

SUMMARY

International Metallurgical and Environmental Inc. has completed a series of metallurgical tests on both a sample of feed material from the Xing Tong gold plant and a sample from the tailings dam adjacent to the process plant.

The plant feed material consisted of an approximately 5 kilograms sample removed from the feed belt of No.2 Mill on June 13, 2005. The material being processed at the time was reported to be from Vein Q24 adit.

The Vein Q24 material was crushed and a 2kg sample removed and ground in a laboratory test mill before panning to assess the "free gold" content. No gold was observed in the panned concentrate and the sample was then recombined and subjected to a standard bench-scale flotation test (Test 1) to recover a bulk sulphide concentrate.

The flotation concentrate produced contained 99.2% of the gold in a mass recovery of 8.6%. Lead and copper recoveries were in excess of 96%.

A 2kg sample of the Vein Q24 material was ground under the same conditions and processed in a laboratory sized Knelson Concentrator (Test 2). The concentrate produced was panned, but again no visible gold was noted. The Knelson concentrate mass recovery was 4.2% containing 72.8% of the gold. Lead and copper recoveries were 49% and 10.5% respectively.

The tailings sample was obtained from 6 small test holes dug in the tailings deposit to a depth of 0.5 metres. An approximate 0.5kg sample was removed from each test hole and composited to provide a single sample for gravity testwork (Test 3) conducted by Knelson Concentrators Ltd. of Langley, British Columbia, Canada. The tailings sample was tested to investigate the use of a Knelson Concentrator to recover residual gold from the accumulated tailings deposits.

Test results reported by Knelson Concentrators, using a laboratory sized Knelson concentrator, indicated a low gold recovery of 16% in the gravity concentrate product from the tailings sample tested.

TEST PROCEDURES AND RESULTS

Vein Q24 sample – Flotation Test (T1)

The total sample submitted from Vein Q24 was crushed in a laboratory size jaw crusher and cone crusher and two x 2 kilogram samples were removed and each ground in a standard rubber-lined laboratory test rod mill for 20 minutes with a 20kg rod charge.

One sample was then carefully panned to assess the “free gold” content. The pan concentrate product consisted of a mix of sulphide minerals, however no gold “tail” was observed. The pan concentrate and tailings products were then recombined and subjected to a standard bench-scale flotation test (Test 1) to recover a bulk sulphide concentrate.

The flotation test was carried out at the natural pH of 7.8 in a Denver D12 flotation machine with standard industry reagents of PAX (potassium amyl xanthate) and MIBC (frother) at the addition rates of 150 g/t and 21 g/t respectively. Detailed flotation test results and a reagent schedule are provided in Appendix 1.

The test results gave a calculated head value of 11.9g/t gold, 0.24% copper and 0.28% lead.

The sample responded particularly well to the sulphide flotation test procedure, with gold recovery in excess of 99% and lead and copper recoveries over 96% in a combined concentrate mass of 8.6% of the feed.

Vein Q24 sample – Knelson Concentrator Test (T2)

The second sample of Vein Q24 material was processed in a laboratory Knelson Concentrator unit (Test 2). The Concentrator was operated with a water pressure of 15kPa, flowrate of 3.5 litres per minute and a speed equivalent to a 60G's

The concentrate product was collected and carefully panned to determine if there was any free gold present. As in the previous test, no gold “tail” was observed. The total concentrate sample was then submitted for assay.

The metallurgical balance and assay results are given in Appendix 2.

The test results indicate that approximately 72.8% of the gold was recovered in a gravity concentrate of 4.2% of the feed mass. Lead and copper recoveries were low at 49% and 10.5% respectively.

Tailings Sample Knelson Concentrator Test (T3)

The tailings sample was obtained from small test holes dug in the tailings deposit adjacent to Xing Tong process plant. Six holes were dug to a depth of 0.5 metres and approximately 0.5kg sample was removed from each test hole and composited to provide a single sample for gravity testwork (Test 3) The test was conducted by Knelson Concentrators Ltd. of Langley, British Columbia, Canada and results are summarized in Appendix 3.

The composite sample was assayed and gave the following results:

Gold	0.62 ppm
Copper	4817 ppm
Lead	1619 ppm
Mercury	0.45 ppm

The test results indicated a low recovery of 16% of the contained gold to the concentrate product. The difference between the head assays and Knelson tailings product assays indicate that there was no upgrading of the contained copper and lead minerals and mercury.

Appendix 1

Test 1

Vein Q24 sample – Flotation Test

International Metallurgical and Environmental Inc.

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International Metallurgical and Environmental Inc.
Test Results

Project: VVC Exploration
Date: 30-Jun-05
Test: Test 1 - Bulk sulphide flotation
Test Sample: Xing Tong - Vein Q24, June 13, 2005
Primary Grind: 20 minutes, 2kg sample

Metallurgical Balance

Sample	Weight	Assays				Distribution			
	%	Au ppm	Pb %	Cu %	S %	Au %	Pb %	Cu %	S %
Ro. Con 1	6.9	159.00	3.66	3.14	38.80	92.2	91.9	91.3	93.1
Ro. Con 2	1.2	70.40	0.95	0.82	9.04	6.9	4.0	4.0	3.7
Ro. Con 3	0.5	1.73	0.45	0.38	4.35	0.1	0.8	0.8	0.7
Tails	91.4	0.10	0.01	0.01	0.08	0.8	3.3	3.9	2.5
Calculated Head	100.0	11.90	0.28	0.24	2.88				

Cumulative Metallurgical Balance

Sample	Weight	Assays				Distribution			
	Cum.%	Au ppm	Pb %	Cu %	S %	Au %	Pb %	Cu %	S %
Ro. Con 1	6.9	159.00	3.66	3.14	38.80	92.2	91.9	91.3	93.1
Ro. Con 1+2	8.1	146.16	3.27	2.80	34.49	99.2	95.9	95.4	96.7
Ro. Con 1+2+3	8.6	138.10	3.11	2.67	32.81	99.2	96.7	96.1	97.5
Tails	91.4	0.10	0.01	0.01	0.08	0.77	3.3	3.9	2.5
Calculated Head	100.0	11.90	0.28	0.24	2.88				

Test Reagent Schedule

Stage	pH	PAX g/t	MIBC g/t	Process	
				Cond. min	Froth min
Grind				20	
1st Rougher	7.8	50	21	1	3
2nd Rougher	7.8	50		1	3
3rd Rougher	7.8	50		1	3

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Appendix 2

Test 2

Vein Q24 sample – Knelson Concentrator Test

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International Metallurgical and Environmental Inc.

Project: VVC Exploration
Date: 30-Jun-05
Test: Test 2 - Gravity Concentration using MD3 Knelson Concentrator
Test Sample: Xing Tong - Vein Q24, June 13, 2005
Primary Grind: 20 minutes, 2kg sample

Metallurgical Balance

Sample	Weight	Assays				Distribution			
	%	Au g/t	Pb %	Cu %	S %	Au %	Pb %	Cu %	S %
Knelson Conc	4.2	168.00	3.03	0.61	11.30	72.8	49.0	10.5	17.9
Knelson Tails	95.8	2.78	0.14	0.23	2.30	27.2	51.0	89.5	82.1
Calculated Head	100.0	9.80	0.26	0.25	2.68				
Assayed Head									

Knelson MD3 operation:

Speed: 60G's equivalent
Water: 3.5 litres/min at 15kPa

Appendix 3

Test 3

Tailings Sample Knelson Concentrator Test

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Project: VVC Exploration
 Date: 30-Jun-05
 Test: Test 3 - Gravity Concentration using MD3 Knelson Concentrator
 Test Sample: Xing Tong - tailings composite
 Primary Grind: nil

Metallurgical Balance

Sample	Weight		Assays				Distribution
	g	%	Au ppm	Pb ppm	Cu ppm	Hg ppm	Au %
Knelson Conc	82.5	2.5	4.59	-	-	-	16.1
Knelson Tails	3232	97.5	0.61	4089	1897	0.48	83.9
Calculated Head	3314	100.0	0.71				
Assayed Head			0.62	4817	1619	0.45	