TECHNICAL REPORT

on the

KENBRIDGE PROJECT

KENORA, ONTARIO

for

CANADIAN ARROW MINES LIMITED

August 24, 2006
Kenora, Ontario

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SUMMARY

Canadian Arrow Mines Limited recently signed an agreement with Blackstone Ventures Inc. to acquire a 100% interest in the Kenbridge Property, located in Northwestern Ontario. Under the terms of the Canadian Arrow / Blackstone agreement, Canadian Arrow will assume the terms of a Sale and Purchase Agreement signed in June 2004 between Blackstone Ventures Inc. and Falconbridge Limited. The property is located in the Atikwa Lake and Fisher Lake areas, within the Kenora Mining Division, approximately 70 kilometers east-southeast of the town of Kenora, Ontario. The Kenbridge Property consists of 74 patented claims, which covers a partially developed/explored nickel-copper deposit hosted within a gabbroic intrusive complex.

During the period between 1952 to 1957 Falconbridge carried out extensive exploration and development work on the Kenbridge Property, which included the sinking of a 622 meter deep vertical shaft, 1006 meters of horizontal development drifting and 15,240 meters of diamond drilling. Falconbridge suspended work on the project in 1958 and since that time completed minimal work on the project. In 1970, Falconbridge initiated a mineral resource study of the Kenbridge deposit which estimated 2.71 million tonnes of 1.05% nickel and 0.54% copper, to a depth of 610 meters, and an additional 595,000 tonnes of 1.55% nickel and 0.90% Cu below the 610 meter level, for a total resource of 3.31 million tonnes of 1.14% Ni and 0.60% copper (Archibald, 1970). The resource estimate prepared by Falconbridge is historical, and as such does not conform to the requirements of National Instrument 43-101.

In 2005 Blackstone Ventures Inc. completed an agreement to purchase a 97.3% interest in Kenbridge Nickel Mines Limited from Falconbridge Limited. The main asset of Kenbridge Nickel Mines is a 100% interest in 24 claims that host the Kenbridge Deposit. In addition to the claims owned by Kenbridge Nickel Mines, Blackstone also purchased from Falconbridge Limited 50 patented claims peripheral to the Kenbridge Deposit. Blackstone has since carried out three other purchase agreements resulting in a 99.1% ownership of the Kenbridge Property.

In 2005, Blackstone completed a 26 km UTEM3 geophysical survey over the Kenbridge Deposit and the area extending 3 km to the north. The survey detected the Kenbridge deposit as a moderate to weak response along a single line, and a number of additional anomalies. In March and April 2005, Blackstone carried out a two phase diamond drilling program. The 2,013 metre, 9 drill-hole program consisted of three fences of holes on 50 metre spaced sections, with the intent to obtain information on the geometry of the mineralization, cobalt and PGM contents of the mineralization, and to collect material for metallurgical testing. In November and December of 2005 Blackstone completed a second drill program of 12 holes totaling 2,016m on 30 metre spaced sections in order to better define the morphology of the mineralized zones within the deposit.

Results of the Blackstone drill program indicate complex shapes to the mineralization and rapid changes in grade and thickness along strike. Blackstone drill results are for the most

part comparable with the data from the Falconbridge drill sections and mine level plans. Assay data from the Blackstone drill core indicates low but potentially payable quantities of cobalt, gold and platinum, in addition to the principal commodities of nickel and copper.

Blackstone initiated metallurgical test-work on representative mineralized material from the quartered drill core. Preliminary test-work indicates recoveries of 77% Cu at a concentrate grade of 27.5% Cu; and recoveries of 74% Ni at a concentrate grade of 11%. Alternatively a bulk concentrate could be produced with copper and nickel recoveries of 95% and 77%, respectively with concentrate grades of 5.7% and 9.5%, respectively. Pre-concentration techniques using magnetic drums and electromagnetic sorters were also investigated with electromagnetic sorting showing promise.

The Kenbridge property is underlain by mafic volcanic rocks intruded by late plutons of both granodiorite and gabbroic composition. Strong northeast trending shear zones have controlled the emplacement of many of the intrusive bodies. The Kenbridge gabbroic complex that hosts the nickel-copper mineralization is bounded on both sides by talc-chlorite bearing shear zones. Mineralization in the Kenbridge deposit is hosted by a lenticular gabbroic intrusive complex at least 610 meters in length intruding a sequence of mafic volcanic rocks. Mineralization is concentrated in brecciated norite and amphibolite phases of the gabbroic intrusion and consists of massive and disseminated to stringer pyrrhotite, pentlandite, chalcopyrite and pyrite. There are up to three parallel mineralized zones within the gabbro complex with widths ranging from 2.6 meters to 17.1 meters and from 39.6 meters to 213 meters in length (Fraser, 2000).

Canadian Arrow has reviewed the data made available by Blackstone Ventures. The historical Falconbridge database has been well maintained, and includes geological level plans, mine sections, assay data, resource estimate material, and drill location plans. Canadian Arrow has examined the Blackstone drill core, drill logs, maps, geophysical survey results, and results of the metallurgical test-work. In June of 2006 the author of this report completed a site visit to the Kenbridge Property. The author collected samples from the deposit area, collected core samples from the Blackstone drilling, and completed a number of geological traverses of the area geology.

The Kenbridge Property hosts a well defined series of nickel copper sulphide lenses. Owing to the nature of the deposit types, current observations from the database, and an examination of the surface geology, an exploration program consisting of linecutting, geophysical surveys, and diamond drilling is recommended for the Kenbridge Property. A two phase exploration program consisting of Phase I – deposit modeling, line cutting, mapping and surface geophysics programs followed by a Phase II 10,000 metre diamond drill program totaling **$2,575,000** is proposed. Additional work on the Kenbridge Property would be contingent upon the results of the first two phases of work.

INTRODUCTION AND TERMS OF REFERENCE

In June, 2006 Canadian Arrow entered into an agreement with Blackstone Ventures Inc. to purchase the Kenbridge property located 70 kilometers southeast of Kenora, in northwestern Ontario (**Figure 1**).

Figure 1: **General Location Map**

Background work involved in the preparation of the Technical Report included a review of past geological surveys, geophysical surveys, exploration activities by previous operators, and a thorough review of work completed by Blackstone Ventures during the 2005 exploration program. The Technical Report was prepared by Todd Keast, P.Geo., of Todd Keast Geological Services, South Porcupine, Ontario and verified by Kevin F. O'Flaherty, P. Eng., of Kenora, Ontario. Todd Keast completed a two day property visit during June 2006, which involved a data review, examination of drill core, field visits to surface showings and drill set-ups. Kevin

O'Flaherty and Todd Keast conducted a two day property visit on August 18th and 19th, 2006 to examine drill core, trenches, surface mineralization, drill setups and remaining infrastructure. Kevin O'Flaherty also reviewed Falconbridge Mines Ltd. plans and vertical sections of the underground workings.

The Kenbridge deposit was explored from 1936 through to 1958 and included work ranging from reconnaissance geological mapping and geophysical surveying to diamond drilling and underground development. Previous geophysical surveys (magnetic and electromagnetic) had not been successful at discovering additional deposits but most of the surveys and instrumentation are now more than 50 years old. A total of 43,440 meters of core drilling was completed within the project area, primarily focused on the Kenbridge deposit, by three different companies (Lee, 1988). The deposit contains an "historical" resource estimate of 3.3 million tonnes grading 1.14% nickel and 0.6% copper as estimated by Falconbridge (1971).

Blackstone Ventures completed an exploration program on the property in 2005. The 2005 exploration program consisted of a 26 line km UTEM3 geophysical survey, a two phase 4,120 m diamond drilling program and mineralogical and metallurgical testing. The purpose of the geophysical survey was to determine if the UTEM method was appropriate to the mineralization type and if it could be used to find additional mineralization along strike and likely below many of the numerous lakes in the area.

The 2005 diamond drill program consisted of 4,120 m of NQ2 core drilling. The drilling program aided in verifying the Ni and Cu grades of the historical drilling and assisted in the interpretation of the geometry of the mineralization. Higher than expected grades of nickel and copper mineralization in several holes suggested a potential for metal zoning within the overall historical resource, however the drill spacing from the 2005 program was not adequate to complete a 43-101 resource estimate on either the shallower open pit or underground material. Metallurgical test work indicates positive nickel and copper recoveries of the ores, and although this work is preliminary, provides early confirmation of a viable concentrate prior to Canadian Arrow committing to an exploration program on the project.

This report draws on a summary report prepared for Blackstone in 2004 (Nagerl & Butterworth, 2004) and a technical report prepared by Blackstone in 2006 (Holbek and Weiss) and contains results of all surveys performed to date.

RELIANCE ON OTHER EXPERTS

Todd Keast P.Geo., of Todd Keast Geological Srvices, South Porcupine, Ontario, wrote the report for Canadian Arrow Mines Limited concerning that company's acquisition of the Kenbridge property at Populus Lake, Kenora District, from Blackstone Ventures Inc. During the data review and preparation of the report, Todd Keast was elected to the Board of Directors of Canadian Arrow Mines Limited. As such, Todd Keast is no longer considered as independent for the purposes of this report. Kevin O'Flaherty was commissioned to review the Technical Report, examine diamond drill core stored both at

the Maybrun Mine site and the Kenbridge mine site, to examine trenches, surface mineralization, drill setups and remaining infrastructure. Mr. O'Flaherty reviewed the technical materials pertaining to the Kenbridge Deposit.

PROPERTY DESCRIPTION AND LOCATION

The Kenbridge property is located in the north-central part of the Atikwa Lake area and the south-central part of the Fisher Lake area, Kenora Mining Division approximately 70 kilometers east-south east of the town of Kenora, Ontario (**Figure 2**). The property is situated between the southwest bay of Populous Lake, Betula Lake and Empire Lake. The center of the Kenbridge property is situated at 93°38' W Longitude and 49°29' N Latitude.

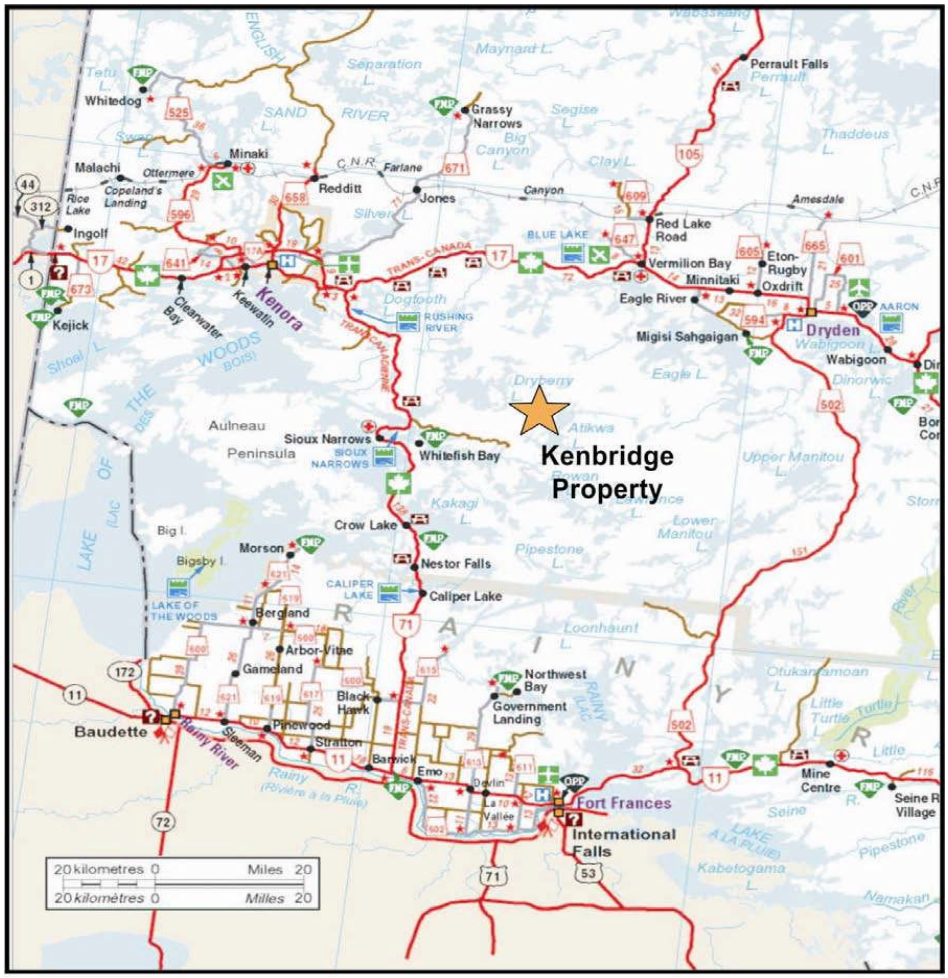

Figure 2: **Property Location Map**

Source :
www.geography.about.com/library/maps/blcanada.html

The Kenbridge property consists of 24 patented mining claims held by Kenbridge Nickel Mines Limited (KNM) and 50 patented mining claims held by Blackstone Ventures Inc. (**APPENDIX I),** the claims are shown in **Figure 3**. All claims are contiguous. Annual mining taxes for the claims total approximately $1,780.00. Kenbridge Nickel Mines Limited was a private company with Falconbridge Limited holding 97.3%. Blackstone has since completed three additional purchases to increase its ownership of KNM to 99.1%. The remaining 0.9% is held by persons deceased or unknown.

Under the terms of the agreement to acquire Blackstone's interest in Kenbridge Nickel Mines Limited ("KNB"), and the 50 wholly owned, patented mining claims in the area, Canadian Arrow will issue 2,500,000 units in its capital stock to Blackstone. Each unit consists of a common share and a one year common share purchase warrant in which each warrant entitles Blackstone to purchase one further common share with each warrant having an exercise price equal to 125% of the trading price of the common shares of Arrow on the day prior to the issuance. In addition, Canadian Arrow has agreed to spend $9 million in exploration and development of the property by December 31, 2010 and make a one time payment to Blackstone of $1,000,000 by 2012. Canadian Arrow also assumes the terms of the underlying Sale and Purchase Agreement between Blackstone and Falconbridge, signed in June 2004. In that agreement, should Blackstone expend less than $5 million or less than $3 million on the property by December 31, 2010, then Falconbridge will be granted a right to a 51% or 75% interest in the property, respectively. Falconbridge will retain a one-time back-in right to acquire a 51% interest in any new deposits found on the property, outside of the known historical resource area, where tonnage exceeds 10 million tonnes and metal grades indicate economic viability at the time of the assessment. In order to exercise the back-in, Falconbridge is required to expend two times the amount that Blackstone expended on the new discovery within a two-year period. Falconbridge may elect to increase their interest to 70% by completing a bankable feasibility study. Falconbridge shall be entitled to receive concentrates from the property at commercial purchase rates and shall be entitled to a net smelter royalty in any deposit in which it is not an active participant. The net smelter royalty payable shall be: 1% if nickel is below $4.00 per pound; 1.5% for nickel between $4.00 and $4.50; 2% from $4.50 to $5.00; and 2.5% if nickel is over $5.00.

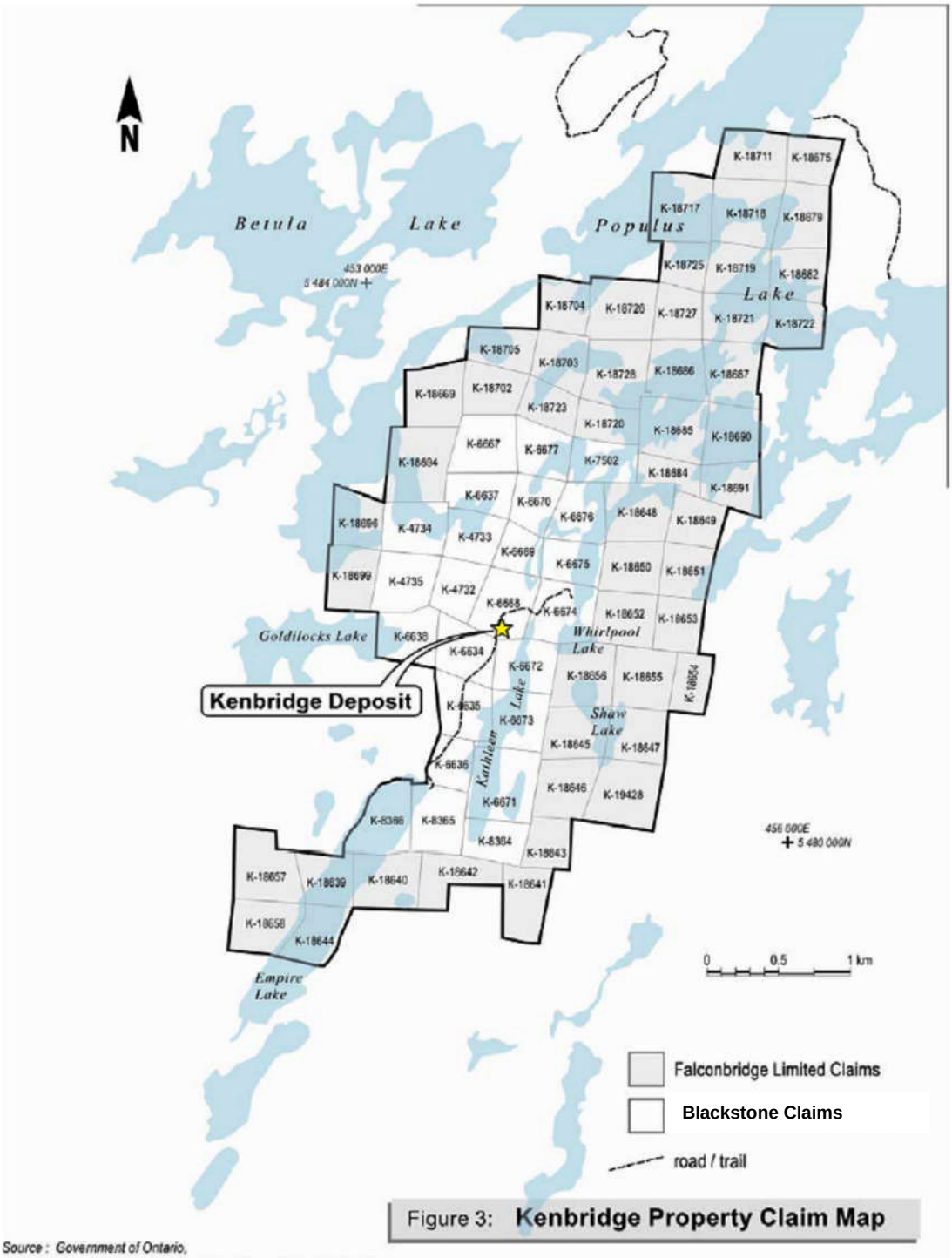

Figure 3: **Kenbridge Property Claim Map**

Source : Government of Ontario,
Ministry of Northern Development and Mines website (2004)

ACCESSIBILITY, CLIMATE, LOCAL RESOURCES, INFRASTRUCUTRE AND PHYSIOGRAPHY

Access to the property is best achieved by float or ski equipped aircraft from either Kenora or Nestor Falls, Ontario. A good, well-maintained logging road connects the former producing Maybrun mine, located 7 kilometers to the south of Kenbridge, with Highway 71. Logging roads from Vermillion Bay and Dryden, to the northeast (**Figure 2**) are becoming progressively closer to the property and may provide suitable points of helicopter access to property in the future.

Topography in the area is generally quite gentle with elevations ranging from 360 to 430 meters above sea level. The area is covered by a mixed forest of mostly spruce, poplar and birch, with cedar swamps and related vegetation in low-lying wet areas and along the numerous lakes, rivers and ponds. The project area is in a temperate zone with an annual precipitation exceeding 100 millimeters. Temperatures range between -40°C in the winter to +30°C in the summer. Ground-based exploration can be carried out between June and October, although in lake covered or swampy areas exploration activities such as geophysical surveys and diamond drilling are best carried out after winter freeze-up. Access for heavy equipment such as drills is best obtained in winter. Historically, a winter road connected the Kenbridge deposit with the Maybrun Mine road, and traces of this road can still be found on the property.

PROPERTY HISTORY (*modified from the 2004 Technical Report by P. Nagerl)*

The exploration history of the Kenbridge deposit spans the period from 1936 to 1958 and ranges from reconnaissance geological mapping to underground development. Core drilling totaling 43,440 meters was completed within the project area, primarily focused on the Kenbridge deposit between 1937 and 1957 by three different companies (Lee, 1988). A summary of the drilling campaigns follows below. A brief re-evaluation of the data and regional potential took place during 1980's including the release of an Ontario Geological Survey (OGS) sponsored GEOTEM survey (OGS, 1987).

The exploration history of the Kenbridge deposit is summarized as follows:

<u>1936: F. McCallum</u>
F. McCallum staked the gossan zone west of Kathleen Lake. A flurry of exploration followed resulting in the discovery of numerous other mafic-ultramafic intrusions some of which contain nickel sulphide mineralization.

<u>1937: Coniagas Mines Limited</u>
Coniagas optioned the property in 1937 and completed trenching and drilling of 35 surface holes in the same year. Twenty-three holes were drilled over the original showing along a 274 meter strike length, 7 holes were drilled over the northern drift covered

extension and 4 holes were drilled elsewhere on the prospect. The location of the 35th hole is unknown. Significant mineralization was intersected in 13 holes (numbers 1-3, 5, 6, 9, 11, 13-15, and 33-35) and define a number of parallel nickel-rich zones (Kenora Nickel Mines, 1937). A deep drilling program was recommended but never implemented. Coniagas incorporated a company Kenora Nickel Mines Limited that then controlled the property until 1948, when International Nickel Company of Canada (INCO) secured an option on the property.

1948: INCO

INCO optioned the property in 1948, staked an additional 34 surrounding claims, completed surface magnetic surveys and 3,658 meters of diamond drilling designed to intersect the mineralized zones at depths of 152 meters and 305 meters. Subsequently, INCO discontinued the option.

1952: Falconbridge

Falconbridge optioned the property in 1952 and staked an additional 90 claims. An extensive work program was carried out including geological and magnetic surveys, and drilling. Kenbridge Nickel Mines Ltd. was formed in 1955 and coincides with the initiation of underground development including a 2042 ft (622m) shaft with stations at150 ft intervals and two levels developed at 350 ft and 500 ft. Underground development ended in 1957 and the emphasis shifted to regional work. The Falconbridge campaign ended in 1958. A brief gold exploration program was implemented in 1984 utilizing grid mapping and soil geochemistry but did not yield encouraging results. Reconnaissance mapping and prospecting following the 1987 OGS sponsored GEOTEM survey was completed in 1988 again without encouraging results. In the late 1980's, Falconbridge contracted Lakefield Research to tear down the head frame and cap and fence the shaft collar. A basic environmental clean up was also completed and no significant hazards were reported.

Two estimates of the mineral resource at the Kenbridge deposit were completed by Falconbridge Limited (D. Kerby and J. Blowes, 1957 and G.M. Archibald, 1970). In addition, Archibald completed a selective mining and a bulk mining ore reserve calculation using underground drill-hole information (Table 1.1). Horizontal diamond drill holes were used to determine the ore zone areas between the 200 and 2000 levels. The total areas and average grades for nickel and copper were projected halfway to the adjacent levels 75 feet above and below. Mineralized zones from the 650 level to the overlying 200 level were based upon 50 foot centered fan drilling from the 500 and 350 levels. Estimates for the 650 level to the underlying 2000 level were based on fewer (3 to 7) holes drilled from the shaft at each level. The 200 level ore zones were joined on 50 foot sections and projected up to this level. Assays from upward inclined holes drilled from the 350 level were used for grade calculation. Below the 2000 level diamond drill holes from two sections were used to calculate reserves. A minimum 6 foot mining width and 0.50% nickel cut off grade was utilized and all ore shoots were assumed as continuous between levels. The 0.50% nickel cutoff was waved over a few intersections in some instances to preserve continuity for reserves and mining purposes. Ore zones

occur within the mafic (norite) breccia. Dilution of up to 20% was incorporated due to the presence of wide spread shearing and fracturing.

Table 1 - Summary of Mineral Resources – G.M. Archibald

		Selective Mining			Bulk Mining		
Class	Interval	Ni%	Cu%	Tons	Ni%	Cu%	Tons
Measured Mineral Resource	275 to 575	1.04	0.52	794,226	0.46	0.25	2,267,619
Indicated Mineral Resource	Surface to 275 and 575 to 2000	1.05	0.55	2,187,507	0.55	0.34	5,345,692
Inferred Mineral Resource	Below 2000	1.55		654,741			

[1] Undiluted. Using 20% dilution with 0.10% Ni and 0.10% Cu grade total reserves become 3,578,079 t grading 0.89% Ni and 0.47% Cu for above 2000 level component.

Measured Mineral Resource (classified as "Developed Ore" by Archibald) represents the volume most densely drilled from the 350 and 500 levels. Ore zones here were projected 75 feet above the 350 level to 275, and 75 below the 500 level to 575. Indicated ore is represented with lesser drilling; from surface to the 275 level, by upward inclined holes from the 350 level and from 575 to 2000 by fans drilled at stations every 150 feet down the shaft. Probable ore below 2000 level is based upon few holes drilled on two sections. The deepest mineralized intersection is found at the 2700 ft level in drill hole 2011 with grades of 4.25% nickel and 1.38% copper over 10.7 ft and indicates that the deposit is open at depth.

The resource estimates prepared by Falconbridge are historical, and as such do not conform to the requirements of National Instrument 43-101. Although Canadian Arrow considers the resource estimates to be relevant, they have not been verified by a Qualified Person for Canadian Arrow, as required by National Instrument 43-101, and should not be relied upon. Additional supporting data is required to complete a revised classification and resource estimate conforming to NI 43-101.

Bulk samples collected from 350 level crosscuts yielded pilot mill results of 87% nickel recovery and 94.5% copper recovery with concentrate grades of 14.10% nickel, 8.27% copper and 34.4% Sulphur (Falconbridge Metallurgical Research Laboratory Report, 1956). It is important to note that these results were obtained from samples with little or no talc-chlorite schist which is present in certain areas of the deposit. Test samples from lower sections of the deposit containing this schist produced lower recoveries and concentrate grades. To compensate for high talc chlorite schist content a subsequent metallurgical study recommended a lower concentrate grade of 11.48% nickel, 6.16% copper, 0.36% cobalt, 32.0% iron, and 28.6% sulphur (P.B. McCrodan, 1957).

The available data indicates that no significant nickel sulphide exploration work has taken place at the Kenbridge nickel sulphide deposit since 1957 and highlights the lack of applied modern exploration methodology for the area.

<u>2005: Blackstone</u>

The 2005 exploration program consisted of a 26 line km UTEM3 geophysical survey, a two phase 4,120 m diamond drilling program and mineralogical and metallurgical testing. The program began in the spring when ice conditions allowed geophysical surveying across lakes but also when days were long enough to allow a sufficient amount of work to be carried out. Following the geophysical survey the first phase of diamond drilling was initiated. Some of the drill-holes in this program were collared in the swamp to the west of the deposit area and required frozen conditions. Phase 1 of the drill program was carried out in March and April and Phase 2 of the drilling program took place from November to December, 2005.

The mineralogical and metallurgical studies were initiated following collection of suitable drill core from the phase 1 drilling. Additional core was collected during the phase 2 drill program and is stored in nitrogen filled bags and frozen at Lakefield Research's warehouse facilities.

The main objectives of the 2005 Blackstone exploration program were to determine if any other large near surface, geophysical conductors were located on the northern portion of the property and to obtain information on the geometry of the known mineralization and confirm the historical grades reported from previous drilling. Additionally the drilling program was designed to test for the potential for high grade nickel mineralization in the central part of the deposit above 200 meters vertical depth which might be accessible for mining via an open pit or ramp

GEOLOGICAL SETTING

The regional setting surrounding the Kenbridge deposit is a Precambrian metavolcanic sequence with coeval ultramafic-mafic intrusions and post deformation intermediate-felsic intrusions (**Figure 4**).

The Kenbridge deposit, and it's host rock sequence, lie between two granitic bodies, the Flora Lake pluton to the west, and the Atikwa batholith to the east. The intervening rocks are mainly composed of a sequence of intermediate to mafic volcanic rocks intruded by gabbro and numerous dykes that coincide with a prominent northeast-trending deformation zone. The exposure of the Flora Lake pluton is roughly elliptical with a length of 5.6 km and a width of 3.2 km. The pluton is zoned from an outer rim of monzodiroite to monzonite to a core of granite (Davies, 1973) with a strong positive magnetic signature associated with the outer part. The Atikwa batholith covers an area of 2,000 square kilometres and is composed of inner and outer zones. The inner zone consists of weakly foliated quartz diorite and trondhjemite while the outer zone is a heterogeneous diorite with abundant inclusions and xenoliths of basalt and gabbro. Heimlich (1971) describes the compositional changes near the outer contact of the batholith as an increase in Fe, Mg, and Ca with a decrease in silica, which he ascribes to interaction of the magma with 'greenstone' wall rocks. The proximity of the granitic intrusions has resulted in varying degrees of hydrothermal and contact metamorphic alteration and recrystallization of the rocks.

The Kenbridge nickel deposit is hosted by an oval shaped gabbroic suite and has a distinct “breccia pipe” appearance. Interpretation of outcrop lithological information is slightly complicated by deformation and metamorphism (regionally up to upper greenschist facies and with overprints of local contact metamorphism), and selective exposure within the project area. The following general rock descriptions have been modified from previous detailed outcrop mapping and reports (circa 1950’s).

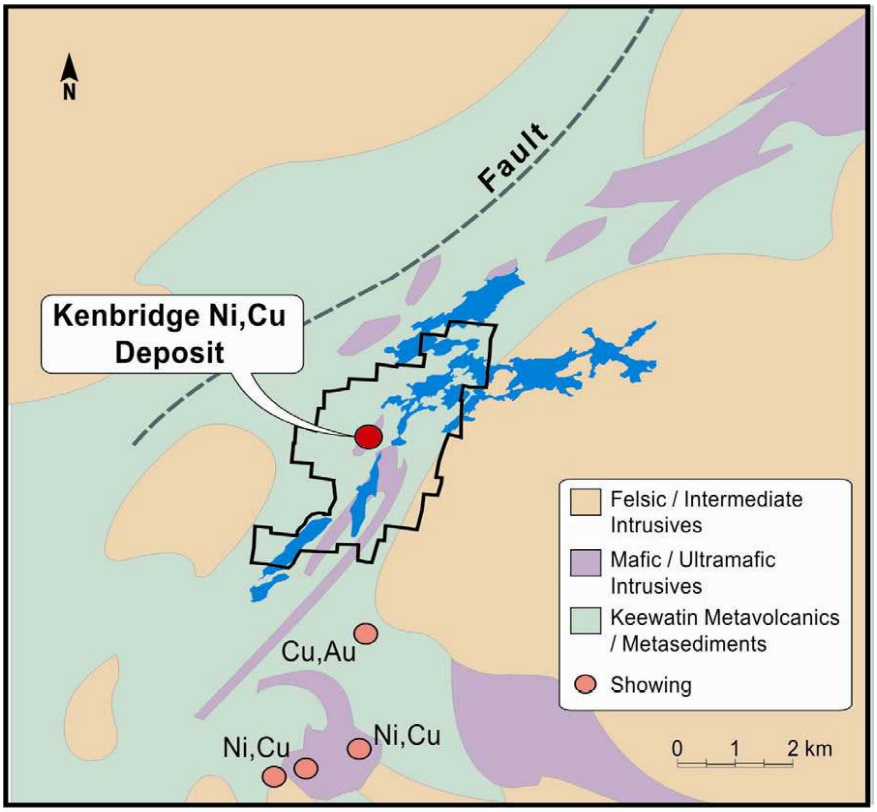

Figure 4: **Regional Geology Map**

Source : after J.E. Lee, 1988

Extrusive and intrusive rock can be found on the property with nickel sulphide mineralization. Rock types and their relationships with each other are complicated by wide-spread shearing, faulting and metamorphism. Understanding of the geological relationships is also aggravated by poor outcrop exposure.

Lithology

Volcanic Rocks

Mafic volcanic rocks or "greenstones" are described as the oldest rocks of the project area. The volcanic rocks are predominantly andesitic to basaltic in composition and include both flow units and pyroclastic units. A variety of textures and compositions were noted in the Falconbridge outcrop mapping and notes (circa 1950's) but metamorphism and alteration combined with the lack of observed contacts resulted in poor definition of this group of rocks. A difficulty in distinguishing basalt from gabbro has been noted in some of the field reports. The volcanic sequence is intruded by gabbro, granite and quartz diorite and by the mafic-ultramafic breccias of the Kenbridge deposit. Volcanic inclusions within the gabbro and granite have been observed.

Mafic and Ultramafic Intrusive

Seven gabbroic groups were distinguished including the Kenbridge "ore zone" mafic body. The occurrence of gabbroic rocks within younger granitic intrusions suggests a younger age for at least one group but may also represent rafts within the granitic body. The gabbros range from fine-grained (probable chilled) to medium-grained with a massive texture to highly sheared and schistose near the granitic pluton contacts and fault zones. Pyroxenite phases and peridotite to pyroxenite bands occur locally. Massive magnetite bands have been reported in the more mafic parts. Initial faulting is described as contemporaneous and post to the gabbro intrusions. This is consistent with the Kenbridge ore-hosting breccia and shear contacts to this body.

Diorite bodies occurring within the project area have been interpreted as a marginal phase of the gabbroic suite.

Felsic Intrusive

Felsic dykes are presented as the youngest rocks of the project area intruding the granites, volcanic rocks, and the gabbroic suites. There are a variety of dyke compositions and textures but these likely represent just two magmatic events. A majority of the dykes are feldspar phyric and range from feldspar megacrystic porphyry (feldspar phenocrysts up to 2 cm) to very fine-grained, almost aphantic. These dykes have a pale grey groundmass. The other dykes are more equigranular diorite to monzodiorites. Fine-grained mafic dykes (lampophyre ?) have also been observed in some of the drill core.

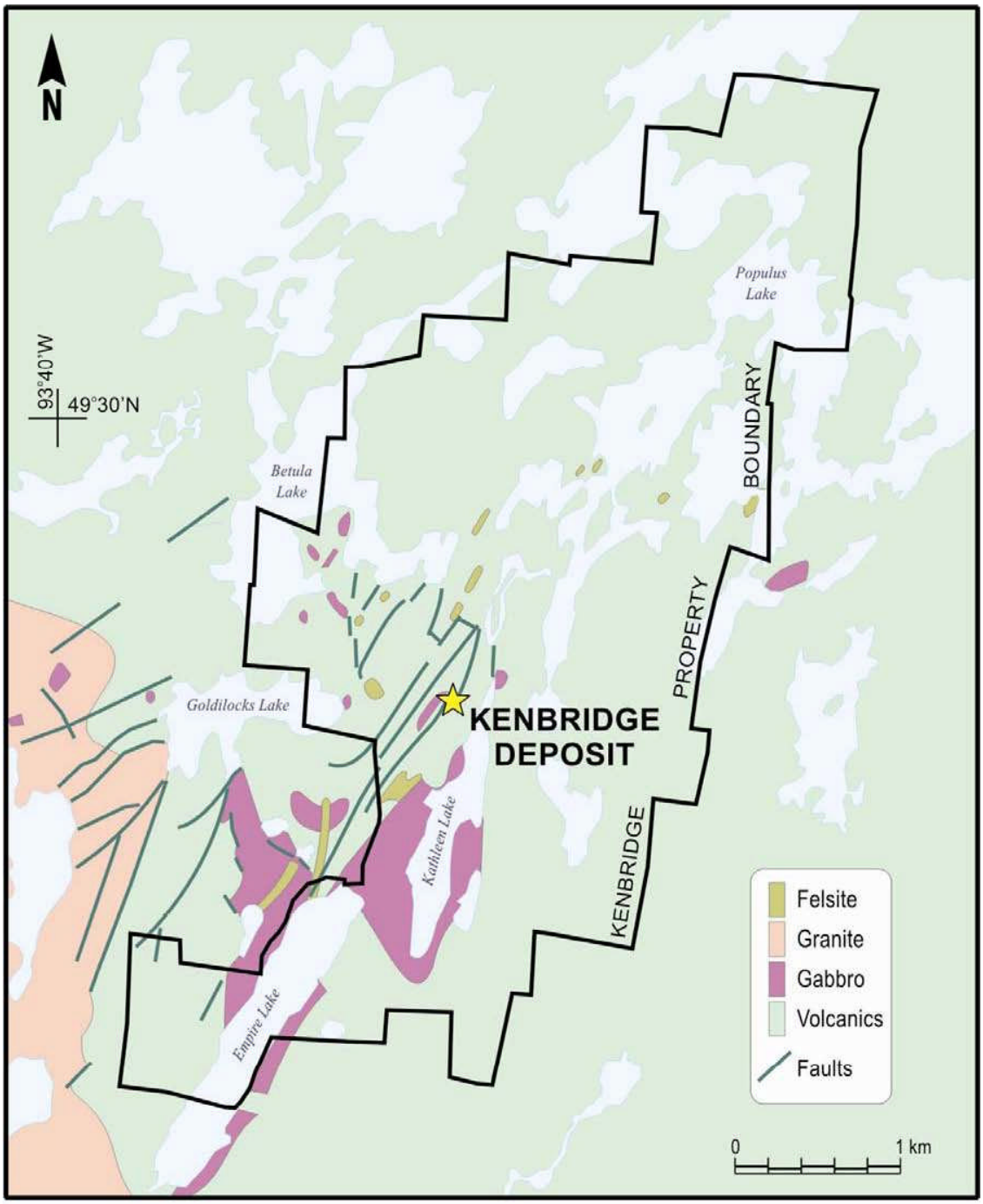

Figure 5: **Kenbridge Property Geology**

Source : after G.S. Barker, 1961

Three principal lineament trends are mapped and reflect both syn- and post- gabbro intrusive events. Northeast-trending lineaments are the most prominent in the Kenbridge

area and are reflected in the shearing and faulting of the rocks. The Kenbridge Deposit coincides with the main northeast-trending deformation zone. North-, east-, and northwest-trending lineaments are also common in the region. The east-trending lineaments appear to control the larger mafic-ultramafic bodies at Denmark and Overflow Lakes, located south of the Kenbridge Deposit.

Metavolcanic rocks of the area have been regionally metamorphosed to the almandine-amphibolite facies and locally retrograded to the greenschist facies co-incident with intense shearing and faulting.

DEPOSIT GEOLOGY

Economic concentrations of nickel are associated with magmatic sulphide accumulations and weathered products of mafic-ultramafic rocks as laterite nickel ores. Economic sulphide nickel deposits span a broad age range from the Archean to Phanerozoic (2.7 Ga to 0.25 Ga). The largest discovered deposits to-date are the Noril'sk and Sudbury ore concentrations. Current popular theory for the formation of nickel sulphide deposits invokes partial melting of the upper mantle, magma fractionation, magma mixing, and contamination by country rock to form a separate sulphide melt from a mafic magma. Tectonic setting and structure are also used as a common theme, however all large nickel sulphide deposits also have unique characteristics that set them apart. The Kenbridge nickel sulphide deposit is a magmatic sulphide accumulation with tectonic, structural, and geological similarities to established larger deposits.

Established nickel sulphide deposits show similarities in geological setting while maintaining individual distinct and unique characteristics. The main components include nickel-copper association, proximity to a major structure(s), mafic-ultramafic association and host rock, and the presence of a possible breccia feeder system. The Kenbridge deposit is hosted in mafic intrusive rock associated with a regional structure in close proximity to other larger mafic-ultramafic intrusions suggestive of a major intrusive event for the area. The brecciated nature of the Kenbridge lithologies and associated nickel sulphide could be indicative of a feeder breccia. The Kenbridge deposit cannot be rigidly compared with a single larger nickel sulphide deposit, but it contains many of the characteristics that include an association with a major structural lineament, a spatial association with large mafic-ultramafic intrusives both to the southern and northern extent, nickel and copper-rich sulphide hosted in a breccia pipe (possible feeder system), and high nickel tenor of the sulphide. The use of a single rigid exploration model for nickel sulphide deposits may not lead to a successful new discovery.

Several components of larger nickel sulphide deposits are recognized at Kenbridge, however similarities are insufficient to be uniquely correlated with any single major nickel deposit. The rifted tectonic setting, proximity to a major regional structure, breccia pipe, indications of multiple intrusive phases, and abundance of smaller mafic-ultramafic intrusions and nickel sulphide showings provide comparisons with larger nickel sulphide deposits. The deposit appears as one of several known (and perhaps additional undiscovered) multiple intrusive breccia pipes that may represent the conduits of a larger

common system associated with the regional structure. Sulphides appear to be of the high nickel tenor variety, with Ni/Cu approximating a 2:1 ratio overall. There is potential to discover additional similar deposits along strike and/or at depth along the structural corridor which hosts the deposit.

The Kenbridge deposit (**Figure 6**) occurs within a vertically dipping, lenticular gabbro and gabbro breccia with surface dimensions of 250 m by 60 m. The deposit and host rocks are situated within a regional northeast-trending deformation zone. The mafic intrusive body is hosted by a vertically dipping volcanic sequence comprised of andesitic flows, fragmental units and epivolcaniclastic sediments. A few hundred metres to the south of the deposit the host volcanic sequence even contains a thin rhyolite horizon.

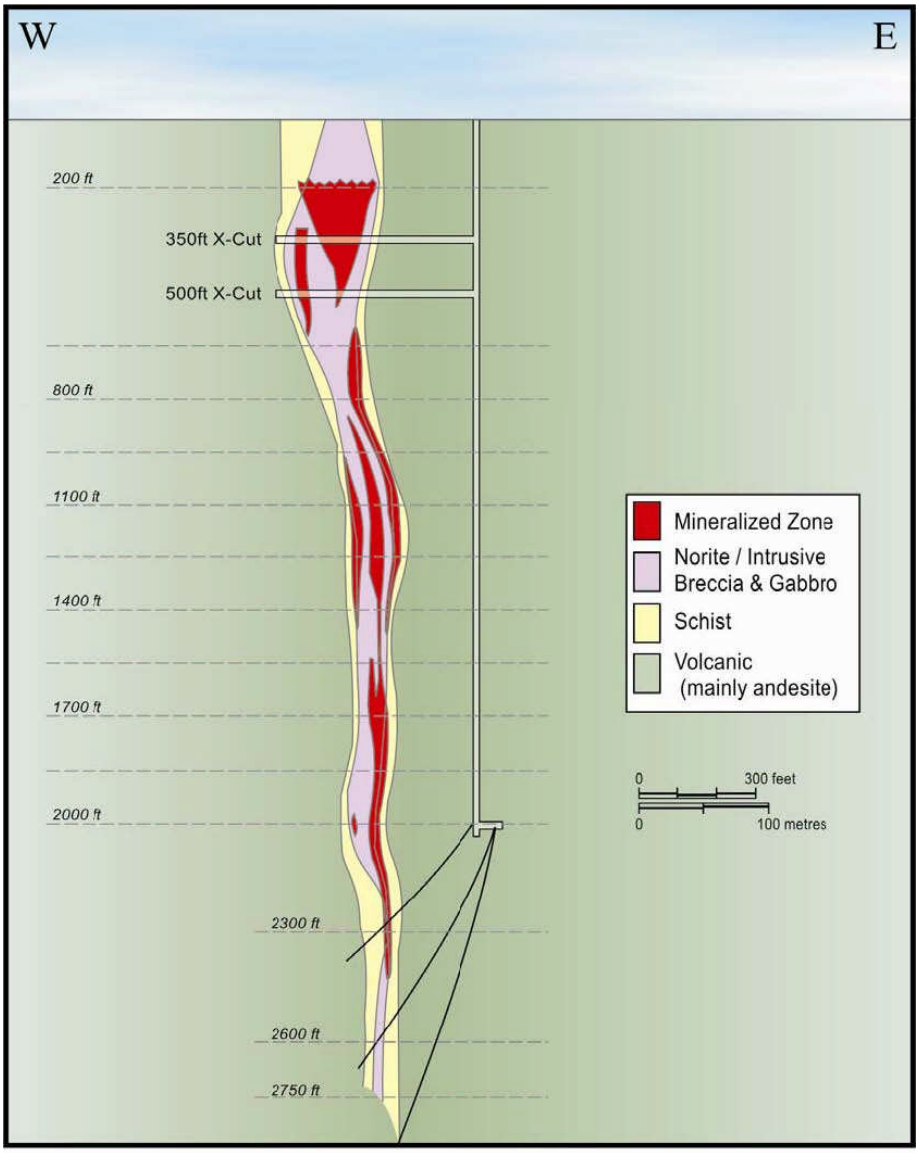

Figure 6: **Kenbridge Shaft Cross Section**

Source : after Archibald, 1970

The host volcanic rocks on the western side of the deposit are mostly composed of medium green, strongly foliated and sheared, tuffaceous units with fragments defined by a lensoid banding of matrix carbonate. Very fine-grained massive green rock, possibly a flow or well-indurated tuff, is given the field name of greenstone and occurs throughout the volcanic sequence. Volcanic rocks on the eastern side of the deposit are characterized by larger fragments and less foliation. Most of the fragments are fine-grained greenstone with just subtle changes in shades of green (chlorite content) and interstitial carbonate that allows them to be recognized. This unit was logged as a volcanic breccia. Contacts between the mineralized gabbro and the enveloping volcanic rocks are marked by a variable thickness of talc schist (1-30 m). The talc may or may not be mineralized.

The geology of the mineralized gabbro is complex and is composed of numerous rock types and sub-types including fine to coarse grained gabbro, quartz-phyric gabbro with 2-3% rounded blue quartz grains, and diorite. In the historical literature, terms such as anorthositic gabbro and norite were used but these names were not used during core logging. Some of the diorite may be later dykes. It is difficult to determine whether the gabbro is an intrusive mega-breccia with numerous xenoliths of aphanitc to coarse grained feldspar porphyry, diorite and fine grained volcanic rock, or whether its just a complexly folded gabbroic sheet with screens of country rock that has been intruded by multiple phases of dykes.

Underground development of the Kenbridge Deposit extends from surface to a depth of 2,042 ft (622m) in a 3 compartment shaft, with 800 ft (244m) of drifts and 550 ft (168m) of crosscuts at the 350 and 500 levels. The minimum drill spacing is at 50 ft on all levels. The deepest hole extends to the 2,750 ft depth and intersected mineralization grading 4.25% nickel and 1.38% copper over 10.7 ft, indicating that the deposit remains open at depth. Historical surface drilling was completed at 100 ft spacing. Much of the early drilling (by Inco) and the underground drilling was completed with 'AQ' sized core. The vertical drill holes (over 100 holes) by Falconbridge (circa 1953) were BQ sized core. Unfortunately, down-hole surveys for the historical holes were only by acid-etch techniques and the position of the longer holes has limited accuracy. The deposit's historical mineral resource inventory is presented in this report under Section 1.3: Exploration History.

MINERALIZATION

Nickel sulphide mineralization is exposed in trenches over a distance of 150 m but the mineralized zone has a strike length of about 250 m as indicated by drill data, although the gabbroic host rocks have a significantly greater extent. This mineralization has been investigated in detail on two underground levels and with drilling to a depth of 2700 ft. Mineralization (pyrrhotite, pentlandite, chalcopyrite ± pyrite) is found as massive to net-textured and disseminated sulphide zones, primarily in norite with lesser amounts in gabbro and talc schist. The sulphide has been described as post-carbonate, suggestive of replacement, but no definitive evidence for this interpretation has been documented. A remobilized sulphide in a breccia pipe conduit interpretation is preferred and consistent with the variable grade and less variable Ni/Cu ratios of the deposit. Nickel grades within

the deposit are proportional to the total amount of sulphide with massive sulphide zones locally grading in excess of 6% Ni. An interpreted sketch of the mineralization adapted from level plans was found in the historical files and correlates well with the current drill results and is reproduced below (**Figure 7**). This interpretation is suggestive of isoclinal folding with vertically plunging fold axes, consistent with the regional geological setting. However, whether it's folding or cross cutting dykes or brecciation of the mineralization, rapid changes in thickness and grades makes resource estimation and mine planning challenging.

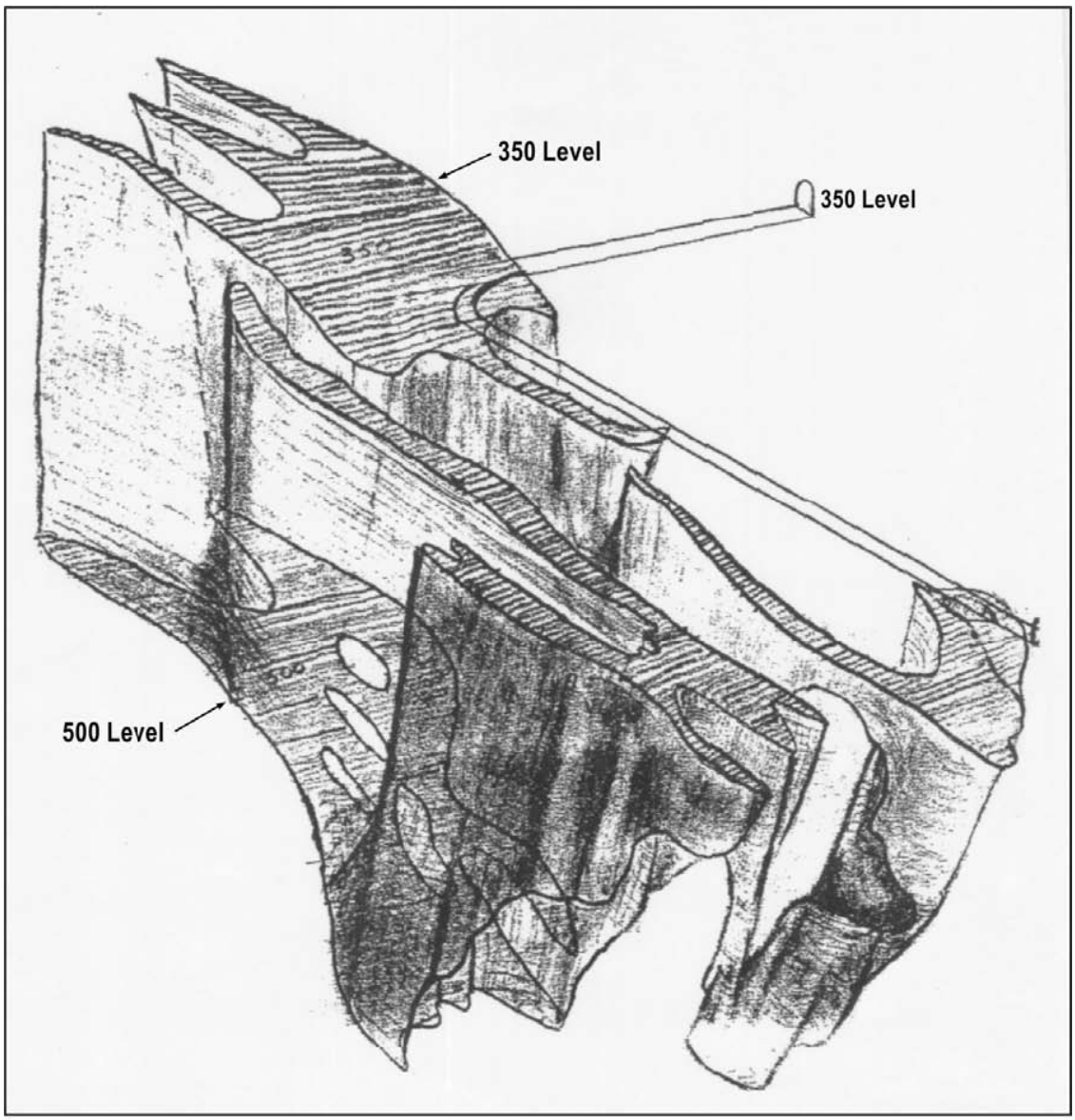

Figure 7: **Ore Zone Conceptual Diagram**

At least three sub-parallel mineralized zones were intersected in the current drilling and range in thickness from 2.6 meters to 17.1 m. The variable shape of sulphide zones and the change from massive to net-textured to disseminated mineralization indicate that although the Kenbridge deposit has a detectable EM response, induced polarization might be a much better exploration tool.

Surface mapping has been completed along the immediate strike of the sulphide mineralization (circa 1950's) with no significant nickel sulphide mineralization detected. However, mapping is hampered by a lack of outcrop in these areas and additional ore lenses may not outcrop and could well be underneath the lakes, many of which reflect the general structural trend. In particular, the west shoreline of Empire Lake appears to be a fault scarp and therefore the mineralized trend would be under the lake at this location.

2005 BLACKSTONE EXPLORATON PROGRAM

A UTEM geophysical survey was conducted by SJ Geophysics Ltd. (SJG), of Vancouver, B.C. between February 22 and March 12th, 2005 (including 5.5 days for mobilization / demobilization) under field management by Equity Engineering Ltd., of Vancouver. A full rendition of the geophysical program can be found in a separate report (Krawinkel, 2005).

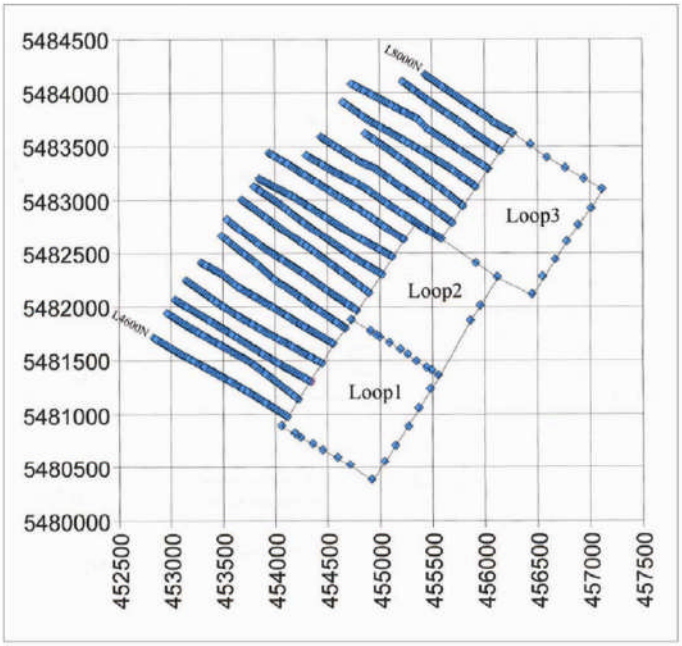

Figure 8 : **Survey Grid Location (UTM NAD83 projection)**

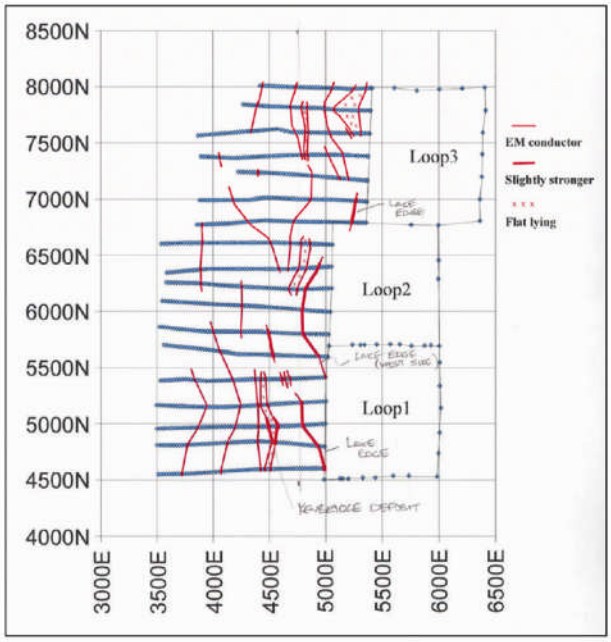

Figure 9 : **Conductor Compilation (Local Grid Projection)**

The UTEM data were collected using Lamontagne UTEM 3 receivers s/n 1 and 11, coils s/n A1 and A2, and transmitter s/n 105. Multiple readings at varying distances from the

loop edge on each line were routinely taken and used as a gauge of data quality. Location data were collected during the survey using hand-held GPS instruments (Figure 8). Slope measurements were taken along the lines to calculate elevations. Lines were spaced at 200 m and placed by chain and compass, lines were generally 1,500 m long. The loops were oriented parallel to the deposit trend (032 degrees) and the line direction was 122 degrees. The first loop was placed to survey over the Kenbridge deposit with two subsequent loops to the northeast. The last loop was moved to the southeast by 100 m as some responses while surveying loop 2 were close to the forward loop edge. A total of 26 line km were surveyed.

The geophysical results are presented in more detail within the Geophysical Report by Rolf Krawinkel (SJ Geophysics) dated June, 2005, but will be briefly reviewed here. The response of the Kenbridge deposit (line 5000N/ 4450-4650) to the survey is seen as "a distinct but not remarkable feature." From the current drill program it is now understood that the massive sulphide (most conductive) part of the deposits consist of irregular shapes which are quite discontinuous along strike. Although net-textured and disseminated sulphide mineralization is much more continuous it does not have the required conductance to elicit a strong geophysical response. Responses over the rest of the survey area are subdued (Figure 9) and many are clearly related to landforms, particularly the western edges of the lakes. There are a few responses (L6200-6600; L7600-8000) where flat lying conductance similar to, but much weaker than, the Kenbridge deposit may indicate continuation of the host structure and possible weak sulphide mineralization. However, it is recommended that induced polarization geophysical surveys be tested over the Kenbridge deposit and if successful that this method be employed in the search for additional mineralization.

DRILLING

In 2005 Blackstone Ventures drilled 21 holes of NQ diameter, totaling 4119m. **Table 2** summarizes drilling by all companies to date. **Figure 10** shows a plan of previous and current drilling relative to existing infrastructure.

Table 2 - Summary of drilling to date

			# Holes	Feet	Metres
Coniagas	1937	Surface	35	10000	3048
INCO	1948-1949	Surface	15	12000	3658
Falconbridge	1952-1955	Surface	53	41270	12579
	1955-1957	Underground	247	50000	15240
	1955-1958	Regional	74	29250	8915
Blackstone	2005	Surface	21	13514	4119
		Total	445	156034	47559

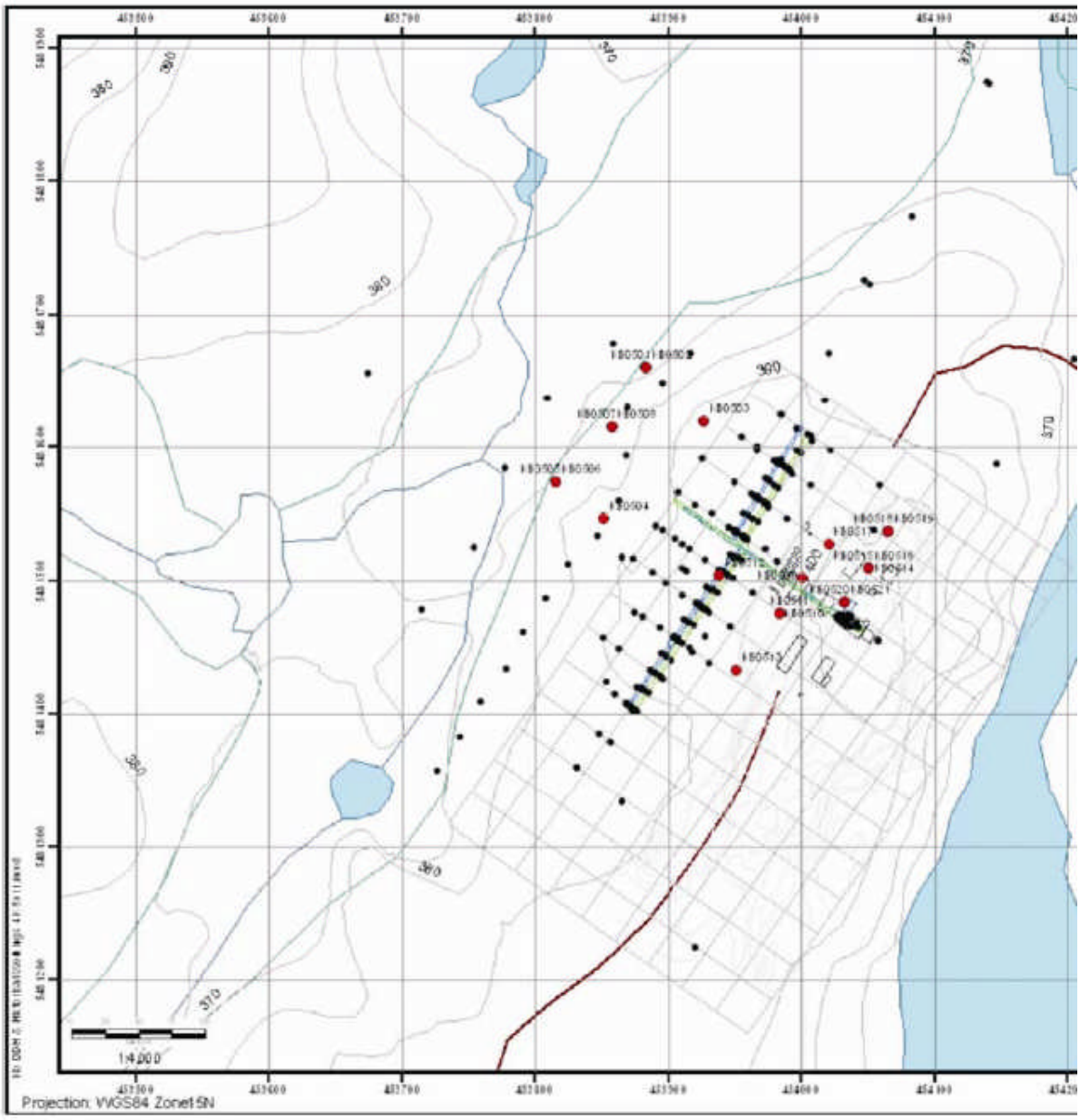

Figure 10: **Historical Workings and**

The nine holes of Phase 1 were drilled on three, 50 meter spaced fences that began on the northernmost extent of the deposit and extend to the south, slightly beyond the central part of the deposit. Results of this drill phase were difficult to compare with the previous drilling as they were between sections. The second phase of drilling resorted to closer spacing of drill-holes and results were more in line with those anticipated based on existing data.

The first phase of drilling was managed by Jim Lehtinen, under contract to Equity Engineering and used Falcon Drilling of Prince George. The second phase of drilling was

managed by Wayne Hewgill, under contract to Blackstone Ventures Inc. and used a drill rig from Red Lake owned and operated by Hy-Tech drilling of Smithers, B.C. Both programs were supervised by P. Holbek, VP Exploration of Blackstone.

All drill holes were logged on site, and for the first phase the NQ core was sawn and where metallurgical samples were taken, quartered on site. Production during the second phase of drilling was so fast that most of the core splitters time was spent building pads and only a small amount of core was actually split during the drill program. As the job was helicopter supported it was more efficient to fly the remaining mineralized intervals (approx 120 boxes) to the Maybrun mine site and then transport the core to Sioux Narrows for splitting at facilities owned by Fadden Contracting. The second phase split core is currently being stored at the Maybrun Mine site and waiting for relocation to Kenbridge. Splitting of the second phase core followed the same procedure as the first phase.

Metallurgical samples were taken from various mineralized intervals and represent a range of mineralization types, grades and locations within the deposit. Where metallurgical samples were taken, half of the core was collected and packed in nitrogen filled, sealed bags, which were then packed within airtight, nitrogen filled plastic pails and sent to Lakefield Research. The remaining half core was then sawn in half (quartered) and samples were weighed in air and water to determine SG before being placed in sealed plastic bags for shipment to the laboratory. A system of quality control was employed and consisted of the inclusion of blanks and blind standards approximately every 10 to 20 samples. There were insufficient blanks and standards available and consequently none were included after drill-hole 16. Assays were performed by SGS Mineral Services in Sudbury, Ontario. Analyses were conducted in two phases; all samples were analyzed for Ni, Cu and Co by ICP-OES following a sodium peroxide fusion. Mineralized intervals were then compiled and samples within those intervals were analyzed for Pt, Pd and Au by Fire assay methods, Ag by atomic adsorbtion/multi-acid digestion, and S by Leco Furnace.

Drill-hole locations of the holes drilled in 2005 were surveyed by GPS. **Table 3** summarizes the drill-collar data, and **Figure 11** presents the location of current drill holes relative to under ground workings and the plane of the long section. The holes were geologically logged using a modified GEOLOG style system which allows a considerable quantity of geological data to be stored and manipulated by computer techniques.

Table 3 Drill Collar Data for 2005 Drilling

Hole_Id	UTM East	UTM North	Elevation	Azimuth	Dip	Total Depth (m)
KB0501	453883	5481660	372.0	129	-45	200.3
KB0502	453883	5481660	372.0	129	-60	331.3
KB0503	453926	5481619	391.0	129	-45	145
KB0504	453851	5481546	384.0	129	-45	170.4
KB0505	453815	5481574	370.0	129	-45	212.4
KB0506	453815	5481574	370.0	129	-60	311.5
KB0507	453857	5481615	375.0	129	-45	214
KB0508	453857	5481615	375.0	129	-55	282.5
KB0509	454000	5481501	398.0	305	-45	145.7
					Total	**2013.1**
KB0510	453983	5481475	399.0	308	-45	171.0
KB0511	453983	5481475	399.0	308	-60	201.0
KB0512	453938	5481504	395.0	308	-45	132.0
KB0513	453951	5481433	395.0	308	-45	147.0
KB0514	454050	5481509	407.0	308	-45	201.0
KB0515	454050	5481509	407.0	308	-45	201.0
KB0516	454050	5481509	407.0	308	-65	234.0
KB0517	454023	5481528	393.0	308	-45	129.0
KB0518	454065	5481537	406.0	308	-45	156.0
KB0519	454065	5481537	406.0	308	-55	132.0
KB0520	454032	5481484	408.0	308	-45	210.0
KB0521	454032	5481484	408.0	308	-55	192.0
					Total	**2106.0**
					Total All	**4119.1**

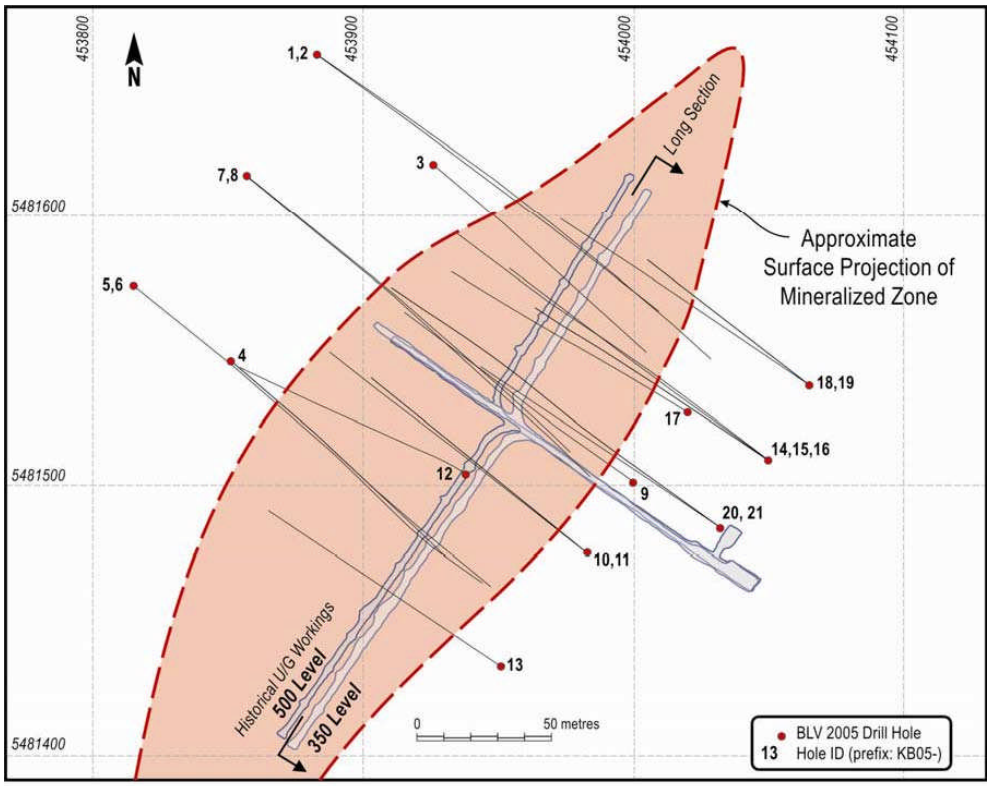

Figure 11: **Plan Map Showing 2005 Drill Collar Locations**

Drill results as significant intersections are tabulated below in **Table 3**. Drill results are presented on a longitudinal section as shown on **Figure 12**.

The first nine holes were drilled on three, 50 metre spaced fences that began on the northernmost extent of the deposit and extend to the south, slightly beyond the central part of the deposit. Drill holes K0501 through K0503 were drilled on the northern edge of the deposit and produced narrower and lower grade intersections conforming to the edge of the deposit. Drill holes K0504 through K0506 are located on the southernmost section near the central area of the deposit. The deepest hole on this section, K0506, intersected nearly continuous low-grade disseminated mineralization across the entire gabbro body with a true width of 48 m, although a number of minor, post-mineralization, dykes contribute some dilution.

The results from the second phase of diamond drilling were easier to relate to previous drilling as those holes were placed along, or close to, the historical grid. In general, the results from this phase of drilling compare reasonably well in terms of grades and thicknesses with historical drilling from underground. The mineralization appears to be steeply dipping and varies between being broad zones of stringer and disseminated mineralization, such as that seen in hole K05-15, to zones of massive sulphide with significant nickel values such as that noted in holes K05-21 and 11.

The area tested with the second phase of drilling covered approximately 125 metres of strike length of the deposit. Holes K05-20 and 21 were drilled in the central part of the deposit. Holes K05-14, 15, 16 and 17 were drilled on the next section, 30 metres to the north of 20 and 21. Holes K05-10 and 11 were drilled 30 metres to the south of 20 and 21. There appears to be at least 3 separate zones of mineralization consisting of a core of massive to semi-massive sulphide surrounded by a halo of disseminated sulphide mineralization. Even on a section with five drill holes it is difficult to interpret mineralization contacts. Figure 7 is a historical sketch of the ore zone based on the all the underground information which gives a very good depiction of the potential shape of the mineralization. Additional drilling will be required to accurately correlate mineralized zones along strike and down dip. True thicknesses of the drill intersections are estimated to be between 60 and 70% of the drill core length indicated in the assay table.

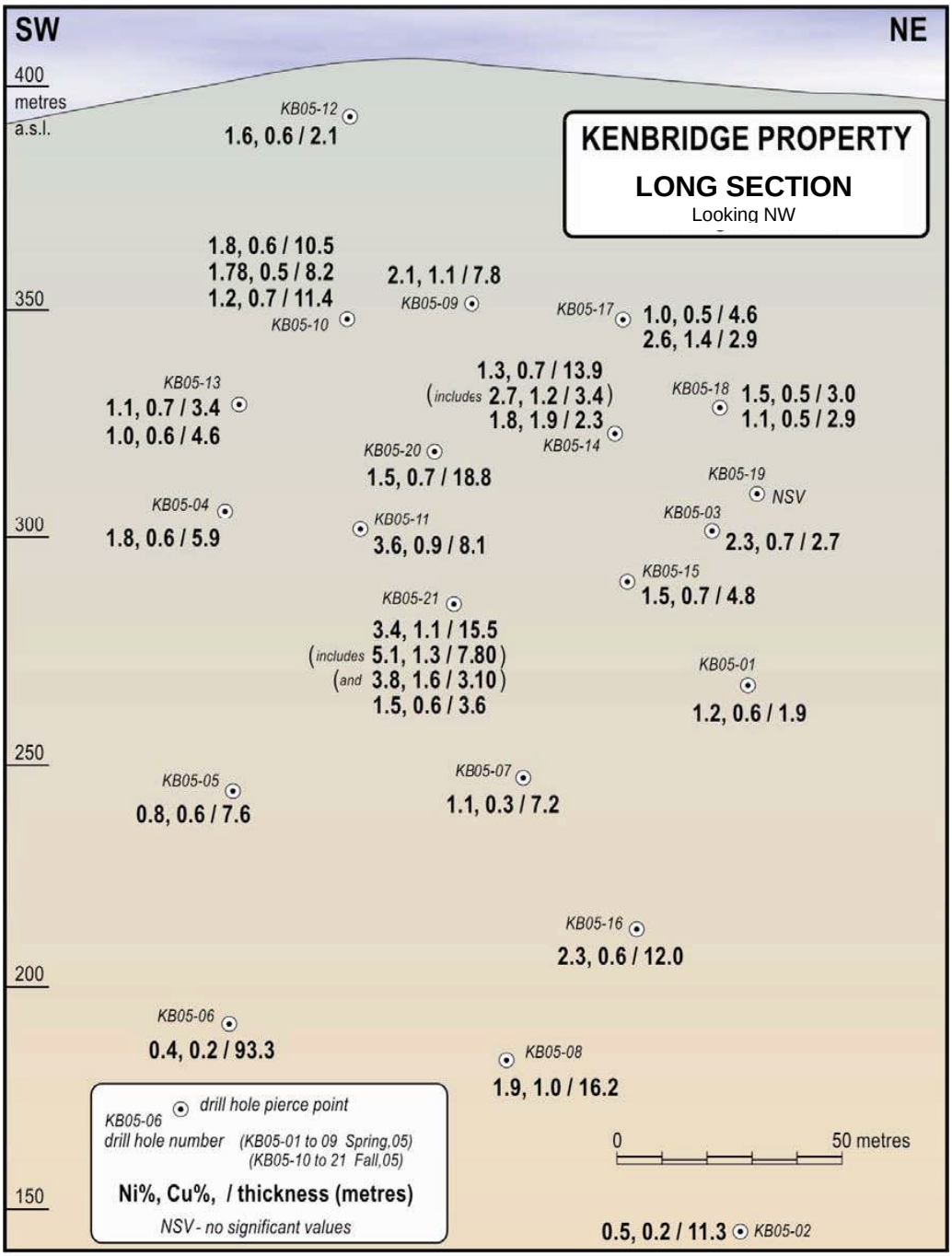

Figure 12: **Longitudinal Section of Drill-Hole Pierce Points**

Note : This diagram is intended as a summary of drill results only, as drill pierce points were taken from the intersection of a vertical place with the drill-holes, actual intersections may be higher or lower depending upon where they were intersected in the drill-hole.

Table 4 - Significant 2005 Drill Intersections

Hole_ID	From	To	Thick (m)	Ni%	Cu%	Co%
K0501	150.5	156.4	5.9	0.57	0.30	0.019
Incl.	152.6	154.5	**1.9**	**1.16**	**0.63**	**0.036**
	166.1	176.5	10.4	0.48	0.27	0.017
Incl.	175.3	176.5	**1.2**	**1.83**	**1.58**	**0.046**
K0502	274.6	280.8	6.2	0.43	0.22	0.016
Incl	278.1	280.8	2.7	0.66	0.23	0.024
	289.0	300.3	**11.3**	**0.48**	**0.22**	**0.016**
K0503	112.4	115.1	**2.7**	**2.32**	**0.71**	**0.060**
	122.1	131.8	9.7	0.51	0.32	0.019
K0504	33.9	46.6	12.7	1.00	0.43	0.024
Incl.	33.9	39.8	**5.9**	**1.81**	**0.59**	**0.041**
Or	36.7	39.8	3.1	2.55	0.95	0.058
	54.1	70.1	16.0	0.41	0.18	0.014
K0505	112.0	119.6	7.6	0.77	0.57	0.020
	169.8	199.6	19.5	0.29	0.21	0.011
K0506	201.1	294.4	**93.3**	**0.36**	**0.22**	**0.013**
Incl.	204.2	240.7	36.5	0.45	0.33	0.015
and	252.4	266.6	14.2	0.33	0.14	0.012
and	279.1	292.4	13.3	0.61	0.32	0.020
K0507	137.4	151.0	13.6	0.32	0.35	0.010
	155.9	163.2	**7.2**	**1.11**	**0.32**	**0.023**
	180.6	188.8	8.4	0.36	0.16	0.012
	206.0	207.2	1.2	1.65	1.14	0.028
K0508	187.8	190.7	2.9	0.77	0.36	0.015
	194.6	205.9	9.3	0.76	0.27	0.018
	209.3	214.8	4.5	0.46	0.25	0.012
	228.9	231.9	3.0	0.73	0.18	0.018
	247.8	269.9	22.1	1.53	0.79	0.030
Incl.	252.3	268.5	**16.2**	**1.91**	**1.01**	**0.036**
or	265.8	268.5	2.7	3.88	1.86	0.068
K0509	38.6	44.6	6.0	0.60	0.22	0.016
incl.	43.1	44.6	1.5	1.48	0.55	0.032
	50.4	55.5	5.1	0.31	0.14	0.012
	86.0	94.1	8.1	0.31	0.14	0.011
	101.3	112.5	11.2	1.54	0.79	0.036
Incl.	104.3	112.1	**7.8**	**2.07**	**1.08**	**0.046**
	117.7	129.8	12.1	0.46	0.26	0.013

K05-10	41.7	52.2	**10.5**	**1.79**	**0.55**	**0.04**
includes	41.7	44.2	2.5	2.90	0.80	0.07
includes	47.5	52.2	4.7	2.45	0.81	0.06
	61.3	69.5	**8.2**	**1.68**	**0.49**	**0.04**
includes	66.5	69.5	3.0	3.6	0.54	0.08
	124.0	135.4	**11.4**	**1.16**	**0.67**	**0.02**
includes	124.9	129.0	4.1	2.15	0.59	0.04
includes	132.0	135.4	3.4	1.39	1.03	0.02
K05-11	88.3	96.4	**8.1**	**3.62**	**0.88**	**0.07**
K05-12	23.4	25.6	2.2	0.71	0.21	0.02
	81.4	83.5	2.1	1.59	0.57	0.04
K05-13	95.9	99.3	3.4	1.14	0.72	0.03
	120.6	122.0	1.4	1.88	0.51	0.04
	132.2	136.8	4.6	1.00	0.58	0.02
K05-14	97.4	111.3	**13.9**	**1.34**	**0.73**	**0.31**
includes	97.4	100.8	3.4	2.68	1.18	0.06
	145.4	147.7	2.3	1.84	1.93	0.04
K05-15	109.0	119.1	10.0	0.84	0.42	0.02
	128.8	142.9	14.1	0.88	0.48	0.03
Incl.	134.6	139.4	**4.8**	**1.45**	**0.70**	**0.04**
K05-16	207.1	219.1	**12.0**	**2.26**	**0.58**	**0.06**
K05-17	54.8	59.4	4.6	0.99	0.50	0.03
	112.5	115.4	2.9	2.58	1.37	0.07
K05-18	134.7	139.2	4.5	1.17	0.48	0.04
K05-19	No Significant mineralization					
K05-20	107.5	126.3	**18.8**	**1.53**	**0.68**	**0.04**
	129.3	145.4	16.1	0.65	0.28	0.02
K05-21	146.2	161.7	**15.5**	**3.39**	**1.07**	**0.09**
	185.4	189.0	3.6	1.48	0.56	0.04

General comments on the precious metal (PGM, Ag and Au) analysis of the first round of drilling indicate silver and gold values correlate with copper values, whereas Co, Pt and Pd correlate with Ni values (**Table 5**). Silver ranges from below detection limit to a high of 7.4 g/t and is loosely proportional to copper values with a level of 4-5 grams per 1% Cu (1:200 to 1:250). Due to the correlation with copper it is assumed that Ag recoveries would also be proportional to Cu and thus the copper concentrate could contain between 60 – 100 g/t Ag, at least a part of which should be payable (see below for metallurgical results). Gold also demonstrates proportionality to Cu with values of about 0.2 g/t per 1% Cu (1:5000, similar to porphyry copper deposits) and could result in 2-4 g grades within the copper concentrate which should also be payable. Pt and Pd correlate with Ni grades with Pd being one half of the Pt content which averages about 0.2-0.3 g/t per 1% Ni, but displays significant variability. Cobalt is closely correlated with Ni at a ratio of 1/50 of the nickel grade.

Table 5 - Precious metal contents in concentrates from Locked Cycle testing

Concentrate	Ag g/t	Au g/t	Pt g/t	Pd g/t	Co g/t
Copper	67	3.92	1.09	0.87	710
Nickel	15	1.13	1.13	0.71	3400

Nickel smelters are not known for their generosity in paying for minor metals within the concentrate, presumably due to limited effectiveness of recovery, however there should be some value in the cobalt. If the copper concentrate went to a copper smelter gold, silver and possibly cobalt would be payable. Pt and Pd in the copper concentrate might be payable depending upon the smelter.

SAMPLING METHOD AND APPROACH

The author is not aware of any drilling, sampling or recovery factors that would impact the accuracy and/or reliability of the results. Blackstone had a QA/QC program in place for the drilling program. The author has discussed the sampling program with the Blackstone geologists and reviewed the QA/QC work and does not have any reason to doubt the reliability and accuracy of the sampling. Reasonable efforts were made to ensure that the samples were of high quality and representative of the material and or mineralization being sampled.

SAMPLE PREPARATION, ANALYSIS AND SECURITY

The author discussed with the Blackstone geologists and reviewed the sample preparation, analysis, and security protocols in place for the Kenbridge exploration program. The author is not aware of any drilling, sampling or recovery factors that would impact the reliability of the core samples from the Blackstone program. The author is not able to comment on the sample preparation, analysis and security during the Falconbridge programs during the 1950's.

DATA VERIFICATION

The author has reviewed the Falconbridge database but cannot verify the results of this work program. The author has no reason to doubt the validity of the Falconbridge data, having visited the property, observed the site infrastructure and examined the historical database. Confidence in the data is confirmed by the observations in the field, in conjunction with Falconbridge's established and respected history of mineral exploitation.

The author has reviewed the Blackstone data, inspected the drill locations, drill core, assay database and geophysical surveys are believed to be accurate and representative of the work that Blackstone completed.

ADJACENT PROPERTIES

The areas surrounding the Kenbridge Deposit has experienced minor prospecting and geological mapping without any significant discoveries of mineralization. The Maybrun Deposit, located 6 km south of the Kenbridge, was exploited for copper and gold during a short period of time in the 1950's and again in the 1970's. The 'surface and underground development work indicated a partly blocked out 2,824,825 tons of rock with a grade of

1.18% copper, 0.08 ounce per ton gold. (Maybrun Mines Limited 1965). (Geology of the Atikwa Lake Area, District of Kenora by J.C. Davies, Geologist, 1973; Ministry of Natural Resource. Appendix 2).

MINERAL PROCESSING AND METALLURGICAL TESTING

Blackstone initiated metallurgical test-work at SGS Lakefield Research on representative mineralized material from the quartered drill core. Preliminary test-work indicates recoveries of 77% Cu at a concentrate grade of 27.5% Cu; and recoveries of 74% Ni at a concentrate grade of 11%. Alternatively a bulk concentrate could be produced with copper and nickel recoveries of 95% and 77%, respectively with concentrate grades of 5.7% and 9.5%, respectively. Pre-concentration techniques using magnetic drums and electromagnetic sorters were also investigated with electromagnetic sorting showing promise. **Table 6** summarizes the floatation results.

Table 6 – Locked Cycle Metallurgical Projection

	Weight		Assays, %, g/t				% Distribution			
	g	%	Cu	Ni	Fe	S	Cu	Ni	Fe	S
Cu Concentrate	84.6	0.7	27.5	2.2	30.8	33.6	76.7	2.9	2.1	10.7
Ni Concentrate	423	3.6	1.3	11	34.8	35.5	18.4	73.8	11.7	56.6
Bulk Concentrate	507.6	4.3	5.7	9.5	34.2	35.2	95.1	76.6	13.8	67.3
Cleaner Sacavenger Tail	1317	11.1	0.05	0.5	16.9	6	2.1	11.3	17.7	29.6
Bulk Rougher Tail	94840	82.8	0.01	0.1	8.6	0.1	2.3	13.2	67	4.6
Floatation Head (calculated)	46951	393.1	0.58	0.58	8.21	2.25	99.5	101.2	98.5	101.6

Further studies will be undertaken with SGS Lakefield to improve the metal recoveries.

HISTORIC MINERAL RESOURCE ESTIMATES

Two estimates of the mineral resource at the Kenbridge deposit were completed by Falconbridge Limited (D. Kerby and J. Blowes, 1957 and G.M. Archibald, 1970). In addition, Archibald completed a selective mining and a bulk mining ore reserve calculation using underground drill-hole information (**Table 1**). Horizontal diamond drill holes were used to determine the ore zone areas between the 200 and 2000 levels. The total areas and average grades for nickel and copper were projected halfway to the adjacent levels 75 feet above and below. Mineralized zones from the 650 level to the overlying 200 level were based upon 50 foot centered fan drilling from the 500 and 350 levels. Estimates for the 650 level to the underlying 2000 level were based on fewer (3 to 7) holes drilled from the shaft at each level. The 200 level ore zones were joined on 50 foot sections and projected up to this level. Assays from upward inclined holes drilled from the 350 level were used for grade calculation. Below the 2000 level diamond drill holes from two sections were used to calculate reserves. A minimum 6 foot mining width and 0.50% nickel cut off grade was utilized and all ore shoots were assumed as continuous between levels. The 0.50% nickel cutoff was waved over a few intersections in some instances to preserve continuity for reserves and mining purposes. Ore zones

occur within the mafic (norite) breccia. Dilution of up to 20% was incorporated due to the presence of wide spread shearing and fracturing.

Measured Mineral Resource (Developed Ore – Archibald) ore represents the volume most densely drilled from the 350 and 500 levels. Ore zones here were projected 75 feet above the 350 level to 275, and 75 below the 500 level to 575. Indicated ore is represented with lesser drilling; from surface to the 275 level, by upward inclined holes from the 350 level and from 575 to 2000 by fans drilled at stations every 150 feet down the shaft. Probable ore below 2000 level is based upon few holes drilled on two sections. The deepest mineralized intersection is found at the 2700 ft level in drill hole 2011 with grades of 4.25% nickel and 1.38% copper over 10.7 ft and indicates that the deposit is open at depth.

Table 1 - Summary of Mineral Resources – G.M. Archibald

		Selective Mining			Bulk Mining		
Class	Interval	Ni%	Cu%	Tons	Ni%	Cu%	Tons
Measured Mineral Resource	275 to 575	1.04	0.52	794,226	0.46	0.25	2,267,619
Indicated Mineral Resource	Surface to 275 and 575 to 2000	1.05	0.55	2,187,507	0.55	0.34	5,345,692
Inferred Mineral Resource	Below 2000	1.55		654,741			

[1] Undiluted. Using 20% dilution with 0.10% Ni and 0.10% Cu grade total reserves become 3,578,079 t grading 0.89% Ni and 0.47% Cu for above 2000 level component.

The resource estimates prepared by Falconbridge are historical, and as such do not conform to the requirements of National Instrument 43-101. Although Canadian Arrow considers the resource estimates to be relevant, they have not been verified by a Qualified Person for Canadian Arrow, as required by National Instrument 43-101, and should not be relied upon. Additional supporting data is required to complete a revised classification and resource estimate conforming to NI 43-101.

Bulk samples collected from 350 level crosscuts yielded pilot mill results of 87% nickel recovery and 94.5% copper recovery with concentrate grades of 14.10% nickel, 8.27% copper and 34.4% Sulphur (Falconbridge Metallurgical Research Laboratory Report, 1956). It is important to note that these results were obtained from samples with little or no talc-chlorite schist which is present in certain areas of the deposit. Test samples from lower sections of the deposit containing this schist produced lower recoveries and concentrate grades. To compensate for high talc chlorite schist content a subsequent metallurgical study recommended a lower concentrate grade of 11.48% nickel, 6.16% copper, 0.36% cobalt, 32.0% iron, and 28.6% sulphur (P.B. McCrodan, 1957).

OTHER RELEVANT DATA AND INFORMATION

The authors are not aware of other relevant data or information pertaining to the Kenbridge Deposit.

INTERPRETATION AND CONCLUSIONS

The Kenbridge deposit consists of irregular shaped, massive to net-textured to disseminated sulphide mineralization within intrusive gabbro and gabbro breccia. The deposit has a pipe-like morphology; roughly elliptical in plan with surface dimensions of 250 m by 60m, and extends to depths of more than 840 m below surface. The deposit is open to depth. Mine development was carried out in the 1950's and included a 622 m three compartment shaft with drill stations every 46m down the shaft, and 412 m in cross-cuts and drifts on the 350 and 500 (foot) levels.

Results from the two phases of diamond drilling by Blackstone indicate a mineralized body (bodies) of nickel, copper, cobalt and PGM's on the Kenbridge property. Drill data indicate a reasonable continuity of mineralization although there is much less continuity in the thickness, shape and grades of the mineralization. The current drill program validates the previous data with respect to location of mineralization and grades and metal ratios but also highlights the rapid changes in thickness and grade of mineralized zones in all directions.

Placing 'hard' boundaries on mineralization is difficult, even in areas of close-spaced drilling, making resource estimation and mine planning challenging. The rapid changes in the thickness of the high-grade mineralization and more widespread disseminated mineralization encountered during the first phase of the 2005 drill program lead to the concept of a bulk mineable target (eg: blast-hole stope type of mining) and the possibility of producing a pre-concentrate using low-cost magnetic/gravity or electromagnetic techniques. The preliminary studies indicate that magnetic drums are not particularly effective at upgrading low-grade material due to relatively low recoveries whereas the electromagnetic techniques demonstrate sufficient promise that further investigation could be warranted, provided that the feed grade is in the order of 1% Ni or better. Comparisons of costs involved in the various mining methods should be undertaken prior to continuing with this work. Additionally, it was also thought that any of the pre-concentration techniques would reduce the effect of talc on the Mg content of concentrates should this turn out to be an issue, however, it appears that the amount of talc is limited, although somewhat dependant upon mining techniques, may not be an issue.

Exploration potential for the discovery of additional mineralization is considered to be good, particularly in the subsurface along strike from the deposit. IP geophysical surveys appear to be the most efficient and effective method of future exploration.

RECOMMENDATIONS

From the observations and conclusions presented in the previous section and throughout the Technical Report, recommendations follow for fieldwork for 2006. Work programs on the ground will typically consist of additional ground and down-hole geophysical surveys, geologic mapping and diamond drilling.

Based upon the available property geology mapping, a number of intrusions similar to that which hosts the Kenbridge mineralization, are located south of the Kenbridge deposit (**Figure 5**). It is recommended that these bodies be explored with modern geophysical survey methods. The

relatively small footprint of the Kenbridge deposit (< 200m), and multiple lenses dictates that geophysical surveys (line cutting) should be completed with 50 metere spaced sections over the Kenbridge deposit and 100 metre spaced lines southwards. Induced polarization (IP) surveys and UTEM surveys should be used to target additional lenses of mineralized material. The steep vertical position of the Kenbridge deposit with the strong structural overprint on the mineralization should be used considered with respect to geophysical targets planned for drilling.

The 2006/2007 exploration program recommended for the Kenbridge Project is estimated to require funds in the amount of **$2.575 million** as shown in **Table 7**.

Table 7 – Proposed Exploration Budget

Phase I	Deposit Modelling		$ 25,000.00
	Linecutting	50 km	$ 35,000.00
	Geophysics	IP	$ 65,000.00
	Geophysics	UTEM	$ 50,000.00
	Geology		$ 25,000.00
	Diamond Drilling	5,000 metres	$ 500,000.00
	Assays		$ 25,000.00
	Reports		$ 25,000.00
	Phase I subtotal		***$ 750,000.00***
Phase II	Metallurgical Testwork		$ 100,000.00
	Geophysics downhole		$ 50,000.00
	Diamond Drilling	15,000 metres	$1,500,000.00
	Geology		$ 50,000.00
	Reports		$ 25,000.00
	Assays		$ 100,000.00
	Phase II subtotal		**$1,825,000.00**
	Budget Total		**$2,575,000.00**

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Appendix I

PROPERTY DESCRIPTION

Property	Parcel No.	Claim No.	Area (Ha.)	Map Area
Kenbridge	21471 DK	K-18711	16.49	Fisher Lake
Kenbridge	21481 DK	K-18675	11.58	Fisher Lake
Kenbridge	21472 DK	K-18717	21.07	Fisher Lake
Kenbridge	21473 DK	K-18718	21.72	Fisher Lake
Kenbridge	21482 DK	K-18679	16.52	Fisher Lake
Kenbridge	21475 DK	K-18725	10.44	Fisher Lake
Kenbridge	21474 DK	K-18719	15.63	Fisher Lake
Kenbridge	21466 DK	K-18682	14.09	Fisher Lake
Kenbridge	21450 DK	K-18704	13.21	Fisher Lake
Kenbridge	21454 DK	K-18726	20.24	Fisher Lake
Kenbridge	21455 DK	K-18727	12.57	Fisher Lake
Kenbridge	21452 DK	K-18721	15.87	Fisher Lake
Kenbridge	21485 DK	K-18722	13.71	Atikwa Lake
Kenbridge	21484 DK	K-18705	13.28	Fisher Lake
Kenbridge	21483 DK	K-18703	14.55	Fisher Lake
Kenbridge	21456 DK	K-18728	20.02	Fisher Lake
Kenbridge	21437 DK	K-18686	17.13	Fisher Lake
Kenbridge	21436 DK	K-18687	17.44	Fisher Lake
Kenbridge	21465 DK	K-18669	17.77	Atikwa Lake
Kenbridge	21479 DK	K-18702	14.63	Atikwa Lake
Kenbridge	21453 DK	K-18723	12.21	Atikwa Lake
Kenbridge	21451 DK	K-18720	12.26	Atikwa Lake
Kenbridge	21448 DK	K-18685	20.51	Atikwa Lake
Kenbridge	21449 DK	K-18690	16	Atikwa Lake
Kenbridge	21499 DK	K-18694	24.12	Atikwa Lake
Kenbridge	21467 DK	K-18684	9.21	Atikwa Lake
Kenbridge	21468 DK	K-18691	13.26	Atikwa Lake
Kenbridge	21460 DK	K-18648	19.26	Atikwa Lake
Kenbridge	21461 DK	K-18649	12.85	Atikwa Lake
Kenbridge	21469 DK	K-18696	13.7	Atikwa Lake
Kenbridge	21462 DK	K-18650	15.25	Atikwa Lake
Kenbridge	21463 DK	K-18651	13.38	Atikwa Lake
Kenbridge	21470 DK	K-18699	15.7	Atikwa Lake
Kenbridge	21464 DK	K-18652	16.4	Atikwa Lake
Kenbridge	21476 DK	K-18653	12.69	Atikwa Lake
Kenbridge	21497 DK	K-18656	18.83	Atikwa Lake
Kenbridge	21496 DK	K-18655	17.65	Atikwa Lake
Kenbridge	21477 DK	K-18654	11.12	Atikwa Lake
Kenbridge	21490 DK	K-18645	16.09	Atikwa Lake

CERTIFICATE OF QUALIFICATION – TODD KEAST

I, **Todd Keast,** P.Geo., of 1204 Grace St., Porcupine, Ontario, do hereby certify that:

1. I am a contract/consulting geologist for:
   Canadian Arrow Mines Limited
   P.O. Box 1001, 33 East Iroquois Road
   Timmins, Ontario
   P4N 7H6
2. I graduated with an Honors Bachelor of Science (Geology), from the University of Manitoba, in 1986.
4. I am a member of the Association of Professional Geoscientists of Ontario.
5. I have worked as a geologist for a total of nineteen years since my graduation from university.
6. I have read the definition of "qualified person", set out in National Instrument 43-101 (NI 43-101), and certify that by reason of my education, affiliation with a professional association (as defined by NI 43-101) and past relevant work experience, I fulful the requirements to be a "qualified person" for the purposes of NI 43-101.
7. I am responsible for the preparation of the TECHICAL REPORT on the KENBRIDGE PROJECT, KENORA, ONTARIO for CANADIAN ARROW MINES LIMITED, August 24, 2006.

8. I visited the Kenbridge Property for two days in June 2006 and August 2006.

9. I have prior no prior involvement with the properties that are the subject of the Technical Report.

10. I am not aware of any material fact or material change with respect to the subject matter of the report that is not reflected in the Technical Report, the omission to disclose which makes the Technical Report misleading.

11. I am not independent of the issuer applying all the tests in section 1.5 of NI 43-101. I have a Stock Option Agreement with Canadian Arrow Mines Limited, and am a director for Canadian Arrow Mines Limited.

12. I have read National Instrument 43-101 and Form 43-101F1, and the Technical Report has been prepared in compliance with that instrument and form.

13. I consent to the use of the filing of the Technical Report with any stock exchange and other regulatory authority and any publication by them for regulatory purposes, including electronic publication in the public company files on their websites accessible by the public, of the Technical Report.

Dated this 24th day of August, 2006.

Signature of Qualified Person

Todd Keast, P.Geo.

CERTIFICATE OF QUALIFICATION

Kevin F. O'Flaherty, B.A.Sc.,P.Eng.

I, Kevin F. O'Flaherty P. Eng., of Box 1222, Keewatin, Ontario, P0X 1C0 hereby certify that:

I am a practicing Consulting Engineer and Consulting Mining Geologist.

I am a graduate of the University of Toronto, 1949, Faculty of Applied Science and Engineering with the degree of Bachelor of Applied Science together with one year of post graduate work.

I am a registered member of the Association of Professional Engineers, Ontario and have had an active practicing career over 55 years in all phases of the mining industry from basic prospecting, surface exploration and development, underground development and production to mine management and executive positions.

I am fully qualified to be classified as a " Qualified Person" as defined in National Instrument 43-101.

I have been on the Kenbridge property and have examined core storage on August 18th and 19th, 2006.

I have reviewed the TECHICAL REPORT on the KENBRIDGE PROJECT, KENORA, ONTARIO for CANADIAN ARROW MINES LIMITED, August 24, 2006 and found it to be factual based on the information presently available and without personal bias or speculation. I have assisted in the final draft of the report which cover all sections and take full responsibility for the content of this report.

I am not aware of any material fact or material change with respect to the subject matter of the report that is not reflected in the Technical Report, the omission to disclose which makes the Technical Report misleading.

I am independent of the Reporting Issuer. I have read National Instrument 43-101 and Form 43-101F1, and the Technical Report has been prepared in compliance with that instrument and form.

I have had no prior involvement with the property that is the subject of this report.

I consent to the use of the filing of the Technical Report with any stock exchange and other regulatory authority and any publication by them for regulatory purposes, including electronic publication in the public company files on their websites accessible by the public, of the Technical Report.

Dated this 24th day of August, 2006.

Signature of Qualified Person

REGISTERED PROFESSIONAL ENGINEER
MINING
K. F. O'FLAHERTY
PROVINCE OF ONTARIO

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To: Canadian Arrow Mines Limited,
TSX Venture Exchange

I, Todd Keast P.Geo., do hereby consent to the filing of the written disclosure of the technical report titled *Technical Report on the Kenbridge Property*, for Canadian Arrow Mines Limited and dated August 24, 2006. I consent to the filing of the Technical Report and to the written disclosure of this report and of extracts from or a summary of the technical report in the written disclosure with the securities regulatory authorities referred above.

I also certify that I have read the written disclosure being filed and I do not have any reason to believe that there are any misrepresenatations in the information derived from the Technical Report or that the written disclosure.

Dated this 24th day August 24, 2006.

Signature of Qualified Person

Todd Keast, P.Geo.

Kevin F. O'Flaherty

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P0X 1C0

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Email: kfoflah@gokenora.com

To: ***Canadian Arrow Mines Limited,***

TSX Venture Exchange

I, Kevin F. O'Flaherty, B.A.Sc.,P.Eng., do hereby consent to the filing of the written disclosure of the technical report titled *Technical Report on the Kenbridge Property,* for Canadian Arrow Mines Limited and dated August 24, 2006. I consent to the filing of the Technical Report and to the written disclosure of this report and of extracts from or a summary of the technical report in the written disclosure with the securities regulatory authorities referred above.

I also certify that I have read the written disclosure being filed and I do not have any reason to believe that there are any misrepresenatations in the information derived from the Technical Report or that the written disclosure.

Dated this 24th day August 24, 2006.

Signature of Qualified Person

Kevin F. O'Flaherty, B.A.Sc.,P.Eng.

REGISTERED PROFESSIONAL ENGINEER
MINING
K. F. O'FLAHERTY
PROVINCE OF ONTARIO