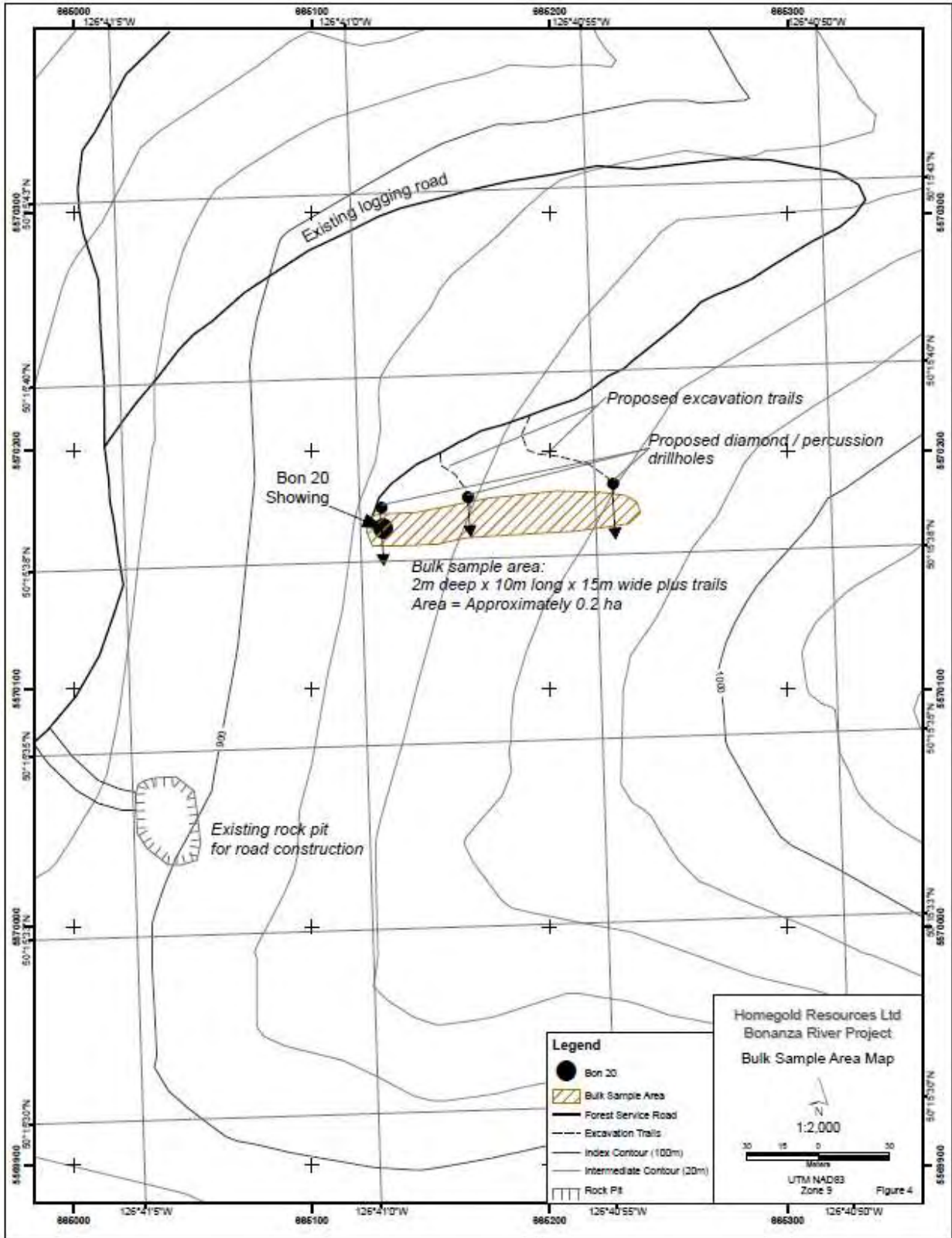


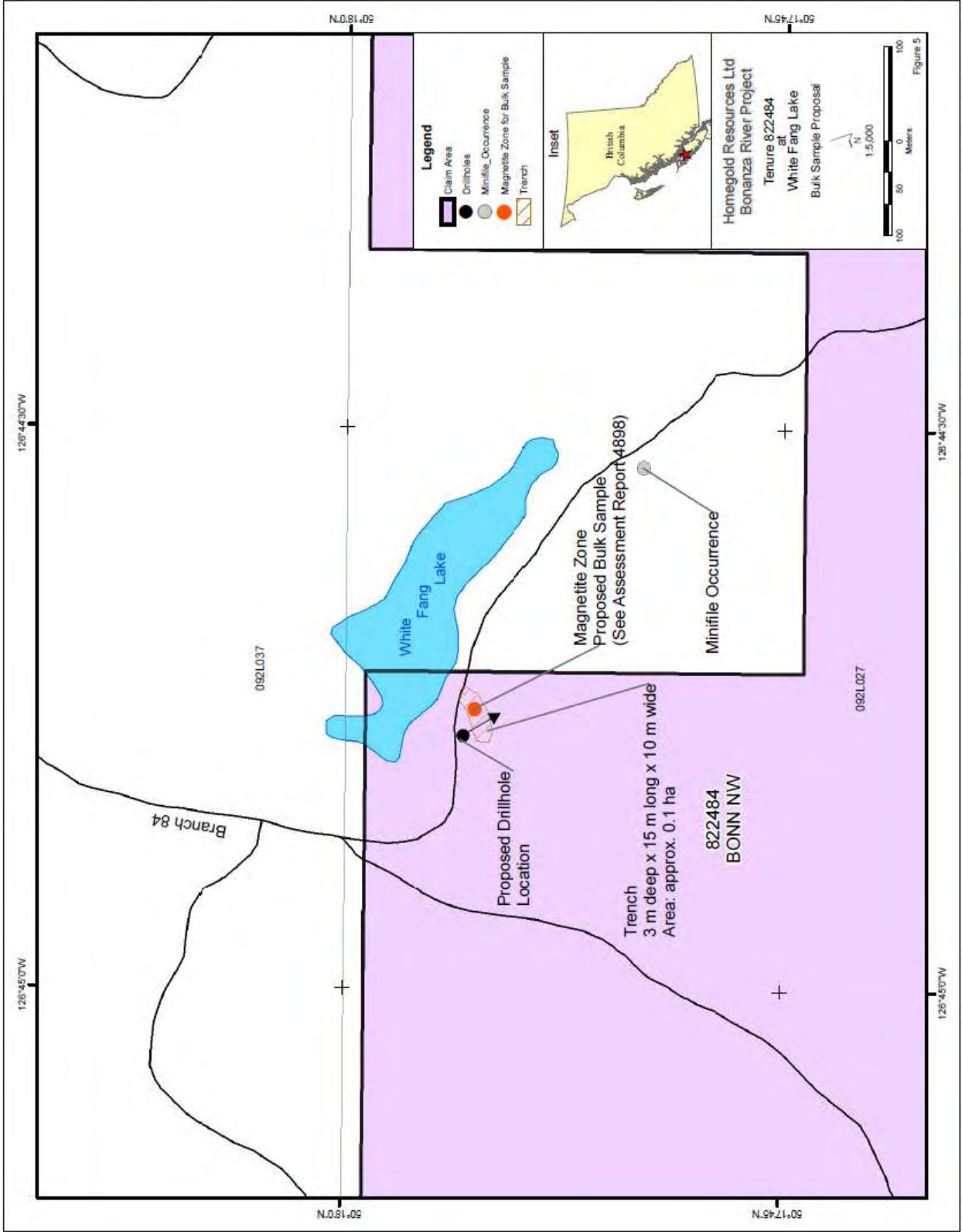
Steele Creek Area Drill Holes

DDH Summary (from all ARs)

Hole #	Depth (ft)	inclination/bearing		OVB depth (ft)		Fe assay ave/ft	Location (Zone)
		Degrees		(apparent)	(actual)		
Ref: J McDougall 1961-2							
B24	295	-45	90	14			Bonanza Pit Area "A"
B25	305	-45	90	21			*****
B26	78	-45	90	14			*****
B27	352	-45	90	19			*****
M18	65	-80	90	11			*****
M19	103	-90		9			*****
N20	75	-65	90	14			*****
N21	120	-51	90	20			*****
N22	38	-90		17			*****
P23	230	-55	90	11		41'-46' massive py,pyr,mag	*****
Upper Cliff Showing Area "D"							
UB1	370	-45	32	7		37.5'@24%	*****
UB2	330	-80	32	7		2.5'@21.6%	*****
UB3	162	-45	32	4		25'@38%	*****
UB4	160	-45	32	3			*****
UB5	155	-75	32	3			*****
UB6 ps	23	-60	32	0			*****
UB7	30	-50	32	0			*****
UB8 ps	15	-40	212	0			*****
UB9	250	-50	32	3			*****
UB10	130	-50	32	0			*****
Skarn Hill Area "D"							
UB20 ps				0			*****
UB21 ps				0			*****
UB22 ps				0			*****
UB23 ps				0			*****
Upper Lake (Funks Area "E")							
UB24 ps				0			*****
UB25 a b ps				0		12'@60%	*****
UB26 a b ps		90 50		3 & 4		30'@60%	*****
UB27 ps		-50		4			*****
Ref: AR#5394 (Somerville)							
Bob 74-1	167	-45	214	9			Area "B"
74-2	147	-46	42	16.5		31.5-44.5 heavy cpy/py	*****
74-3	256	-48	75	11			*****
Upper Lake (Funks Area "E")							
74-4	220	-50	181	7.5			*****
74-5	122	-45	17	8		53-79 heavy mag/sulpides	*****
Ref AR#6267 (Somerville)							
Bob6	476	-45	30	5			Upper Lake (Funks Area "E")
Bob7	308	-45	30	5		139-190 sections of heavy mag	*****
Bob8	367	-80	30	3			*****
Area "C"							
Bob9	198	-45	38	21		71.5"-82 massive mag	*****
Bob10	387	-80	38	15		282'-355' massive mag	*****
Bob11	487	-60	53	17			*****
Ref: AR#6769 (Somerville)							
Bob12	122	-45	36	3.7		6 metres of massive mag	Upper Lake (Funks Area "E")
Bob13	116	-45	12	2.3			*****
Bob14	147	-45	30	2.5			*****
Bob15	105	-45	34	4.6			*****
Bob16	222	-80	30	2.1			*****
Ref: AR#24601 (Dasler)							
94B-1	119.8	-45	30	1.5			Upper Lake (Funks Area "E")
94B-2	128	-70	30	0.1			*****
Zone "D"							
94B-3	50.9	-50	345	0		2.8m of massive mag-epidote	*****
94B-4	47.9	-70	0	1.2		1.0m mass/mag	*****
94B-6	62.5	-65	40	3.1			400m south of Pit along road







B-2 Iron Ross

- 1) The Iron Ross, Iron Steve and Iron Mike Magnetite Deposits are covered by the Ross mineral claim 503831.
- 2) The area is 10 km from tidewater on Kelsey Bay at the town of Sayward and about 52 km north of Menzies Bay.
- 3) The Iron Ross and Iron Steve undeveloped magnetite deposits are a short distance (400m) west of the past producer named the Iron Mike.
- 4) Initial ore reserves at the Iron Mike mine were approximately 700,000 tons to 1.15 million tons @ 62% Fe (Atherton, 1983). Mining took place in 1965-1966. Drilling by 1965 delineated reserves of 688,277 tonnes proven and 266,983 tonnes probable grading 43.5% iron (Hill & Stark, 1965). Production by Orecan Mines Ltd. in 1965-1966 totalled 168,735 tonnes (82,862 tonnes of 62.25% concentrate). A further 29,937 tonnes of concentrate was shipped in 1969.
- 5) Extensive geological mapping, airborne and ground magnetometer work was completed by Dickenson Mines Limited in 1983. Four large ground magnetic anomalies coinciding with massive magnetite outcrops were identified by the 1983 work by Dickenson Mines Ltd.
- 6) The claims are underlain by garnet-epidote-magnetite skarn, which occurs along the contact between underlying Upper Triassic Karmutsen Formation volcanics and overlying Upper Triassic Quatsino Formation Limestone. Drilling in 2002 confirmed the presence of magnetite and skarn zone totally within the limestone.
- 7) Trenching in February 2002 exposed the massive magnetite outcrop on the Iron Ross Zone over a length of 60m and thickness of at least 4m. Thirteen diamond drill holes were drilled at the Iron Ross Zone prior to 1965. More recent percussion and diamond drilling has occurred at the Iron Ross and Iron Steve zones.
- 8) Specific Gravity measurements average 5.1 with the following assay results

Al ₂ O ₃	CaO	Fe ₂ O ₃	K ₂ O	MgO	MnO	Na ₂ O	P ₂ O ₅	SiO ₂	Zn	V	S
0.46	0.47	91.00	0.79	0.16	0.21	0.29	0.05	2.95	330	14	<0.01

- 9) At the Iron Steve zone, a bulk sample of 4,700 tonnes was excavated in July 2005 and additional drilling and geological mapping was completed.
- 10) A plan to produce 70,000 tonnes of iron ore is proposed for 2011 and 140,000 tonnes of iron ore for 2012 and 2013.

The Iron Mike open pit is located approximately 6.0 kilometres south-southwest from the community of Sayward. The deposit is a garnet-epidote-magnetite skarn which occurs along the contact between an underlying greenstone and an overlying limestone. The units are most likely basalts of the Upper Triassic Karmutsen Formation and limestone of the overlying Upper Triassic Quatsino Formation, both of the Vancouver Group. Within the zone of skarning the volcanics are brecciated and the limestone is replaced by skarn. The mineralized zone appears to occur along the crest of a small anticline or arch that strikes and plunges gently southeast. There appears to be no significant faulting on the property.

The magnetite occurs in two lensitic bodies. The outline of the occurrences has been outlined by the ground magnetic survey. The magnetite is poorly exposed. The Iron Bethea is formerly the Iron Mac

occurrence is fine grained, massive nearly pure magnetite. The Iron Ross (formerly Iron Dick) occurrence is exposed in outcrop.

Mineralization is magnetite, essentially free of any impurities within the skarn. During production, mill feed grades averaged 45 per cent iron with no contained impurities. The orebody was originally 305 by 61 by 10 metres (average) of pure magnetite. Chalcopyrite and pyrite are reported to occur but their abundance and location are not specified.

Oreca Mines Ltd., which began production in 1965 and continued through to September of 1966, produced 82,863,185 kilograms of iron from 168,736 tonnes mined. The property remained idle until 1969, when 29,937 tonnes of stockpiled concentrate were shipped.

Proven (688,281 tonnes) and indicated (266,985 tonnes) reserves are 955,266 tonnes grading 43.5 per cent iron (H.L. Hill, May 15, 1965).

In 1959, iron ore was discovered by R. Hartt. In 1960, the property was optioned to Marwell Construction from Hartt. Nineteen drill holes totaling 586.4 metres (Ex diameter) were drilled with 13 drilled on Iron Mike claim. A dip needle survey was reported over Iron Mike (Main Zone) deposit and Iron Mac, Iron Dick and West Zone deposits (all on Ross Claim). In 1961 Hartt and Associates diamond drilling drilled 24 EX drill holes totaling 640 metres. In 1963 Inter-Can Development Ltd. optioned the property on a ten year renewable lease royalty agreement. Stripping and diamond drilling began and the claims were assigned to Oreca Mines Ltd. In 1964, 1524 metres of diamond drilling were completed by Oreca. Stripping in preparation for open pit mining was done. From 1965-66, most of magnetite from the Main and West Pit zones that was available was mined.

In 1983, an airborne magnetometer survey by Dickenson Mines Limited followed by geological mapping, extensive sampling and ground magnetometer surveys were completed. The area was staked in 1997 by J. L. Paquet of Campbell River, who and held the claims until 2001.

In 2001 the area was acquired by staking by J. T. Shearer who did trenching and bulk sampling in 2002. A small bull sample was excavated and trucked to Port Hardy and crushed. Various tests were conducted by OCL Industries for sandblasting purposes and by Ocean Cement for super heavy concrete. The property was optioned to Hillsborough Resources Ltd. in August 2002. Percussion drilling in October 2002 on the Iron Ross totalled 295.66 metres in 17 holes mainly around the Iron Ross surface showing and 2002 trenching. Drilling in 2002 confirmed the presence of magnetite and skarn zone also totally within the limestone.

In 2003, Hillsborough completed road construction, bulk sampling and ground magnetometer work. Further percussion drilling was completed in the fall of 2003 on the Iron Steve zone and farther east for a total of 31 holes totaling 427.64 metres of drilling. Hillsborough Resources (Quinsam Coal) was also successful in excavating a high grade magnetite bulk sample of 150 tonnes, which was used in a super-heavy concrete application in a Vancouver construction project. A ground magnetometer survey was completed in the summer of 2003 totalling 12.0 line kilometres.

In 2005, Homegold Resources Ltd worked the Iron Ross iron skarn magnetite deposit (MINFILE 092K 043). Two core drillholes totaling 250 metres were completed and a 4800 tonne bulk sample was taken for use as heavy media in a heavy concrete application in a hospital x-ray facility.

B-3 Nimpkish Dumps

North striking carbonates and calcareous sediments of the Quatsino and Parson Bay Formations overlie Karmutsen Formation tholeiitic basalts, all of the Upper Triassic Vancouver Group. Lower Jurassic Bonanza Group andesitic to rhyodacitic lava, tuff, breccia and minor sediments are coeval with, or genetically related to granodiorite of the Nimpkish batholith of the Jurassic Island Plutonic Suite. Strong regional north to northwest trending faults, often defining intrusive and lithological contacts, traverse the area.

The Klaanch occurrence lies on strike with the Iron Crown occurrence (092L 034), 0.6 kilometres to the south. Massive magnetite contains irregular small quantities of pyrite and chalcopyrite and disseminations in volcanic rocks. The massive mineralization is up to 3 metres wide.

In the area of the Iron Crown occurrence, north striking carbonates and calcareous sediments of the Quatsino and Parson Bay formations overlie Karmutsen Formation tholeiitic basalts, all of the Upper Triassic Vancouver Group. Lower Jurassic Bonanza Group andesitic to rhyodacitic lava, tuff, breccia and minor sediments are coeval with, or genetically related to, granodiorite of the Nimpkish batholith of the Early-Middle Island Plutonic Suite. Strong regional north to northwest trending faults, often defining intrusive and lithological contacts, traverse the area.

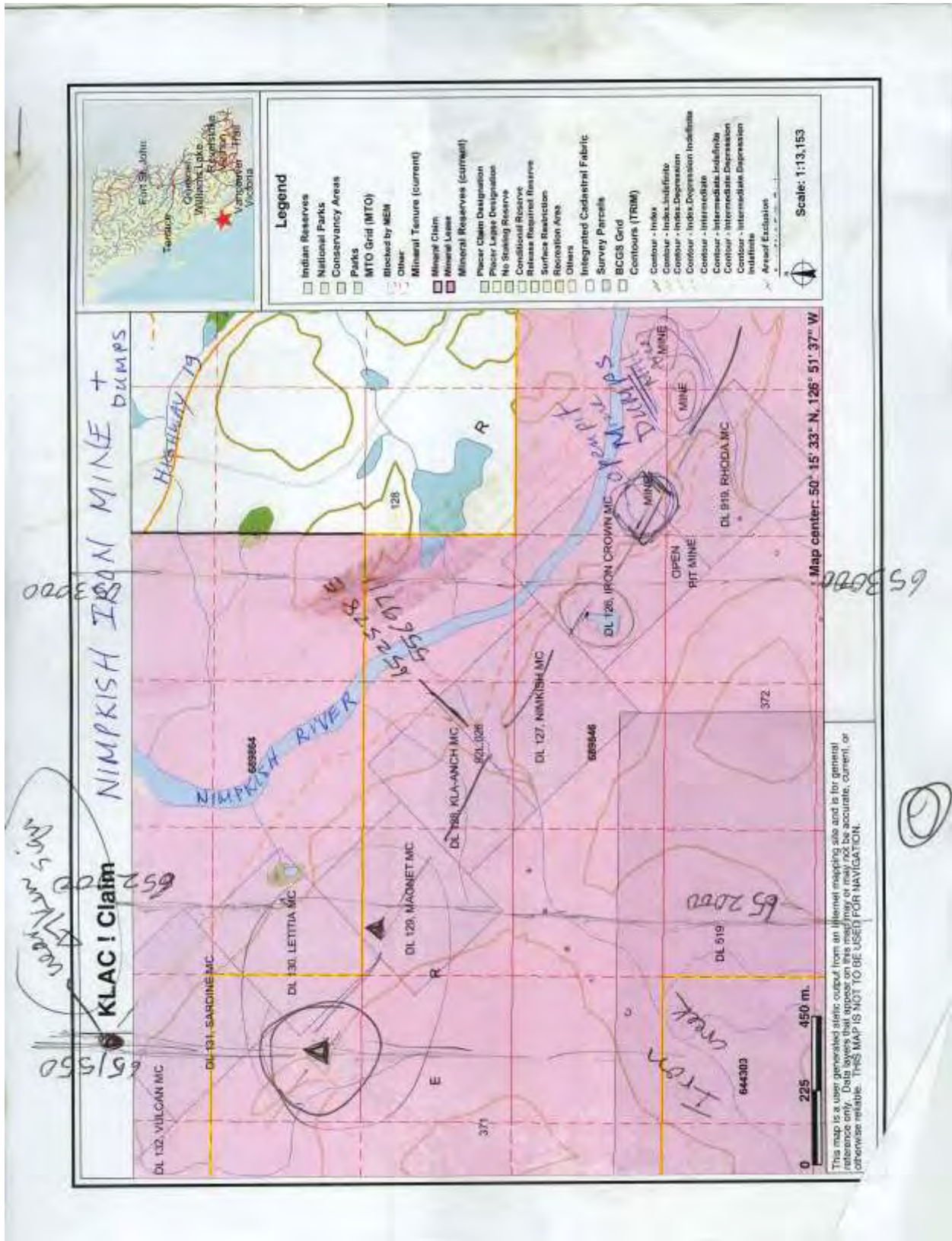
The occurrence is at the contact between coarsely crystalline Quatsino Formation limestone and fine-grained massive amygdaloidal andesite exhibiting sericite, calcite and actinolite alteration with amygdules filled with epidote, calcite or actinolite. Pyrite and pyrrhotite are disseminated through the andesite. Laumontite and calcite veins are present.

Leucocratic quartz monzonite and diorite intrude the volcanics and limestone. Contacts with the volcanics are diffuse, and recrystallized andesite cannot readily be distinguished from intrusive rocks. Feldspar porphyry dykes, an aplite dyke and a felsite dyke are also recognized. The magnetite contact with the limestone is sharp. The andesite is diffuse and evidenced by skarn. The magnetite is relatively pure, but contains up to 50 per cent calcite lenses with chalcopyrite, pyrite and sphalerite. Calcite and sulphides are considered to be post-ore (Geological Survey of Canada Bulletin 172, page 73).

A 55 metre long, 8 to 9 metre wide magnetite exposure occurs along the Nimpkish River. Some 200 metres west of the river, several outcrops of magnetite occur along a ridge and are estimated to represent a lens at least 116 metres long and 18 metres wide. A third magnetite body, indicated by magnetometer surveys only, measures 146 by 18 metres and lies between the river and ridge deposits. These 3 occurrences are believed to represent the 3 fault-separated orebodies of Sangster (Geological Survey of Canada Bulletin 172, page 73). The faults are marked by breccia zones up to 1.5 metres wide, gouge, chlorite, hematite-coated slip surfaces and slickensided magnetite ore and country rock.

Ore samples taken in 1942 assayed 59.6 to 63.9 per cent iron, averaging 62.1 per cent iron (Cameron, 1942). Phosphorous and sulphur contents are reported to be very low. Between 1959 and 1963, 2,175,683 tonnes of ore were mined.

Indicated (probable) reserves at Iron Crown are 1,632,924 tonnes grading 3.5 grams per tonne gold, 46.2 per cent iron and 1.33 per cent sulphur (Minister of Mines Annual Report 1956). The reserve figures are pre-production.



This map is a user-generated static output from an internet mapping site and is for general reference only. Data layers are subject to change without notice. For accurate, current, or otherwise reliable information, please contact the appropriate authority.

B-4 Argonaut Dumps + Tailings (Bold Hardrock)

1. The South Argonaut Claim Tenure #513567 (12cells) and Tenure #513580 cover the former iron producer commonly referred to as the Argonaut Mine (Iron Hill).
2. Historic production from the Argonaut Mine between 1951 and 1957 totalled 3,657,168 tonnes of ore from which 1,990,288.66 tonnes of concentrate, running between 56% and 58% Fe, were shipped.
3. The area is located just east of upper Quinsam Lake, about 27km west of the community of Campbell River.
4. Magnetite mineralization is contained within the garnet/amphibole skarn with rare associated chalcopyrite and pyrite. The skarn consists of massive magnetite with minor amount of epidote, calcite and pyrite.
5. The mineralized skarn is near the contact of limestone of the Upper Triassic Quatsino Formation and mafic volcanic unit (pillow basalt) of the Upper Triassic Karmutsen Formation, all intruded by the early to Middle Jurassic Island Intrusions.
6. The deposit has been deformed into a west dipping overturned syncline whose north limb is overturned onto the south limb. The axial plane generally strikes east-west and dips north-northwest. Skarn is best developed and thickest in the hinge position of the syncline.
7. The tailings and waste piles contain fine-grained magnetite and garnet. Previous results indicate that the concentrate assays 62.2% Fe. This level of concentration is supported by concentrating the upper coarse tailings which assayed 65.9% Fe.
8. The present 2010 study focussed on characterization of parts of the pit area to the south and west.

The Argonaut mine is a massive magnetite-magnetite/garnetite skarn situated on Iron Hill, just east of upper Quinsam Lake. The skarn is near the contact of limestone of the Upper Triassic Quatsino Formation and an overlying basic volcanic unit of the Upper Triassic Karmutsen Formation, both of the Vancouver Group. The Vancouver Group rocks are intruded by a granodiorite stock of the Early to Middle Jurassic Quinsam intrusions (Island Intrusions). Although the limestone is completely recrystallized, there has been no alteration and the original bedding has been preserved. The basic volcanic package is a sequence of pillow basalts which have been weakly metamorphosed. Locally, the basalts have been hornfelsed near the contact with the granodiorite.

The deposit has been deformed into a west dipping, overturned syncline whose north limb is overturned onto the south limb. The axial plane strikes generally east-west, dips north-northwest, and is irregularly curved along strike. Skarn is best developed and thickest in the hinge portion of the syncline.

Limestone outcrops on surface as an oval shaped body enclosed in skarn and greenstone, trending west-northwest along the synclinal axis for 320 metres, with a width of up to 110 metres. The unit is comprised mostly of massive to thin bedded, medium grained, white to light grey limestone with some thin dark grey beds. The limestone is high calcium in composition, with small grains of pyrite the only visible impurity. A grab sample of chips from blocks of limestone in a dump assayed 98.88 per cent CaCO₃, 1.29 per cent acid insolubles, 0.09 per cent total iron and 0.07 per cent total sulphur (Minister of Mines Annual Report 1952, p.224). The Argonaut Co. Ltd. reported a limestone analysis of 54.8 per cent CaO, trace MgO, 0.14 per cent R₂O₃, 0.6 per cent Fe₂O₃, 0.06 per cent P₂O₅ and 0.04 per cent sulphur (Geological Survey of Canada Bulletin 172, p.51).

Skarn mineralization occurs along the contact between limestone and the pillowed basalts and consists of massive garnetite and magnetite with minor amounts of epidote, calcite, and pyrite. The margin of the skarn and host rocks is sharp and irregular. Skarn mineralization rarely occurs outside of the main body and then only as small irregular pods. The skarn mineral assemblage varies from pure, coarsely crystalline massive magnetite at its core to a mixed, crystalline magnetite/garnetite near the margin and a boundary phase of pure crystalline garnetite. In the main body of the skarn, bedding replacement features are present indicating that hydrothermal fluid migration took place preferentially along bedding planes of the limestone. Skarn has preferentially replaced the basalt with respect to the limestone.

From 1951 to 1957, 3,657,168 tonnes of ore were mined, from which 1,990,288,655 kilograms of concentrate was shipped. The dimension of the ore body measured about 400 by 150 by 120 metres, with a strike of 90 degrees and dip of 15 degrees north.

The tailings and waste pile contain fine-grained magnetite and garnet and a proposal is presently underway to recover these for industrial purposes.

The contact of the granodiorite with the limestone and volcanics has an overall east-southeast trend. Skarns have formed adjacent to the contact, within the limestones and volcanics. They are fine to medium-grained and consist of garnet, clinopyroxene and epidote, with local development of magnetite in poorly defined bands, occasional pyrite and rare chalcopyrite and sphalerite. The copper mineralization occurs in widely spaced small pods (less than 0.5 metres in diameter) within the magnetite skarn.

A grab sample of a mineralized skarn zone assayed 2.5 per cent copper and 8.9 grams per tonne silver (Assessment Report 13003). Another skarn grab sample, 400 metres to the east-southeast assayed 0.29 per cent copper and 2.1 grams per tonne silver (Assessment Report 13003).

Prospecting, hand trenching, outcrop stripping and sampling conducted in early July 1997 outlined additional showings of skarn mineralization (the Upper Road Pit showing, Middle Road Pit showing and an unnamed showing approximately 60 metres west of the Middle Road showing) located southeast of the showings documented in assessment Report 13003 and 13722 and also southeast of the location point of this MINFILE occurrence.

Assessment Report 25265 documents the 1997 work. The upper Road Pit showing consists of garnet skarn with sulphides - channel sample results include 0.31 gram per tonne gold, 3.79 per cent copper and 24.4 per cent iron over 1.6 metres and 0.45 grams per tonne gold, 4.36 per cent copper and 30.7 per cent iron over 1.2 metres. The Middle Road Pit showing (5525260 North, 318109 East NAD 1983) consists of garnet magnetite skarn with pyrite and chalcopyrite exposed in an old trench and hand stripped outcrop - channel sample results include 0.75 gram per tonne gold, 1.446 per cent copper and 44.3 per cent iron over 10.90 metres. The unnamed showing approximately 60 metres west of the Middle Road Pit showing (5525245 North, 318040 East NAD 1983) consists of limestone and a pod of magnetite, pyrite and chalcopyrite within garnet skarn - channel sample results include 1.720 grams per tonne gold, 3.96 per cent copper and 33.2 per cent iron over 1.1 metres and 1.115 grams per tonne gold, 3.9 per cent copper and 56.8 per cent iron over 1.7 metres.

B-5 Glengarry-Rob Roy

Magnetite mineralization is contained within garnet skarn with rare associated chalcopyrite and pyrite. Magnetite is often, but not always, free of garnet. Magnetite pods are parallel to bedding and roughly follow the margin of the intrusive contact in a northwest direction. Brewer reports that the grade is similar to the Glengarry (092E 001) although no assays were done and estimates that about 45,360 tonnes of probable ore grading 56.8 per cent iron are present (Minister of Mines Annual Report 1916, page 294).

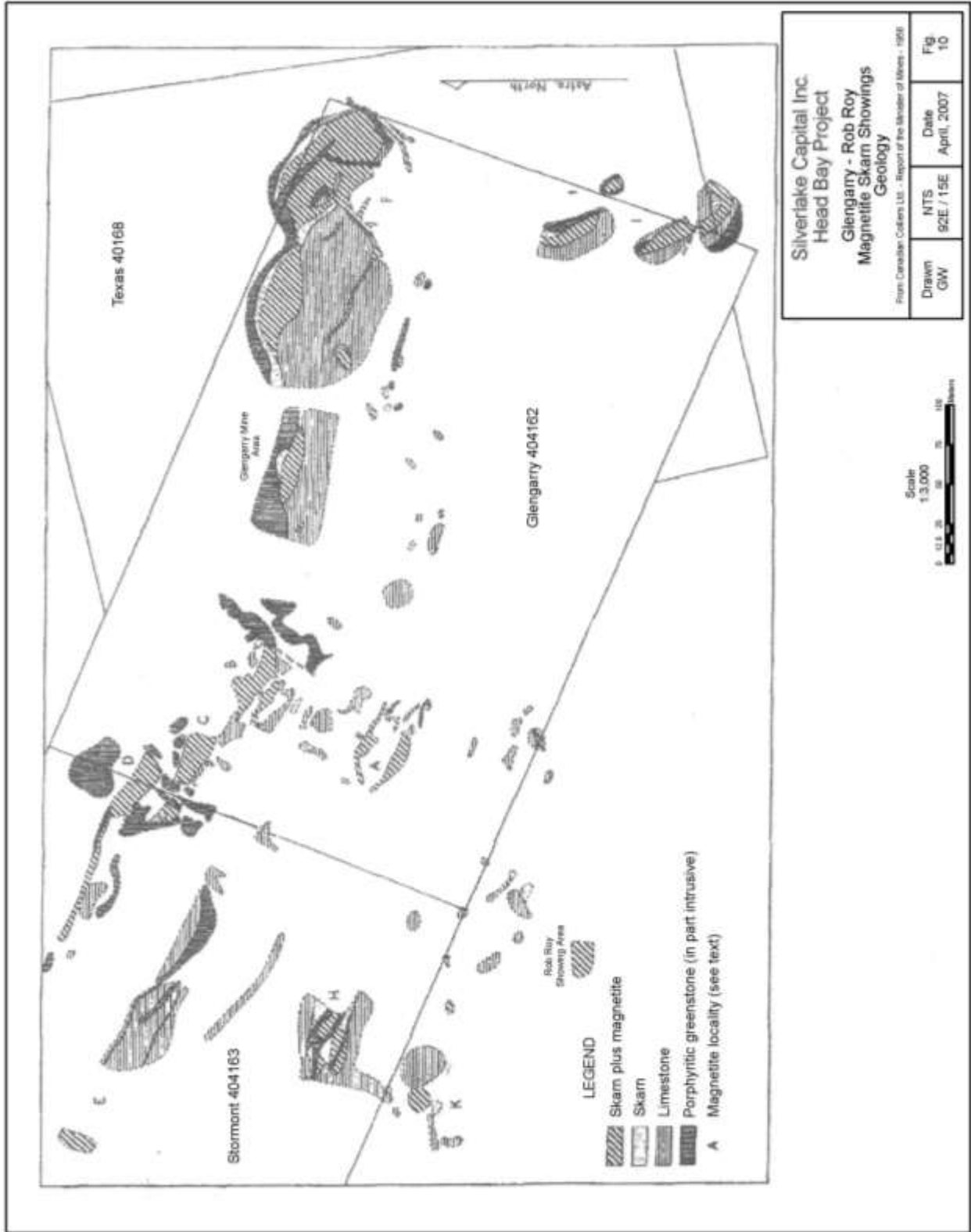
The area is underlain by Upper Triassic Vancouver Group volcanics and sediments comprised of Karmutsen Formation basalts and the Quatsino and Parson Bay formations carbonates and clastics. Granodiorite of the Early to Middle Jurassic Island Plutonic Suite and Eocene Catface Intrusions has intruded the Vancouver Group rocks. Contact metamorphism in Karmutsen basalts has given rise to amphibolite and hornfels zones up to several thousand metres in thickness. Contact metamorphism grades into regional zeolite facies metamorphism.

At the Glengarry magnetite occurrence, the northwest striking Quatsino limestone dips about 45 degrees to the southwest. Intruding the limestones to the south and east is a large granodiorite body and associated diorite dykes. The limestone strata have been recrystallized or altered to garnetite and many of the crosscutting dykes predate the skarn event.

Mineralization outcrops over an area of 567 by 403 metres as 11 or more pods of magnetite within garnet skarn. The pods range from 2 to 12 metres wide and are parallel to bedding, following roughly the margin of the intrusive contact in a northwest direction. Chalcopyrite and pyrite are present only in small quantities. A sample of the magnetite assayed 56.8 per cent iron, 0.1 per cent sulphur, trace phosphorous and 1.6 per cent silica (Minister of Mines Annual Report 1916, page K293).

Drill indicated reserves, in eleven distinct localities, total 327,000 tonnes averaging 42.7 per cent iron (Minister of Mines Annual Report 1956, page 133). The deposit is similar and adjacent to the Rob Roy deposit (092E 015).

Magnetite mineralization is contained within garnet skarn with rare associated chalcopyrite and pyrite. Magnetite is often, but not always, free of garnet. Magnetite pods are parallel to bedding and roughly follow the margin of the intrusive contact in a northwest direction. Brewer reports that the grade is similar to the Glengarry (092E 001) although no assays were done and estimates that about 45,360 tonnes of probable ore grading 56.8 per cent iron are present (Minister of Mines Annual Report 1916, page 294).



B-6 Iron Queen-Magnet

A trail building and sampling geological was carried out by a three man field crew between May 2, 2008 and April 15, 2009 on the 14 unit Iron Queen Claim Group located on the northwest coast of Vancouver Island. The objective of the 2008-2009 work program was to conduct reconnaissance style exploration in search of relatively high magnetite zone similar to the rock types found at the Iron Hill (Argonaut) and Iron Ross (Iron Mike) deposits.

The Iron Queen Claim Group is underlain by lower Jurassic Bonanza Supergroup Volcanics intruded by coeval Island Intrusives. Mineralization is zoned over a several hundred metre strike length along this structural zone.

The geologic and metallogenic setting of the Iron Queen claims is comparable to the skarns throughout Vancouver Island.

2008 rock samples to characterize the local geology were collected along the brushed out branch road immediately south of the known magnetite zones.

Additional detailed field work and follow-up diamond drilling is recommended to evaluate the targets identified on the Iron Queen claim group.

The Iron Queen occurrence is located in the Insular Belt of the Cordillera. The region is underlain mainly by volcanics and crystal- line rocks and minor sediments.

Overlying an assemblage of Paleozoic Sicker Group sediments and Upper Triassic basalts and minor carbonate and clastic sediments of the Vancouver Group is the Lower Jurassic Bonanza Group of andesitic to rhyodacitic lava, tuff and breccia. Bonanza volcanism is coeval with, or genetically related to Jurassic Island Plutonic Suite granodiorite that has invaded all older rocks, and in this area occurs as small isolated stocks.

The occurrence consists of two showings 100 metres apart. Limited exposure suggests 2 distinct replacement bands of magnetite mineralization, striking northwest and dipping steeply west, at the contact of monzonite with Bonanza Group andesite and andesitic tuff, and possibly altered limestone. The magnetite is massive, grading an estimated 80 to 90 per cent, to 50 per cent where mixed as stringers and small lenses with volcanic rocks (Geological Survey of Canada Economic Geology Series 3, Vol. 1, page 238). Minor skarn minerals and calcite are present, and pyrite is disseminated throughout. At the eastern occurrence, the magnetite is 2.9 metres wide (including a 0.8 metre unmineralized andesite band) and occurs at an andesite-monzonite contact. The massive magnetite contains unreplaced rock fragments and is rusty weathering. The mineralization 100 metres to the west has been exposed over 6 by 12 metres in silicified fine-grained andesite or andesitic tuff, striking northwest and dipping west.

Locally, Karmutsen volcanics are overlain by a flat-lying remnant of Quatsino limestone. To the southeast these rocks are intruded by granodiorite. Along or near the contact with the granodiorite and near the limestone-volcanic contact, massive magnetite bodies are associated with diopside-grossularite-epidote skarns. Veins and disseminations of pyrite, pyrrhotite and chalcocopyrite occur in the magnetite bodies and the skarns.

Magnet

The Magnet area is underlain by volcanics and sediments of the Upper Triassic Vancouver Group (Karmutsen, Quatsino and Parson Bay formations) and by volcanics of the Lower Jurassic Bonanza Group. These rocks have been intruded by granodiorite of the Jurassic Island Plutonic Suite.

Locally, Karmutsen volcanics are overlain by a flat-lying remnant of Quatsino limestone. To the southeast these rocks are intruded by granodiorite. Along or near the contact with the granodiorite and near the limestone-volcanic contact, massive magnetite bodies are associated with diopside-grossularite-epidote skarns. Veins and disseminations of pyrite, pyrrhotite and chalcopyrite occur in the magnetite bodies and the skarns.

B-7 CALEDONIA

- 1) The Caledonia occurrence area is underlain by Upper Triassic Karmutsen Formation volcanics and Quatsino Formation limestone (both formations of the Vancouver Group) and Lower Jurassic Bonanza Group volcanics, intruded by bodies of the Early-Middle Jurassic Island Plutonic Suite.
- 2) Locally, epidote-garnet-actinolite skarn containing tennanite [CuAs(Ag)S] occurs at a contact between Quatsino limestone, Karmutsen volcanics and granodiorite. Some of the mineralization extends into the granodiorite in sericitized fractures. The limestone strikes 315°, dipping 25° to the south..
- 3) East of the workings, garnet, epidote, magnetite and minor tennanite are present in a skarn zone in limestone at a granodiorite contact. A narrow wedge-shaped body of mineralization extends about 12 metres into the granodiorite.
- 4) North of Quatse Lake, bornite replaces siliceous and tuffaceous beds in the upper part of the Karmutsen Formation.
- 5) In 1929, 0.9 tonnes of ore was shipped from the property, grading 514.2 grams per tonne silver and 7.3% copper (Malcolm, 1969). A chip sample collected across 1.8 metres in 1926 assayed trace gold, 418.2 grams per tonne silver, 2.9% copper, 0.8% Lead and 10.0% zinc (Minister of Mines Annual Report, 1926).
- 6) Underground development outlined a possible resource of 68,000 tonnes grading 704.2 grams per tonne silver (20.54 oz/ton) 6.1% copper, 7.45% zinc, 0.6% lead and 0.34 g/tonne gold in a 3 to 5 metre wide zone over a strike length of 100 metres (George Cross News Letter #221, 1981; Statement of Material Facts July 5, 1972 – North Island Mines Ltd., D.C. Malcolm, April 24, 1972). Later work has expanded the surface mineralized zone for a strike length of 600 metres over a 300 metre width (George Cross News Letter #221, 1981).
- 7) Sampling in 2007 from trenching returned values of 581.7 g/tonne silver (16.97 oz/ton), 4.42% Copper, 0.13% Pb, 8.97% Zn from tennanite bearing skarn.
- 8) Metallurgical testing indicates that flotation gives high recovery rates for Silver and Copper. Discussions have been initiated with NVI regarding shipping a 10,000 tonne bulk sample to Myra Falls.
- 9) An exploration program consisting of geological mapping, percussion drilling, geophysics and bulk sampling at a cost of \$232,000 is recommended for 2008.

The Caledonia occurrence area is underlain by Upper Triassic Karmutsen Formation volcanics and Quatsino Formation limestone (both formations of the Vancouver Group) and Lower Jurassic Bonanza Group volcanics, intruded by bodies of the Early-Middle Jurassic Island Plutonic Suite.

Locally, epidote-garnet-actinolite skarn containing chalcopyrite occurs at a contact between Quatsino limestone, Karmutsen volcanics and granodiorite. Some of the mineralization extends into the granodiorite in sericitized fractures. The limestone strikes 315 degrees, dipping 25 degrees to the south.

East of the workings, garnet, epidote, magnetite and minor chalcopyrite are present in a replacement zone in limestone at a granodiorite contact. A narrow wedge-shaped body of mineralization extends about 12 metres into the granodiorite.

North of Quatse Lake, bornite replaces siliceous and tuffaceous beds in the upper part of the Karmutsen Formation.

In 1929, 0.9 tonnes of ore was shipped from the property, grading 514.2 grams per tonne silver and 7.3 per cent copper (Malcolm, 1969).

A chip sample collected across 1.8 metres in 1926 assayed trace gold, 418.2 grams per tonne silver, 2.0 per cent copper, 0.8 per cent lead and 10.0 per cent zinc (Minister of Mines Annual Report 1926).

Underground development outlined possible reserves of 68,000 tonnes grading 704.2 grams per tonne silver, 6.1 per cent copper, 7.45 per cent zinc, 0.6 per cent lead and 0.34 gram per tonne gold in a 3 to 5 metre wide zone over a strike length of 100 metres (George Cross News Letter #221, 1981; Statement of Material Facts July 5, 1972 - North Island Mines Ltd., D.C. Malcolm, April 24, 1972). Later work has expanded the surface mineralized zone for a strike length of 600 metres over a 300 metre width (George Cross News Letter #221, 1981).

B-8 West Redonda

The Redonda Iron prospect is centrally located on the Elsie (L.1648) claim on the north shore of Redonda Island. The claim was originally staked in 1892 and produced 568 tonnes of ore but no other development has taken place and the prospect remains largely undeveloped (Open File 1988-28).

The geology is composed of intrusive rocks of the Jurassic to Tertiary Coast Plutonic Complex. Age dates from the southern part of west Redonda Island indicate an age of 111 to 113 million years by potassium-argon from biotite and hornblende (Geological Survey of Canada Open File 480). Locally, highly metamorphosed greenstone and limestone of unknown group, formation or age are found as roof pendants in the diorite. The strata strikes north with a dip of 65 degrees east.

Magnetite is hosted in skarn altered tuffs and limestone near the contact with diorite. The skarn mineralogy comprises primarily pyroxene and garnet with wollastonite and vesuvianite developed in limestone. The mineralogy also includes diopside, quartz, epidote, calcite, and a small amount of sphene.

The deposit is exposed in a large open cut or quarry about 15.2 metres wide from east to west, 12.2 metres high at the face and 6.1 metres north to south. The deposit exposed in the face is a massive body 15 metres high and 9 metres wide with a 3 metre margin of mixed magnetite and skarn. A grab sample from the face of the open cut assayed 60.6 per cent iron, 10.9 per cent silica and trace sulphur and phosphorous (Minister of Mines Annual Report 1919, page 216).

In part, the ore is solid magnetite, but in general the magnetite occurs in nests, granules or reticulating veins throughout the altered limestone. Irregularly distributed throughout the solid ore are a few small cavities in which the magnetite has assumed the form of small crystals.

There are three magnetite occurrences on west Redonda Island. They have almost identical geologic settings and are close enough to each other to indicate the possibility of a continuous zone (Open File 1988-28, page 68). The three occurrences are Redonda Iron (092K 039), Black Warrior (092K 040) and Homestake (092K 063).

B-9 Stoyama Mtn

The Stoyoma (Eke-Waki) Mountain area is underlain by Late Triassic and/or Early Jurassic granitic rocks assigned to the Mount Lytton Complex. This complex comprises mainly diorite and granodiorite which host local pendants of carbonate rocks of Paleozoic and Mesozoic age.

Several magnetite(-copper) skarns and "hematite showings" appear to have been located adjacent to intrusive/limestone contacts. Base metal assay values as high as 2 per cent copper and 61 per cent iron across 12.19 metres, local silver values up to 68.57 grams per tonne and very low gold values were reported from showings consisting of massive magnetite, pyrite, pyrrhotite, chalcopyrite and hematite (White, 1958-1960 - Property File). The largest magnetite skarn is described as being 3.66 metres wide by 182.88 metres long.

Silver and copper values as high as 24 grams per tonne and 1.44 per cent respectively were also obtained from a zone of pyrrhotite mineralization located over three kilometres away from the skarn showings (White, 1958-1960 - Property File).

B-10 Owl Mountain

During geological mapping in July extremely erratic compass readings were noticed, and hence a preliminary search for magnetite was started and two samples were taken for iron. On the second trip in September, 1960, two of the magnetite deposits were mapped on a scale of one inch to twenty feet (Maps 3 and 4). Assays of the magnetite samples are given in the above section on gold, they indicated that massive magnetite specimens contain about 62% to 63% iron.

Most of the magnetite is massive either as veins or irregular shaped deposits, but some magnetite occurs as blebs, stringers or impregnations within metamorphosed rocks.

The areas mapped as magnetite or mixed magnetite (central deposit Map No. 3; cliff deposit Map No. 4) will probably average well over 50% iron. Some of the other magnetite deposits in the area contain a greater percentage of barren rock, and may only assay on the average about 40% iron.

A shipping grade of about 60% iron could be readily obtained from most of the magnetite deposits noted by simply crushing to one inch diameter and passing over a magnetic drum separator.

Probably the largest magnetite deposit known in the area was not mapped. It occurs near the base of a valley to the southeast of the B.C. Survey monument.

Magnetite at the cliff deposit extends to a minimum depth of 60 feet.

Sampling indicates that the claims cover a very low grade gold deposit, although there may be local patches of medium to high grade gold ore.

Six or more deposits of magnetite occur. The two deposits mapped are of relatively small size but of good grade. The cliff deposit (Map 4), can be seen to extend to a minimum depth of 60 feet and for a minimum length of 100 feet and a minimum average width of 20 feet.

(C) Partnership with Namgis First Nation

Homegold is currently exploring the concept of forming a working partnership with the Namgis First nation. As a result of discussions with the Namgis a number of options are being considered.

As our working relationship grows, the Chief and Council may determine that a partnership with Homegold can provide a “catalyst” to their economy as they begin development of their Traditional Territory. The Namgis have had business experience in their forest industry, Orca Sand + Gravel, Fisheries, Electric power generation (to name a few) and are financially well-managed. Homegold will be working with the Namgis team that includes members of Chief and Council and the Namgis Economic Development Corporation to investigate a partnership.

(D) Operating Costs

I am of the opinion that the Steele Creek Property Zone C, the White Fang Zone, Bonanza River Property, and Alpha 5 contain at least 60,000 tonnes of high grade magnetite which could produce a >60% Fe, 10 mesh concentrate to be loaded on a ship using the Orca Shiploader.

Outlined below are rough operating costs of proceeding with the project at Steele Creek:

(A)

(1)	Permits, Notice of Work	\$10,000
(2)	Refundable Reclamation Bond	\$10,000
(2a)	Project Supervision, Layout of Work on Site	\$10,000
(3)	Mob & Demob of Excavator	\$1,500
(4)	Open Branch Road 84, 4 days @ \$1,400/day	\$5,600
(5)	Build Trail Access to Bon 20 Zone	\$4,000
(6)	Drill Mob & Demob	\$1,000
(7)	Drill & Blast Bon 20	
	Rate to be Negotiated, Say \$5/tonne, 10,000 tonnes	\$50,000
(8)	Excavator Access to White Fang	\$2,000
(9)	Drill & Blast White Fang, say \$5/tonne for 10,000 tonnes	\$50,000
(10)	Excavator Access to Area "C" (Bob17) on Steele Creek Claims	\$5,000
(11)	Drill/Blast Area C (Bob17) @ \$5/tonne for 40,000 tonnes	\$200,000
(12)	Excavator & load Trucks or Crusher at \$140/hr	\$90,000
(13)	Truck Blasted Rock to Processing Area	
	Depending on Turn Around Time but say \$2.50/tonne average	\$150,000
(14)	Crush to 8" minus, rate to be negotiated, say \$4/tonne	\$240,000
(14a)	Mob & Demob of Crusher	\$2,500
(15)	Run Through Magnetic Concentrator to produce a 10mesh 60% Fe product, 60,000 tonnes (\$6 per tonne?) (<0.5%S) (needs to be determined)	\$360,000
(16)	Moving overburden and waste may be a factor	? ?

(B)

	Rough Summary Per Tonne (60,000)	
(1)	Permits & Reclamation Bond	\$0.30
(2)	Mob & Demob of Equipment	\$0.10
(3)	Excavator Work for Access	\$0.20
(4)	Drill & Blast	\$5.00
(5)	Excavator to Load	\$1.50
(6)	Crush to 8"	\$4.00
(7)	Truck to Processing Area if required, Approx.	
	Depends on Distance travelled	\$2.50
		<hr/>
		\$13.60
(8)	Contingency for Mining Overburden and Waste (to be determined)	? ?
(9)	Process for 10 mesh >60% Fe Product	\$6.00
(10)	Truck to Ship Loading Point	\$3.00
		<hr/>
		\$22.60

(C) Load Ship – cost to be determined

(E) Product Sales

There appear to be several potential purchasers for the Project's product. Nanjing Steel has expressed interest and preliminary agreement has been reached on pricing. Details of contract and letter of credit terms are being discussed. Additionally, we have identified three other potential purchasers, although discussions with those potential purchasers are just beginning. Project management is currently focused on identifying one or more purchasers and obtaining mutually acceptable contracts with them before proceeding with capital expenditures for permitting, mine development and concentrator delivery. Price FOB dock is \$70 to \$80 per tonne of product.

(F) Project Ownership and Capital Structure

The Project will be owned by a newly incorporated entity and possibly one or more private investors, probably through a limited liability company established for the purpose of owning and developing the Project. Homegold will control and manage the project. Homegold expects that the owners will invest approximately \$1 million of equity and obtain a loan for approximately \$1 million. The majority of this \$2 million of capital will be spent on the concentrator initial operating costs, with some capital to be spent on mine development and working capital, as shown on the attached spreadsheets.

D & B Excavating could be our main contractor since we have a long standing relationship with them on another mining project. D + B Excavating is located in Port Hardy and is owned by local business family, the Howich's. D + B Excavating conducts the drilling and blasting, excavating, crushing and loading out components of our current operation on Holberg Inlet. The new management regime of putting cost cutting measures into place is now taking steps to cut costs on the operations side. In the past few months, we have worked at a cost analysis comparing Homegold's operational costs to industry costs. Having done our homework we are now in a position to negotiate a fair contract with our contractor. Forthwith, Homegold needs to be on top of the costs incurred by D + B Excavating with strict control measures in place.

In conducting our cost analysis it is quite evident that trucking is a major cost. And any ways to decrease these costs are being examined carefully. One way would be to ensure that configuration of future trucking rigs be more suitable for the type of roads the material is being hauled on. Specifically we want to ensure that the trailers are suited for hauling the size of the material over the roughness of the logging roads. One of our biggest costs is tires. Finding the best tires for roads that the trucks are traversing is ongoing. Another way to reduce our costs would be to ensure that road maintenance is kept up to an optimum level so that the condition of the roads can somewhat alleviate the wear and tear on truck tires.

(G) Conclusions and Recommendations

Economics of the Project are expected to be quite attractive, as shown on the attached spreadsheets. Given the high expected operating profit margin of approximately 30% IRR, and the low relative initial capital expenditures required, the Project expects to recoup its initial capital expenditures within a year of production start and the loan could be repaid in approximately two years.

The Loan

The loan will be equal to approximately \$2 million (the exact amount to be determined) and will be secured by a first lien on the concentrator and properties. The loan amount will be approximately 50% of the value of the collateral, as summarized below:

Component Value*

(1) Concentrator	\$500,000
(2) Operating Funds (until first shipload)	1,000,000
(3) Mine Development	<u>500,000</u>
Total	\$2,000,000

The owners will invest approximately \$1 million of equity to support the loan. The loan will carry an interest rate of 8.0% per annum and will be repaid with debt service payments of \$2.50 per ton of ore loaded into ships. The expected shipments and loan payments are shown on the cash flow tab of the attached spreadsheet, which shows that the loan will be fully repaid by loading of approximately 180,000 tons in approximately 24 months.

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APPENDIX I

CASH FLOW ANALYSIS and OPERATING COSTS

HOMEGOLD RESOURCES Ltd
Projected Income Statement
(for Magnetite Partnership Operations)

(Unaudited)
Year ended March 31, 2011

Earnings from Magnetite Sales			\$ 5,250,000
Cost of Direct Mining of Magnetite	(70,000 tonnes @ \$75.00)		<u>1,800,000</u>
Gross Earnings from Operations			3,450,000
Administration Expenses:			
Office Expense (5.0% of Gross Earnings)		\$ 172,500	
Salaries (est @\$1.50/t site supervision)		105,000	
Misc Expenses (est @\$5.30/t)		373,000	
Total Administrative Expenses		<u>\$ 650,500</u>	
Financing & Royalty Expenses:			
Interest Expense ¹ :		\$ 96,000	
Repayment Expense:	(est. loan 2.0mil at 8.0%/annum, ave over 5yr)	400,000	
Shareholders Loan Interest Expense ² :	(2.0mil loan at 20% based on 5yr operation)	60,000	
Shareholders Loan repayment:	(1.25mil loan at 8.0%/annum, ave over 5yr)	250,000	
Royalty Expense:	(1.25mil at 20% based on 5yr operation)	140,000	
Total Financing Expenses	(\$2.00t milled @70,000t/annum, ave over 5yr)	<u>\$ 946,000</u>	
Total Administrative and Financing Expenses:			
			<u>\$ 1,596,500</u>
Net Earnings (before depreciation, amortization, and taxes)			\$ 1,853,500
Net Earnings (per tonne basis @70,000/yr)			\$ 26.48

Notes^{1,2}: based on the straight line declining balance then average over the 5yr period of the loan

Operating Costs

(A)

(1)	Permits, Notice of Work	\$10,000
(2)	Refundable Reclamation Bond	\$10,000
	(2a) Project Supervision, Layout of Work on Site	\$10,000
(3)	Mob & Demob of Excavator	\$1,500
(4)	Open Branch Road 84, 4 days @ \$1,400/day	\$5,600
(5)	Build Trail Access to Bon 20 Zone	\$4,000
(6)	Drill Mob & Demob	\$1,000
(7)	Drill & Blast Bon 20	
	Rate to be Negotiated, Say \$5/tonne, 10,000 tonnes	\$50,000
(8)	Excavator Access to White Fang	\$2,000
(9)	Drill & Blast White Fang, say \$5/tonne for 10,000 tonnes	\$50,000
(10)	Excavator Access to Area "C" (Bob17) on Steele Creek Claims	\$5,000
(11)	Drill/Blast Area C (Bob17) @ \$5/tonne for 40,000 tonnes	\$200,000
(12)	Excavator & load Trucks or Crusher at \$140/hr	\$90,000
(13)	Truck Blasted Rock to Processing Area	
	Depending on Turn Around Time but say \$2.50/tonne average	\$150,000
(14)	Crush to 8" minus, rate to be negotiated, say \$4/tonne	\$240,000
	(14a) Mob & Demob of Crusher	\$2,500
(15)	Run Through Magnetic Concentrator to produce a 10mesh 60% Fe product, 60,000 tonnes (\$6 per tonne?) (<0.5%S) (needs to be determined)	\$360,000
(16)	Moving overburden and waste (estimated)	\$120,000
	(20% of 60000t @ \$9.97/t)	
	Stripping OVB @0.97/t	
	Drill & Blast waste @5.00/t	
	Load trucks @1.50/t	
	Haul waste @2.50/t	

(B)

	Rough Summary Per Tonne (60,000)	
(1)	Permits & Reclamation Bond	\$0.30
(2)	Mob & Demob of Equipment	\$0.10
(3)	Excavator Work for Access	\$0.20
(4)	Drill & Blast	\$5.00
(5)	Excavator to Load	\$1.50
(6)	Crush to 8"	\$4.00
(7)	Truck to Processing Area if required, Approx. Depends on Distance travelled	\$2.50
		<hr/>
		\$13.60
(8)	Contingency for Mining Overburden and Waste (estimated)	\$2.00
(9)	Process for 10 mesh >60% Fe Product	\$6.00
(10)	Truck to Ship Loading Point	\$3.00

(C)

	Load Ship – price is FOB at dockside (est. Stockpile @0.25/t	\$1.10
	Land rent @0.25/t	
	Ship-loader @0.60/t	

Total Operating Cost (Estimate) **\$25.70**

Price FOB dock is \$70 to \$80 per tonne of product.

HOMEGOLD RESOURCES Ltd
Projected Cash Flow
 (for Magnetite Partnership Operations)
 Year ended March 31, 2011

Cash	\$	\$5,250,000
Loan payment	\$	(\$650,000)
Net Earnings (before depreciation, amortization, and taxes)		\$350,300
Net cash flow		<u>\$4,950,300</u>

HOMEGOLD RESOURCES Ltd
Projected Income Statement
 (for Magnetite Partnership Operations)
 Year ended March 31, 2011

60000

Gross Earnings from Operations			
Earnings from Magnetite Sales (60,000 tonnes @ \$75.00)	\$	4,500,000	75
Cost of Direct Mining of Magnetite		3,451,700	
<hr/>			
Total Gross Earnings from Operations		1,048,300	
Administration Expenses:			
GM		240,000	
Mining Engineer		150,000	
QC Tech		80,000	
Admin		50,000	
Rent & Utilities		50,000	
Misc Expenses (est @ \$5,300)		318,000	5.3
<hr/>			
Total Administrative Expenses		318,000	
Financing & Royalty Expenses:			
Interest Expense ¹ : (est. loan 2.0mil at 8.0%/annum, ave over 5yr)	\$	160,000	
Shareholders Loan Interest Expense ² : (1.25mil loan at 8.0%/annum, ave over 5yr)		100,000	
Royalty Expense: (\$2.00/t milled @60,000t/annum, ave over 5yr)		120,000	2
<hr/>			
Total Financing Expenses		380,000	
Total Administrative and Financing Expenses:		698,000	
Net Earnings (before depreciation, amortization, and taxes)		350,300	
Net Earnings (per tonne basis @60,000/yr)		5.84	

Note based on the straight line declining balance then average over the 5yr period of the loan

	\$	Loan Term	Interest	Repayment
Loan Payable	2,000,000	8.0%	5	400,000
Shareholders Loan	1,250,000	8.0%	5	250,000
Royalty	2,000,000			120,000
	<u>5,250,000</u>		<u>260,000</u>	<u>770,000</u>

(A)	5/t		
Permits, Notice of Work			10,000
Refundable Reclamation Bond			10,000
(2a) Project Supervision, Layout of Work on Site			10,000
Mob & Demob of Excavator			1,500
Open Branch Road 84, 4 days @ \$1,400/day			5,600
Build Trail Access to Ben 20 Zone			4,000
Drill Mob & Demob			1,000
Drill & Blast Ben 20			
Rate to be Negotiated, say \$5/tonne, 10,000 tonnes	5.00	10,000	50,000
Excavator Access to White Fang			2,000
Drill & Blast White Fang, say \$5/tonne for 10,000 tonnes	5.00	10,000	50,000
Excavator Access to Area "C" (Bob17) on Steele Creek Claims			5,000
Drill/Blast Area C (Bob17) @ \$5/tonne for 40,000 tonnes	5.00	40,000	200,000
Excavator & load Trucks or Crusher at \$140/hr			90,000
Truck Blasted Rock to Processing Area			
Depending on Turn Around Time but say \$2.50/tonne average	2.50	60,000	150,000
Crush to 8" minus, rate to be negotiated, say \$4/tonne	4.00	60,000	240,000
(14a) Mob & Demob of Crusher	0.04	60,000	2,400
Run Through Magnetic Concentrator to produce a 10mesh 60% Fe product, 60,000 tonnes (\$6 per tonne?) (<0.5%G) (needs to be determined)	6.00	60,000	360,000
Moving overburden and waste (estimated)	2.00	60,000	120,000
(20% of 60000t @ \$9.97/t)			-
Stripping O&S	0.97	60,000	58,200
Drill & Blast waste	5.00	60,000	300,000
Load trucks	1.50	60,000	90,000
Haul waste	2.50	60,000	150,000
			<u>1,909,700</u>
(B) Rough Summary Per Tonne (60,000)			
Permits & Reclamation Bond	0.30	60,000	18,000
Mob & Demob of Equipment	0.10	60,000	6,000
Excavator Work for Access	0.20	60,000	12,000
Drill & Blast	5.00	60,000	300,000
Excavator to Load	1.50	60,000	90,000
Crush to 8"	4.00	60,000	240,000
Truck to Processing Area if required, Approx.			-
Depends on Distance travelled	2.50	60,000	150,000
	<u>13.60</u>		<u>816,000</u>
Contingency for Mining Overburden and Waste (estimated)	2.00	60,000	120,000
Process for 10 mesh >60% Fe Product	6.00	60,000	360,000
Truck to Ship Loading Point	3.00	60,000	180,000
Load Ship			
FOB at dockside (est. Stockpile)	0.25	60,000	15,000
Land rent	0.25	60,000	15,000
Ship-loader	0.60	60,000	36,000
	<u>12.10</u>		<u>726,000</u>
Total Operating Cost (Estimate)			<u>3,451,700</u>

Operating Costs		strip ratio 1:50		Annual \$		Densities		
		% Annual Tons				mm/m ³	\$/yd ³ solid	\$/yd ³ bkn
Mining		50%	70,000	0.58	0.50	5.00	1.21	2.74
ore		10%	10,000	5.83	5.00	2.70	2.27	1.48
Total Mined		100%	80,000	0.67	4.00	3.62	3.05	1.98
Mining Cost		Annual \$						
Stripping Overburden		35,000						
Drill & Blast Ore		350,000						
Drill & Blast Waste		40,000						
QC Issues		7,000						
Load Trucks		70,000						
Haul Ore		280,000						
Haul Waste		-						
Total Mining Costs		782,000						
Crushing Cost		280,000						
Mag sep		-						
Total Crushing Cost		280,000						
Grand Total		1,062,000						
Mining Overhead		\$/hr						
Field Mechanic								
Foreman								
Grader/Dozer								
Total Mining Overhead Cost								
Ship Loading		\$/ton						
Load Trucks (Hopper)		2.12						
Haul to Shiploader		0.25						
Stockpile (Stacker, tarps)		0.6						
Reclaim & Operate Shiploader		0.25						
Land Rent		0.00						
Shiploader Rent		3.22						
Total Loading Cost								
Other Costs								
Engineering, QC, Mgmt		1,000						
Royalty to Homgold		1.00						
Royalty to Namgis		1.21						
Total Other Costs		1,002						

Densities		\$/ton		\$/ton Ore		Nonmags	
mm/m ³	\$/yd ³ solid	\$/yd ³	\$/ton	\$/yd ³	\$/ton	\$/yd ³	\$/ton
5.00	1.21	5.00	5.00	0.50	35,000	0.50	35,000
2.70	2.27	4.32	350,000	5.00	350,000	5.00	350,000
3.62	3.05	0.10	7,000	1.00	7,000	1.00	7,000
		4.00	70,000	4.00	70,000	4.00	70,000
		N/A	280,000	N/A	280,000	N/A	280,000
		11		10		11.20	
		4.67		4.00		4.44	
				6.00		5	
						10.44	

\$/ton
24.82

7
1.50
0.81
2.34

Total Mine & Load Cost
Other Properties
Stripping Ratio
Royalty Increase
Haul Cost Increase
Total Other

Capital Costs

	1	2	3	4	5	6	Total
	Jan	Feb	Mar	Apr	May	Jun	
Mine							
Permitting	37,500	37,500	37,500	37,500	0	0	150,000
Mine Planning	12,500	12,500	0	0	0	0	25,000
Road	0	0	50,000	50,000	50,000	0	150,000
Log. Clear, Site Prep	0	0	12,500	12,500	0	0	25,000
Mining, crushing, hauling (contract) see page 1	0	0	0	0	0	0	0
Mag Separation Equipment delivered to site	0	0	0	25,000	25,000	0	50,000
Mine Total	50,000	50,000	100,000	125,000	75,000	0	400,000