

Summary Report

-- on the --

ALWIN PROPERTY
Kamloops Mining Division, British Columbia

-- for --

Max Investments Inc.

-- on behalf of --

San Marco Resources Inc.
#430 - 580 Hornby Street
Vancouver, B.C. V6C 2T8

Prepared By:

John R. Kerr, P. Eng.
208 – 515 West Pender Street
Vancouver, B.C. V6B 6H4

November 15, 2006

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SUMMARY

San Marco Resources Inc. (San Marco) has entered into an agreement with Richard Billingsley and Gayle Richards, whereby San Marco can earn up to a 100% interest in the Alwin Project, an advanced stage exploration project with a historical resource and three periods of mine production. This report summarizes all data available on the property. The property consists of 2 mineral claims (534 hectares), located in the Kamloops Mining Division, 18 km west of Logan Lake, British Columbia. Well-maintained gravel roads leaving Highway #97C west of Logan Lake and southeast of Ashcroft provide good access to all areas of the property.

Except for two mineral tenures located along the southern property line, all other neighboring tenures completely surrounding the property are owned by Highland Valley Copper Corp., a subsidiary of Cominco. The Valley Copper deposit is being mined from a large open pit, the western limits within three kilometers of the Alwin property.

Copper mineralization in the area was recognized late in the nineteenth century. Early explorers completed some trenching, pitting, tunneling and shaft sinking in the early 1900s and mined 1875 tonnes of ore in 1917/18, processing through a 50t/day mill. Modern day exploration was undertaken in the early 1960s. In the late 1960s, the OK Syndicate was formed to place the property into commercial production. In 1972, 76,000 tonnes were mined and processed through a 500t/d mill. Considerable development drilling was completed in 1970 – 1972. In the late 1970s, Dekalb Mining Corp. took over control of the property, expanded the mill to 700t/d and mined 155,000 tonnes of ore in 1981. Weak copper prices and high mine dilution forced the mine to shut down at the end of 1981. Claimstaker Resources Ltd. (now J-Pacific Gold Corp.) controlled the property from 1992 – 2003, completing some limited trenching and magnetic surveys. The claims were allowed to lapse in 2004 and Richard Billingsley acquired the ground by staking in late 2004.

In summary historical work on the property consists of approximately 235,000 tonnes of ore having been mined at a grade of approximately 1.5% copper. Approximately 650 diamond drill holes, totaling 33,250 meters have been diamond drilled and several periods of trenching, geochemical and geophysical surveys were conducted during the period 1961 – 1982. No concerted work program has been completed since 1982.

The property is located in the Intermontane belt of Triassic volcanic rocks in central British Columbia. In the southern areas of the province, the dominant rock types are volcanic rocks of the Nicola group. Intruding the Nicola Group of volcanic rocks are late Mesozoic and early Tertiary intrusive rocks. The multiphase Guichon Batholith is the principle intrusive rock hosting the major ore deposits of the Highland Valley. The Alwin property is underlain by quartz monzonite and granodiorite of the Bethsaida Phase of the Guichon Batholith.

An east-west trending fault and shear structure transects the southern portion of the property and dips steeply to the north. It is within this structure that mineralization and alteration occur, and is the structure that hosts the mineralized bodies of historical mine production. Mineralization consists of pyrite, chalcopyrite, bornite, chalcocite and near surface malachite, in a groundmass of clay, sericite, quartz, minor epidote, calcite and chlorite (typical argillic alteration). Width of mineralization is 1 – 12 meters.

Bacon and Crowhurst Ltd. and Sandwell and Company Ltd. completed a feasibility study on the property in early 1970 indicating a positive cash flow from a 500 ton/day underground mining operation. A resource calculation was provided in this study estimating 955,000 tonnes grading 2.51%Cu. Cut-off was reported at 0.7%Cu, over a minimum mining width of 1.2 meters.

Dekalb Mining Corp. completed a detailed level-by-level resource calculation in 1982, yielding a total of 390,000 tonnes grading 1.5% copper, excluding historical mine production. This calculation allows for 25% dilution and does not state cut-grade of copper used. This resource was verified by R.D. Westervelt, P. Eng in 1993.

Both resource estimates do not meet standards of NI 43-101 and are thereby classified as **Historical Resource** estimates. The geological drill logs, assay sheets, drill hole surveys and other sample data required for resource estimations is considered sufficient to provide a resource calculation compliant with NI 43-101. Until confirmation drilling is completed the resource would be classified as inferred and could not be classified as an indicated or measured resource for use in mining studies until confirmation drilling has been completed.

It is not the mandate of San Marco to continue development of the known resource on the property, therefore the scope of this report was only to investigate the exploration potential of the property.

Max Investments Inc., on behalf of San Marco, carried out the initial phase of an exploration program on the property during the summer months of 2006. The program consisted of a 30 kilometer grid over the entire area of the property. SJ Geophysics Ltd. was retained to complete a 3D Induced Polarization survey, the survey collecting reliable depth readings to 300 meters. Crews also collected soil samples at 50 meter intervals along all lines analyzing samples for 36 elements by MS-ICP methods

Results established viable chargeability IP drill targets in areas associated with the old mine and historical resource. In addition, several other targets of coincident IP chargeability and geochemical anomalies were developed.

Ongoing work programs are warranted on the property and a **Phase I** program has been designed to diamond drill targets selected from interpretation of chargeability and geochemical anomalies. A total of six diamond drill holes (1350 meters) are being recommended as the **PHASE I** exploration program at a cost of \$255,000 (Cdn).



PACIFIC
OCEAN

Kilometres



SAN MARCO RESOURCES INC.

**ALWIN PROJECT
BRITISH COLUMBIA**

LOCATION MAP

DRAWN BY: JOHN R. KERR

DATE: SEPTEMBER, 2006

SCALE: AS SHOWN

FIGURE NO. 1

INTRODUCTION

General Statement:

The porphyry copper (gold, molybdenum) deposits of central British Columbia have been the main base/precious metal mining operations of the province for the past five decades. Exploration for these type of deposits were at a peak in the late 1960s and early 1970s, however by 1980 and mainly due to weak copper prices, much of the interest in porphyry deposits had ended, as emphasis was placed on exploration for precious metal deposits. Therefore, much of the exploration glamour of central British Columbia had shifted other areas of North America and the rest of the world. Improvement in base and precious metal prices and recent advances in exploration tools, such as airborne geophysical systems, induced polarization techniques, geochemistry, and drilling techniques, it is now time to revisit the porphyry deposits of British Columbia. Major changes to mining and recovery methods have vastly improved the efficiency of large-scale, open-pit mining operations. Coupled with a better geological understanding of the nature of porphyry deposits, the opportunity now exists to focus on this style of mineralization, applying new and advanced techniques of exploration, mining and recovery of the metals.

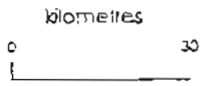
South-central British Columbia is considered the copper mining center of Canada. In total, some 3 billion tonnes have been identified in ore of the Highland Valley grading an average of 0.45% copper and up to 0.8 grams per tonne gold. Current annual production from the Highland Valley mine operated by Cominco is 160,000 tonnes of copper. The Alwin Mine property adjoins Cominco's large Highland Valley land holding and is located within 3 km to the west of the Valley Copper open pit.

Richard Billingsley and Gaye Richards, currently the beneficial owners of the Alwin property, have entered into an option/joint venture agreement with San Marco Resources Inc. (San Marco), dated December , 2005, to sell 100% interest in the Alwin Property. Mr. Chris Dyakowski, President of Max Investments Inc., requested on behalf of San Marco, that I examine the property, compile all available data and prepare this report.

I visited the site and observed the line-cutting and soil sampling programs in progress on June 1, 2006. I returned to the property on October 24, 2006 to characterize interpreted anomalies on the ground. I was a **Qualified Person**, as defined in NI 43-101, at the time of these property examinations.



ALWIN PROJECT



LEGEND

TERTIARY

- Miocene volcanics
- Kamloops and Princeton Groups

MIDDLE AND LATE CRETACEOUS

- Spences Bridge Group

LATE JURASSIC, CRETACEOUS AND EARLY TERTIARY

- Calc-alkaline intrusions

JURASSIC

- Ashcroft Formation

TRIASSIC AND/OR JURASSIC

- Alkaline ultramafic and syenite complexes
- Alkaline intrusions
- Early Jurassic calc-alkaline intrusions

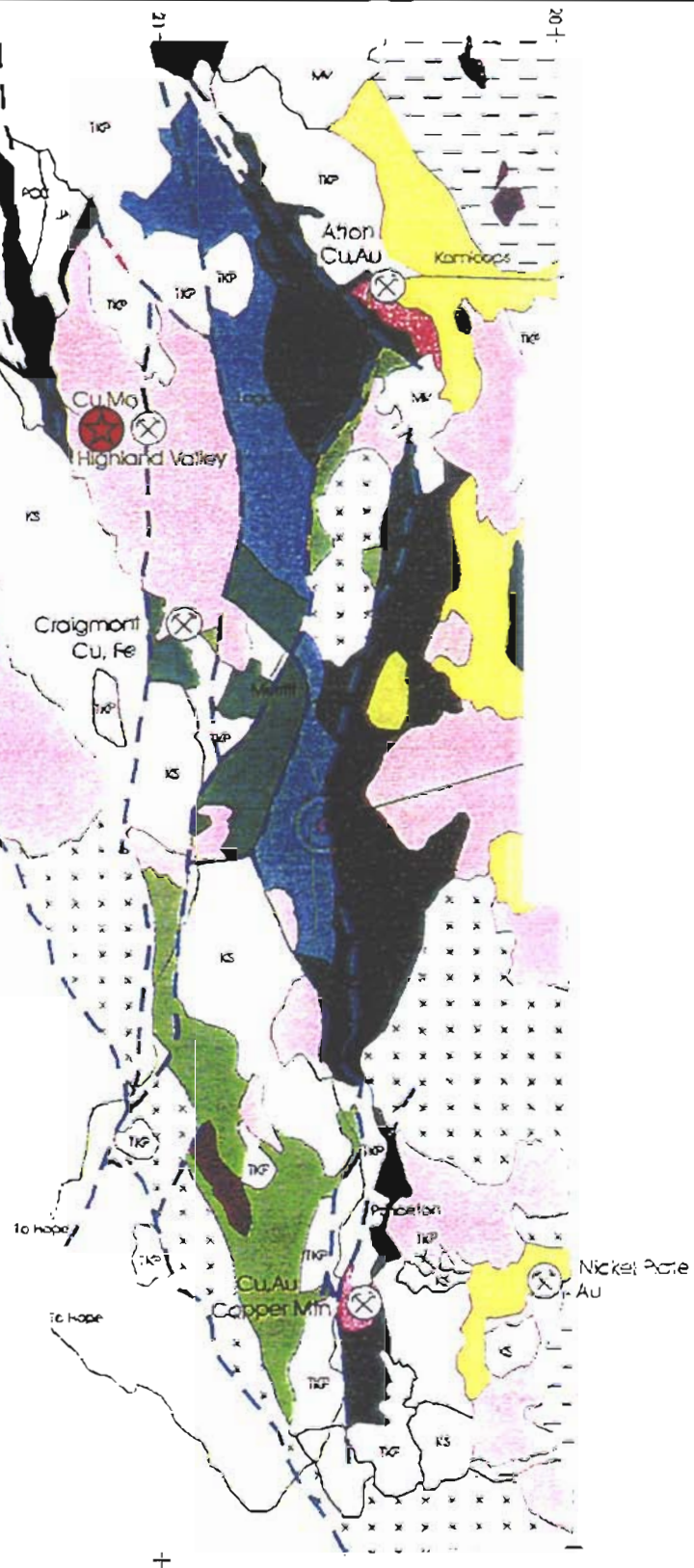
LATE TRIASSIC NICOLA GROUP

- Undifferentiated and metamorphosed
- Western volcanic facies
- Central volcanic facies
- Eastern volcanic facies
- Eastern sedimentary facies

PALEOZOIC

- Cache Creek Complex
- Nicola basement, Apex Mtn., Harper Ranch

- Fault
- Contact
- Mine and commodity



SAN MARCO RESOURCES INC.

ALWIN PROJECT

SIMILKAMEEN MINING DIVISION,
BRITISH COLUMBIA

REGIONAL GEOLOGICAL MAP

DRAWN BY: JOHN R. KERR DATE: OCTOBER, 2006

SCALE: AS SHOWN FIGURE NO. 2

To accompany a report by John R. Kerr, P. Eng.

Reliance on Other Experts:

This report is partially based on technical data that was collected in the 1960s through 1980s, and maintained by various property owners throughout the past 50 years. The writer relies on the quality of work of previous operators, their integrity of reporting, and has no reason to doubt the accuracy of the historical data. Any reference to resource in this report is a **Historical Resource** and has not been verified by the writer.

Location and Access:

The property is located in south-central British Columbia, 18 kilometers west of the town of Logan Lake. The geographic coordinates of the property are 121 07' west; and 51 29' north (NTS map sheet 92I/11). The property is accessed along well-maintained roads from Logan Lake or Ashcroft along Highway #97C to the west end of the Valley Copper tailings disposal area. A well maintained mine/logging road leads 15km to the southeast to the old Alwin plant site. Several logging roads provide good access to most areas of the property. Alternate access to the property is possible from the east end of the tailings disposal area, however locked gates (Cominco) inhibit casual access.

Topography and Vegetation:

Semi-arid weather conditions prevail in the Highland Valley area of British Columbia, the property being located at the transition of the eastern margin of the Coast Mountains with the interior plateau. The property is very flat, with local knolls exposing outcrop. Valleys are generally flat and filled with overburden ranging 2 – 30 meters deep. Overall relief is 200 meters, elevations ranging 1,480 – 1,680 meters (asl). The principle workings are at elevations of 1600 – 1650 meters (asl)

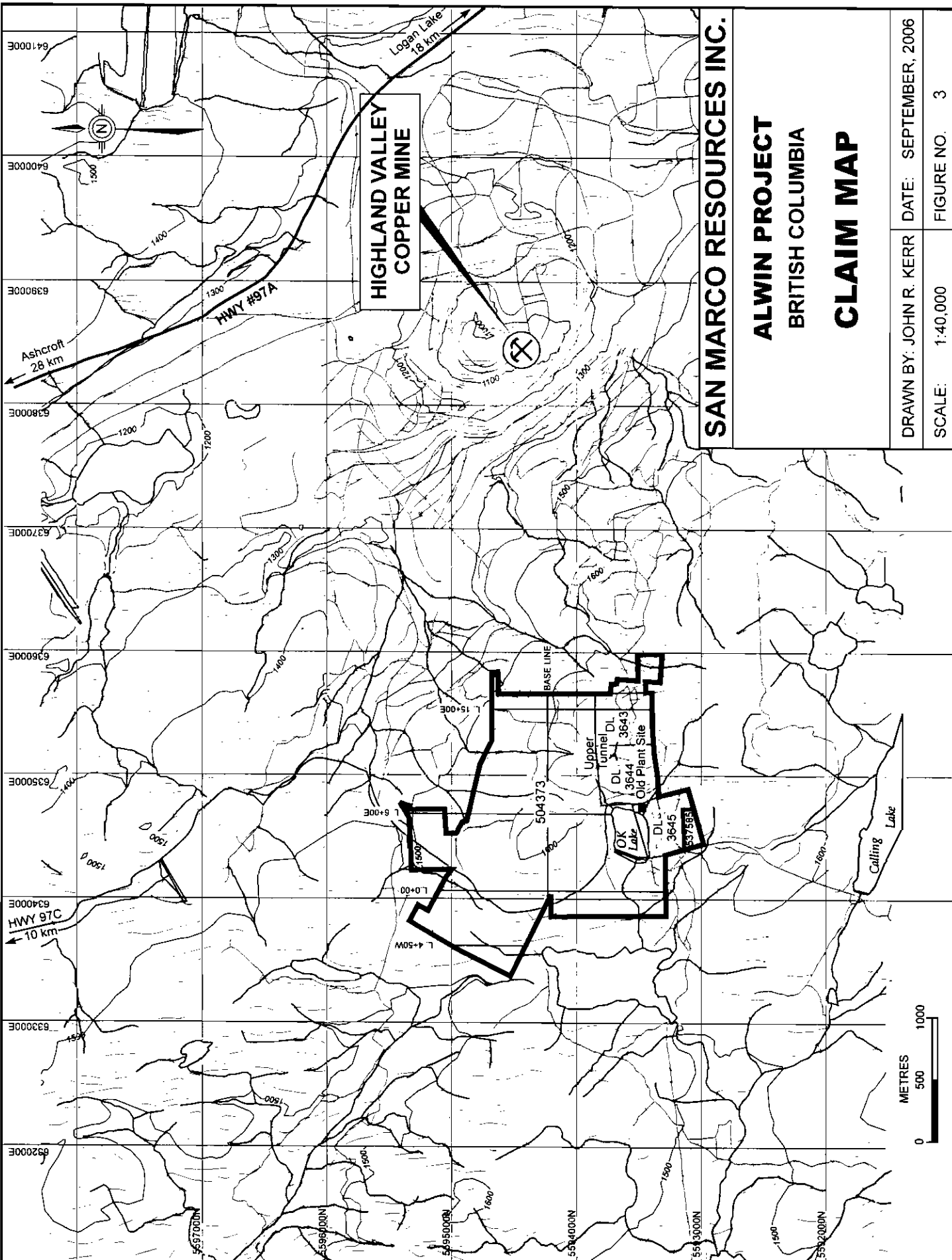
Vegetation is typical interior light forest cover of fir, hemlock, balsam and pine. Portions of the claims have been selectively logged.

Claims:

The Alwin property consists of two irregularly shaped claims (26 units) and three Crown Grants, comprising approximately 534 hectares.

<u>Claim Name</u>	<u>Type of Claim</u>	<u>No. Units</u>	<u>Tenure Number</u>	<u>Expiry Date*</u>
n/a	CGS	25 (514h/a)	504373	Dec. 25, 2008
Alwin Mine	CGS	1 (20h/a)	537585	July 21, 2007
IOU	Crown Grant	1	DL 3643	n/a
OK	Crown Grant	1	DL 3644	n/a
APEX	Crown Grant	1	DL 3645	n/a

- Expiry dates are as documented at Mining Recorder's records as of September 5, 2006
- CGS – Claims located on-line by Cell Grid System
- Crown Grant tenures only have undersurface mineral rights, the surface rights owned by Highland Valley Mining and Development Company for these tenures

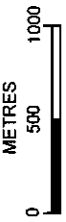


**HIGHLAND VALLEY
COPPER MINE**

SAN MARCO RESOURCES INC.

**ALWIN PROJECT
BRITISH COLUMBIA
CLAIM MAP**

DRAWN BY: JOHN R. KERR	DATE: SEPTEMBER, 2006
SCALE: 1:40,000	FIGURE NO. 3



All claims and crown grants are located in the Kamloops Mining Division and recorded in the name of Richard John Billingsley (RJB). RJB and his partner Gaye Richards entered into an agreement dated December, 2005 with San Marco Resources Inc., whereby San Marco can earn a 100% interest in the property by paying \$50,000 and issuing 125,000 shares to the vendors. The claims are subject to a 2%NSR interest, 1.5% which can be purchased at any time by San Marco for \$1.5 million.

Adjacent Properties:

The claims are totally surrounded by existing mineral tenure. Except for two tenures located near the southern boundary of the claims, all other tenures are recorded in the name of Highland Valley Copper Corporation, a subsidiary of Cominco, and operator of all major mining operations 5 – 10 km to the east of the Alwin property.

HISTORY of DEVELOPMENT

Historical Exploration:

All resource estimates included in this section are herein referred to as **Historical Estimates**, and have not been verified by the writer.

Copper mineralization was discovered in the area in the late nineteenth century. Old records indicate 2000 tonnes of hand-sorted ore grading 9 – 13%Cu was shipped to a smelter in Nelson, B.C. during the period 1907 – 1914.

In 1916, a 50 t/day gravity(?) mill was installed which operated through 1918. 1875 tonnes of ore were treated recovering a grade of 12.8%Cu and 0.4optAg. Development continued through 1919, which consisted of a 66 meter adit, an internal winze sunk to a depth of 60 meters, with some 225 meters of underground development.

The property then lay dormant through the 1960s, when the Alwin Mining Company gained control of the three crown-grants and located claims all around the property. The following summarizes the work since 1967:

1967 - 1970: Induced Polarisation, geochemical surveys, 6940 meters of surface diamond drilling (81 holes), 5860 meters of underground diamond drilling (119 holes) and 1400 meters of underground development.

Bacon and Crowhurst Ltd. and Sandwell and Company Ltd. completed a feasibility study on the property in early 1970 indicating a positive cash flow from a 500 ton/day underground mining operation. A resource calculation was provided in this study estimating 955,000 tonnes grading 2.51%Cu, classified in this report as a **Historical Resource**. Cut-off was reported at 0.7%Cu, over a minimum mining width of 1.2 meters.

1971 – 1972: The OK Syndicate was formed consisting of 50% Alwin Mining Company (Alwin), 25% D.K. Mining Inc (DK), and 25% International Minerals and Chemicals Corp (IMC). A 500 t/day mill was constructed and mining was by limited block caving methods. Extreme dilution occurred and mining was halted in 1972 due to continued losses being sustained. In total, 76,000 tonnes were mined grading 1.52%Cu.

Alwin's 50% interest was bought by DK and IMC, who then continued mine development by adding 1000 meters of underground tunneling and 4375 meters of underground diamond drilling (148 holes).

1973: Selco Mining Corp. optioned the property for one year, drilling 11 underground holes totaling 905 meters.

1974 – 1979: The OK Syndicate continued development drilling 205 additional underground holes, totalling 10,330 meters.

1980 – 1982: Dekalb Mining Corp. gained control of the property and restored the mill, upgrading its capacity to 700t/day. Total production amounted to 155,000 tonnes grading 1.54%Cu. Mining was suspended in September, 1981, due to falling copper prices. Development reached an elevation of 1400 meters (asl), to a depth of 270 meters below surface. Extensive underground diamond drilling was completed, totaling 3,935 meters and consisting of 67 holes in 1981. 11 shallow, surface diamond drill holes totaling 905 meters were also completed in 1981, testing shallow IP anomalies near the existing resource.

Dekalb completed a resource calculation in late 1982, classified in this report as a **Historical Resource**. A summary of this calculation is reported to be a total of 390,000 tonnes grading 2.50%Cu, allowing for 25% dilution, that remain in the ground today after all historical mining events. This was classified as proven, possible and possible by Dekalb. Cut-off grade was not reported, therefore it is assumed the cut-off was a geological contact.

Recent Exploration:

1992 – 2003: Claimstaker Resources Ltd. (later J-Pacific Gold Inc.) held the claims continuously from 1992 - 2003. During this period, the claims were subjected to a geophysical survey, limited underground development, some road work, trenching, reclamation and remedial treatment of old tailings sites and a resource calculation.

The resource calculation completed by the staff of Dekalb after mine closure in 1982 was reviewed and verified by R.D. Westervelt, P. Eng. in 1993.

J-Pacific Gold Inc. allowed the claims to lapse in late 2004 or early 2005. Richard John Billingsley and Gaye Richards acquired the claims by the new Cell Grid on-line staking system early in 2005.

2005: An option agreement was completed to permit San Marco Resources Inc. to earn a 100% interest in the property. They have completed a Three Dimensional Induced Polarisation program over 35 kilometers of grid covering the entire the property. Soil samples were collected at 50 meter intervals along all grid lines and analyzed for 32 elements by ICP methods.

In summary, approximately 642 diamond drill holes totaling 33,250 meters were drilled during the period 1967 – 1981. There has been no drilling completed since. Most drilling provided AQ diameter drill core (2.5cm), however some reference to limited NQ and BQ has been found. Good quality drill logs with assay data are available. Greater than 50% of the primary laboratory reports are also available.

This report integrates the results of 2006 work programs into historical data and provides the material to recommend ongoing work programs. There is no attempt to update or verify resource calculations to today's standards.

GEOLOGY

Regional Setting

The project area lies within the Intermontane belt of Mesozoic rocks between Princeton and Merritt. This belt of rocks carries south into the United States and north into the Yukon Territory. The distinguishing and oldest rock group in this belt is the volcanic and sedimentary rocks of the Triassic Nicola group. Preto (Bulletin 69) has subdivided this group into the western, central, and eastern facies. The eastern facies is dominantly intermediate purple/gray/green flows, breccias, tuffs, lahar breccias, with minor sandstones and siltstones. The central facies is intermediate to basic flows, breccias and tuffs, with more dominant limestone, siltstone, argillite, and conglomerate. The western facies is acidic to intermediate flows, breccias and tuffs, with minor limestone.

Intruding the Nicola volcanic rocks are numerous stocks, sills, small plutons, batholiths and dikes of various ages and of a varied composition. The more sizeable intrusions are the early Jurassic Guichon Batholith, the Iron Mask Batholith, and numerous late Mesozoic and early Tertiary stocks. The intrusive rocks are acidic to basic in composition, however most are alkalic in nature. The most dominant rock descriptions are diorite, monzonite and granodiorite.

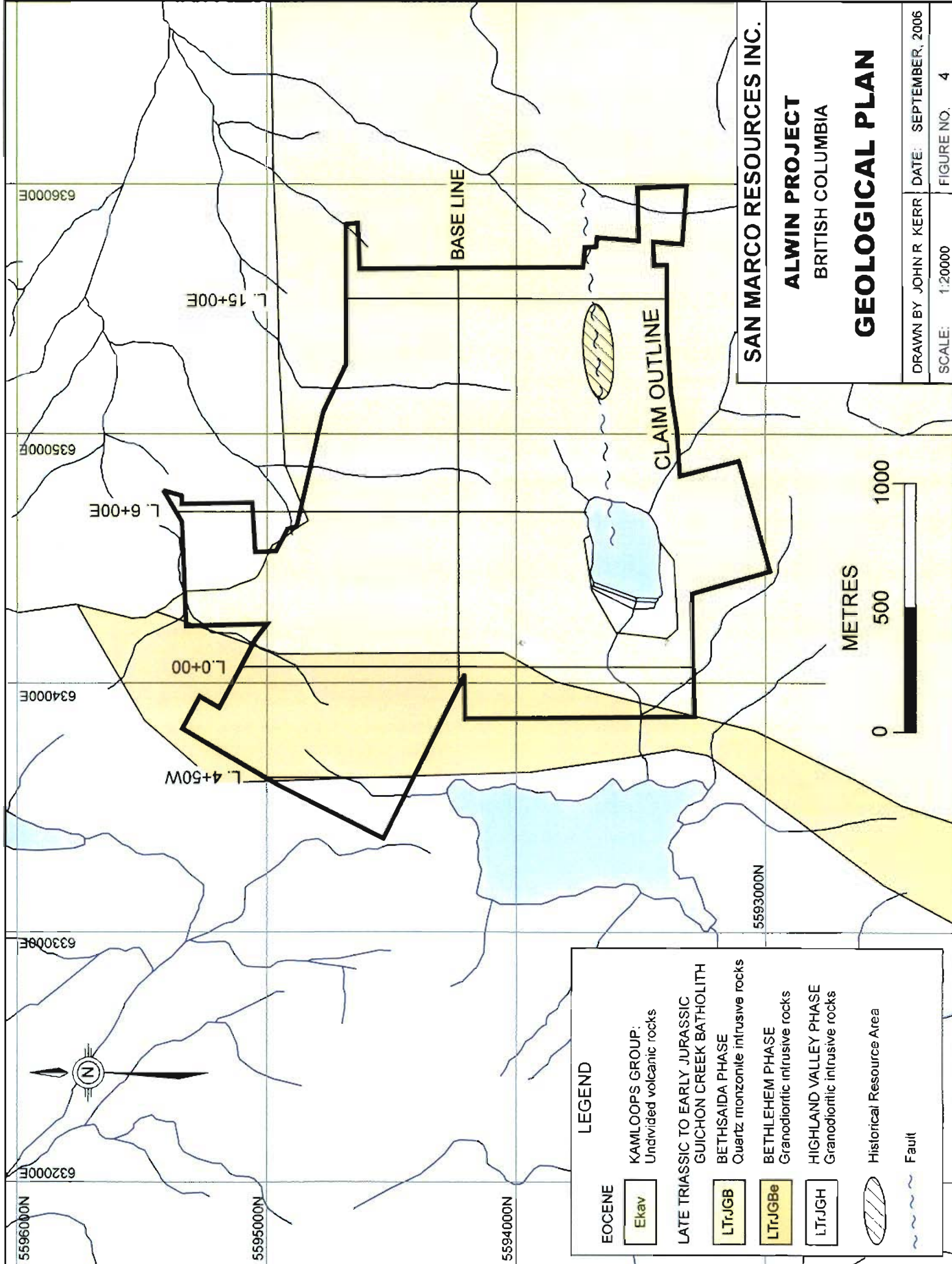
The lower Cretaceous Kingsvale group of dominantly volcanic rocks unconformably overly the Nicola group and earlier intrusions. These rocks are intermediate to felsic flows, tuffs, ash flows and lahar breccias. Overlying all rocks are Tertiary basalts and andesites of the Kamloops Group and sedimentary rocks of the Coldwater beds.

Property Geology

The rocks that dominate the Alwin property are quartz monzonite and granodiorite of the Bethsaida phase of the Guichon Creek Batholith. A thin sliver of the Bethlehem phase occurs along the western border of the property. Several dykes and small sills of later phases of the main intrusion have been mapped on the property. Later Tertiary volcanic rocks of the Kamloops Group have been mapped in the northern and central portion of the property (see Figure 4 for details).

Structural Geology

The property is in an area that has a high concentration of mapped and interpreted faults and shear zones. It is a main east/west trending and steeply dipping structure that hosts the Alwin mineralized body. The fault is traced to the east north-east where it projects into the large Valley Copper porphyry deposit that is currently being mined by Cominco. Several other lineaments and fault structures have been interpreted on the property and trending in a general east/west direction steeply dipping in both directions.



SAN MARCO RESOURCES INC.

ALWIN PROJECT
BRITISH COLUMBIA

GEOLOGICAL PLAN

DRAWN BY JOHN R KERR DATE: SEPTEMBER, 2006
SCALE: 1:20000 FIGURE NO. 4

LEGEND

EOCENE	KAMLOOPS GROUP: Undivided volcanic rocks
LTrJGB	LATE TRIASSIC TO EARLY JURASSIC GUICHON CREEK BATHOLITH
LTrJGBe	BETHSAIDA PHASE Quartz monzonite intrusive rocks
LTrJGH	BETHLEHEM PHASE Granodioritic intrusive rocks
	HIGHLAND VALLEY PHASE Granodioritic intrusive rocks
	Historical Resource Area
	Fault



Alteration and Mineralization

All noted mineralization occurs in highly brecciated and sheared quartz monzonite related to fault structures. Alteration and shearing associated with mineralization has been noted to exist in widths up to 35 meters. At the boundary of the shear zone, the contact of alteration and mineralization is sharp and very well defined.

Mineralization is dominantly chalcopyrite and pyrite, with lesser bornite, and minor chalcocite, molybdenite and pyrrhotite. In areas, the mineralization forms large clots of massive sulphides, however is generally 10 – 20% sulphide content. On surface primary copper minerals have been oxidized, consisting of malachite, azurite and minor chrysocolla. The gangue minerals are mainly alteration minerals of clay, sericite, silica, biotite, chlorite, specular hematite, and calcite. In general, mineralization is noted over widths of 2 – 12 meters, along strike - 500 meters and down dip – 250 meters.

Four samples of mineralization were collected by the author at the time of the site examination. None of these samples are of any economic significance, the results characterizing the nature of mineralization. The four samples were from old dumps, cuts, and trenches and assays ranged 0.85% - 12.26% copper. Trace contents of silver, gold and molybdenum were noted in some samples. Sample descriptions and assays are shown in Appendix B.

Deposit Types Searched For

The principle deposits of the Highland Valley are the large low-grade porphyry copper (molybdenum, gold) deposits, located 3 – 10km east of the property in similar rock types. Similar styles of mineralization may occur within the boundaries of the Alwin property, however this style of mineralization has not been discovered to date.

The evidenced deposit type that has been the subject of historic mining on the property is structurally controlled replacement deposits. The source of mineralization is probably related to the main mineralizing event of the porphyries, however the large-scale structural setting for major porphyry-style mineralization is not evident. Other styles of potentially economic deposits are not believed to exist on the property.

EXPLORATION

Pre-2006 Exploration Program:

Exploration and Mining Programs were conducted on the property during the period 1967 – 2003 by several mining companies and syndicates, and are detailed in the History of Development section of this report. In summary, approximately 230,000 tonnes have been mined grading 1.5% copper, 2700 meters of underground tunneling have been established, and 642 diamond drill holes, totaling 33,250 meters have been completed. In addition, trenching, geophysics and geological mapping on the property is well-documented.

2006 Field Program:

In July, 2006, Max Investments Inc., on behalf of San Marco Resources Inc., commissioned a 30 kilometer 3D Induced Polarization Program (IP) to SJ Geophysics of Vancouver, B.C. The methodology is discussed in a report entitled 3D Induced Polarization Survey Geophysical Report, Alwin Project by Ron Sheldrake, Geophysicist, of SJ Geophysics. A 1.5 km baseline and 35 km of cross lines were established by GPS, chain and compass methods of control at 75 meter line intervals. All cross lines were cleared by power saw suitable to complete induced polarization surveys. The gridded area covered the entire property at 75 meter line intervals, with readings taken at 25 meters along all lines. The readings were computer processed producing a 3D model of the resource areas. A summary of these results are shown on Figures 6A and B, with the mineralized shear and area of historic mine production superimposed.

At the time of establishing the grid, soil samples were collected at 50 meter stations along all cross lines avoiding areas of swampy and organic soil and possible contamination from old mine workings. All samples collected were analyzed by multi-spectrographic ICP methods for 36 elements at the laboratories of Acme Analytical Laboratories Ltd. of Vancouver. The principle metals being copper and gold were plotted on a representation of the grid, shown on Figures 5A and B respectively, with interpreted anomalies of each metal.

The author visited the property examining all available showing areas at two periods of the 2006 program: 1) during the grid construction period in June, 2006; and 2) after all results had been received and interpreted in October, 2006. Four rock-chip samples were collected and also submitted to Acme analytical for MS ICP analysis and copper assays. Results are shown in Appendix B.

EXPLORATION RESULTS

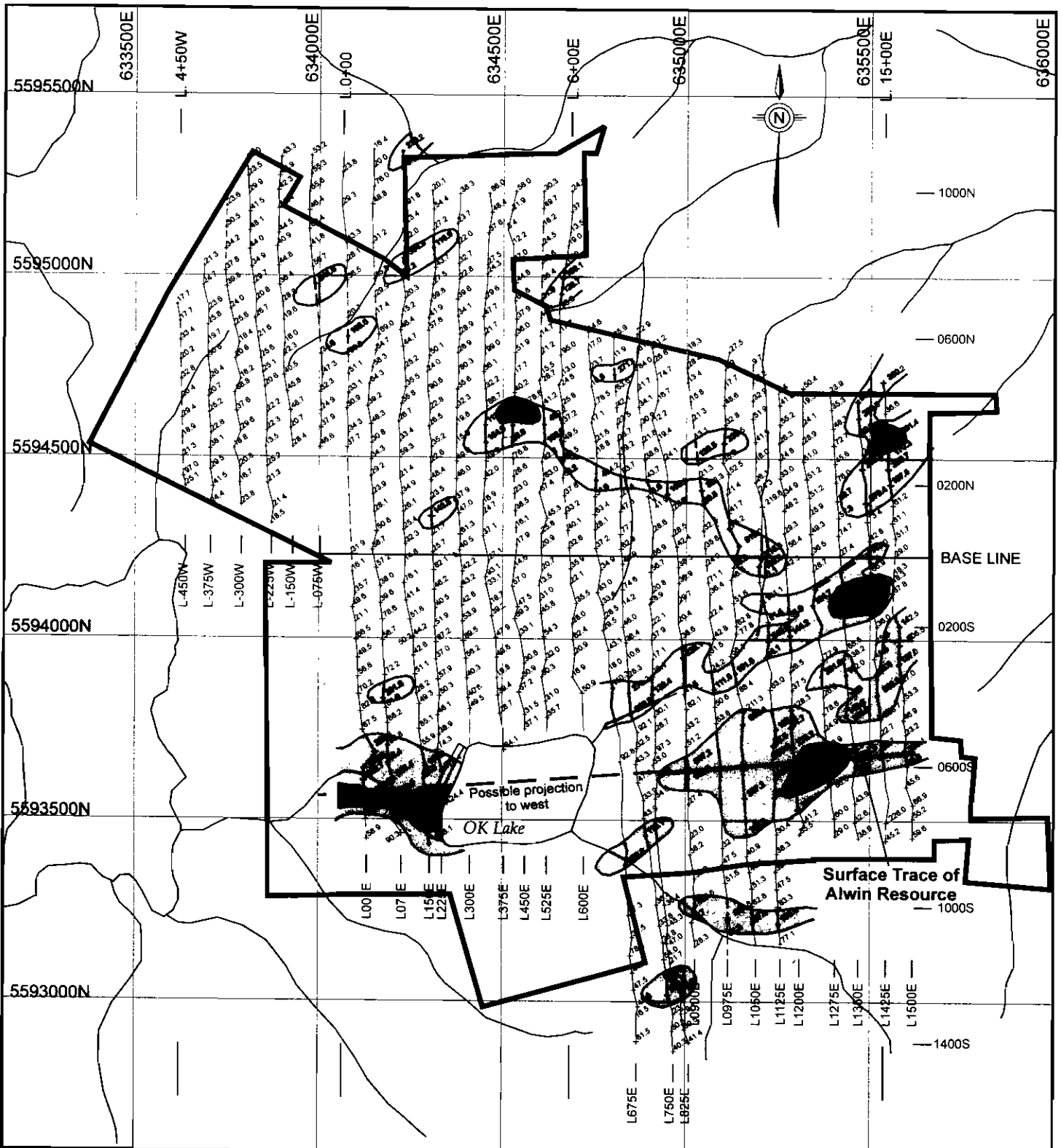
Geochemistry:

Historical data makes reference to several periods of rock and soil geochemistry on the property and in the vicinity of the claims, however none of this data is sufficiently documented to be used for ongoing work programs. It was therefore decided to incorporate a comprehensive soil sampling program into the 2006 field program to construct a geochemical plan for various elements. Only the copper and gold were considered of economic significance and are shown as Figures 5A and B.



Rock chip sampling of almost all outcrop areas has been done throughout the exploration history of the property. There has been no attempt to compile this data over history and the results of early surveys were not documented. Recent rock-geochemistry collected in the main mineralized resource area confirms the presence of the mineral bearing zones. Future programs should incorporate thirty-element geochemistry and whole-rock analysis of surface samples and drill core to gain a better understanding of mineralized geochemistry and alteration.

The copper distribution plan as shown on Figure 5A, indicates a significant response to copper in the vicinity of the old mine and workings. An interpreted anomaly extends in an easterly direction along the trend of the deposit from OK Lake to the eastern property boundary, a distance of approximately 900 meters. 600 -700 meters of this length has been developed by underground mining, drifting, drilling, surface trenching and drilling. It is within this area that the historical resource is reported to exist. Four other areas of significance have been defined by soil geochemistry:

- 1) A 800 meter copper long anomaly extends from 3+75E @ 3+00N to L11+25E @ the Base Line. Gold values are relatively sympathetic with copper. This defines a brand new discovery area, which has some IP chargeability highs associated. There is no evidence of historical exploration such as trenching or drilling in this area. Copper values range 100 – 1100ppm in this anomaly.
- 2) On Lines 14+25E and 15+00E @ 2+00S a small, however strong circular copper anomaly exists over a 200 meter diameter. There is evidence of old trenching and copper mineralization in float in this area, however no evidence of historical drilling. A strong significant chargeability anomaly is interpreted at depths of 100 – 200 meters. Soil values range 150 – 2000ppm copper. Weak, however significant gold is associated with this anomaly.
- 3) On Lines 14+25E and 15+00E @ 2+50N a significant copper anomaly exists with copper values ranging 200 – 1100ppm copper. There are no chargeability anomalies or evidence of historical exploration in this area.



Anomaly Classification

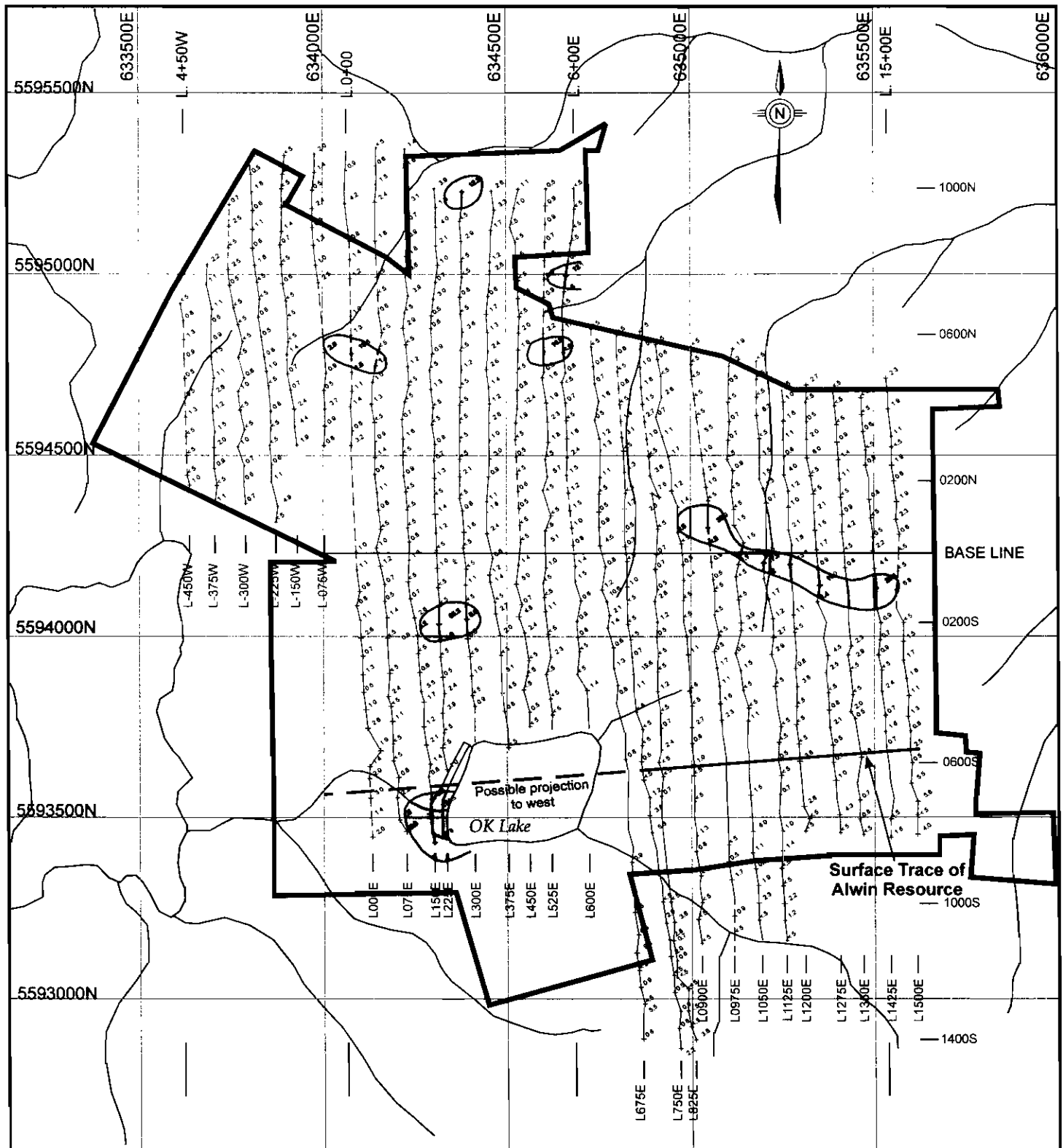
-  Definitely Anomalous
>1000 ppm Cu
-  Prob/Poss Anomalous
100 - 1000 ppm Cu



SAN MARCO RESOURCES INC.

**ALWIN PROJECT
BRITISH COLUMBIA
GEOCHEMICAL PLAN
COPPER DISTRIBUTION
IN SOIL**

DRAWN BY: JOHN R. KERR	DATE: SEPTEMBER, 2006
SCALE: 1:15,000	FIGURE NO. 5A



Anomaly Classification



Prob/Poss Anomalous
>10 ppb Cu



SAN MARCO RESOURCES INC.

**ALWIN PROJECT
BRITISH COLUMBIA
GEOCHEMICAL PLAN
GOLD DISTRIBUTION
IN SOIL**

DRAWN BY: JOHN R. KERR

DATE: SEPTEMBER, 2006

SCALE: 1:15,000

FIGURE NO. 5B

- 4) Lines 0+00 to 2+225E @ 11+00S provide the strongest soil anomaly on the property with values ranging 250 – 4400ppm copper. Soils in this area are quite organic and are immediately downstream from the old tailings discharge pond. There are no IP chargeability anomalies in the area and it is feared this anomaly is the result of contamination from old mine workings.
- 5) There several other single and small bull's eye geochemical targets throughout the remainder of the grid area.

Geophysics:

Historical geophysical surveys in the area are similar in nature to historical geochemical surveys, the surveys completed over selected areas and the work not well-documented. The results of this work are therefore not discussed in any detail in this report. A magnetometer survey was completed in the 1990s and was reviewed by the author. Results are summarized as follows:

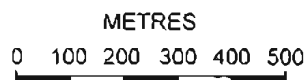
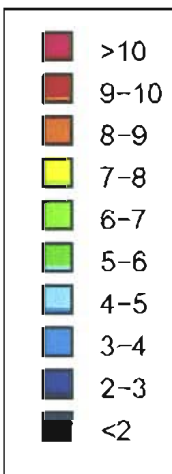
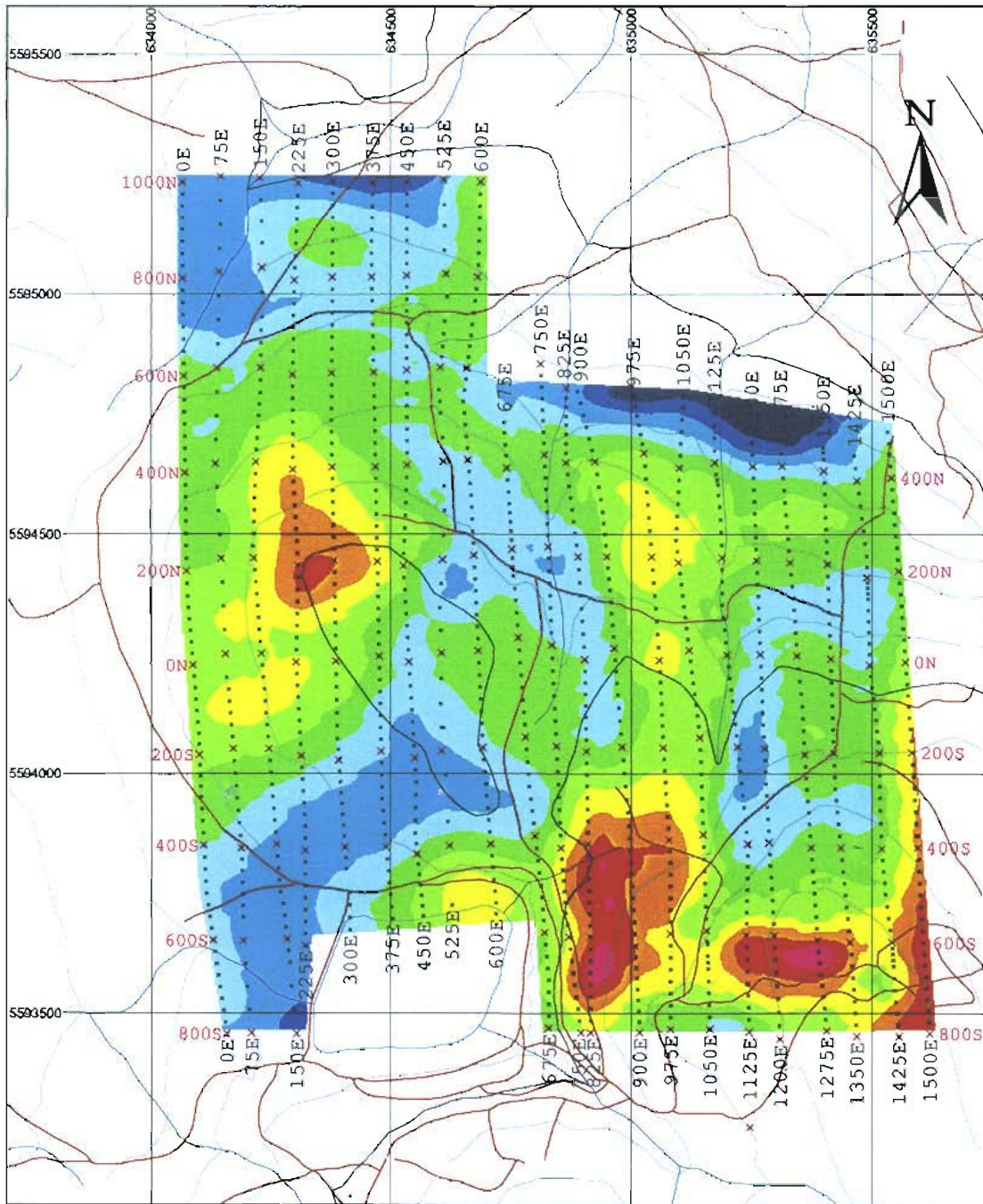
- 1) A magnetic high anomaly is centered on L6+00E @ 2+00S.
- 2) A magnetic high/low anomaly is on L+225E @ 3+00S.
- 3) Two open-ended magnetic high anomalies are located on L0+00 4+50S.

The rest of the claim block has a very flat magnetic profile, with no anomalies representing the mineralized zone.

In 2006, SJ Geophysics completed 30 km of 3D IP survey over the mineral showing areas covering the entire mineral claims block. The sensitivity of the 2005 survey gives depth credibility of readings to 300 meters. This is 1.5 – 2 times deeper than any previous survey completed in the area, and provides drill chargeability targets associated with each zone to these depths. The survey allows for topographic corrections, which provides a much more realistic plot of chargeability values on topography. In addition, “pant-leg” effects at depth on these “corrected” sections have been eliminated.

Interpretation of the results of the recent IP data has provided some very good correlation of known mineralized and resource areas to chargeability highs. In summary, the mineral showings appear to correlate well to the periphery portion of the stronger chargeability anomalies. The 2006 survey indicates the following:

- 1) The main mineralized structure hosting the historical resource area (including the mined out portion) is very well indicated by very strong chargeability high anomalies at all depth levels, intensifying in strength at depth. The strongest anomaly is noted at a depth level of 150 meters beneath surface, indicating the resource extends to these depths. The anomaly has a strike length of 900 meters.
- 2) Between the 75 and 150 meter depths two north/south trending offshoots of the main resource anomaly extends along L8+25-9+00E and L14+25-15+00E. The cause of these anomalies is unknown.



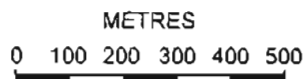
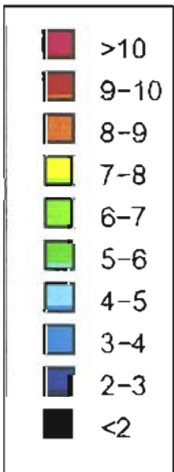
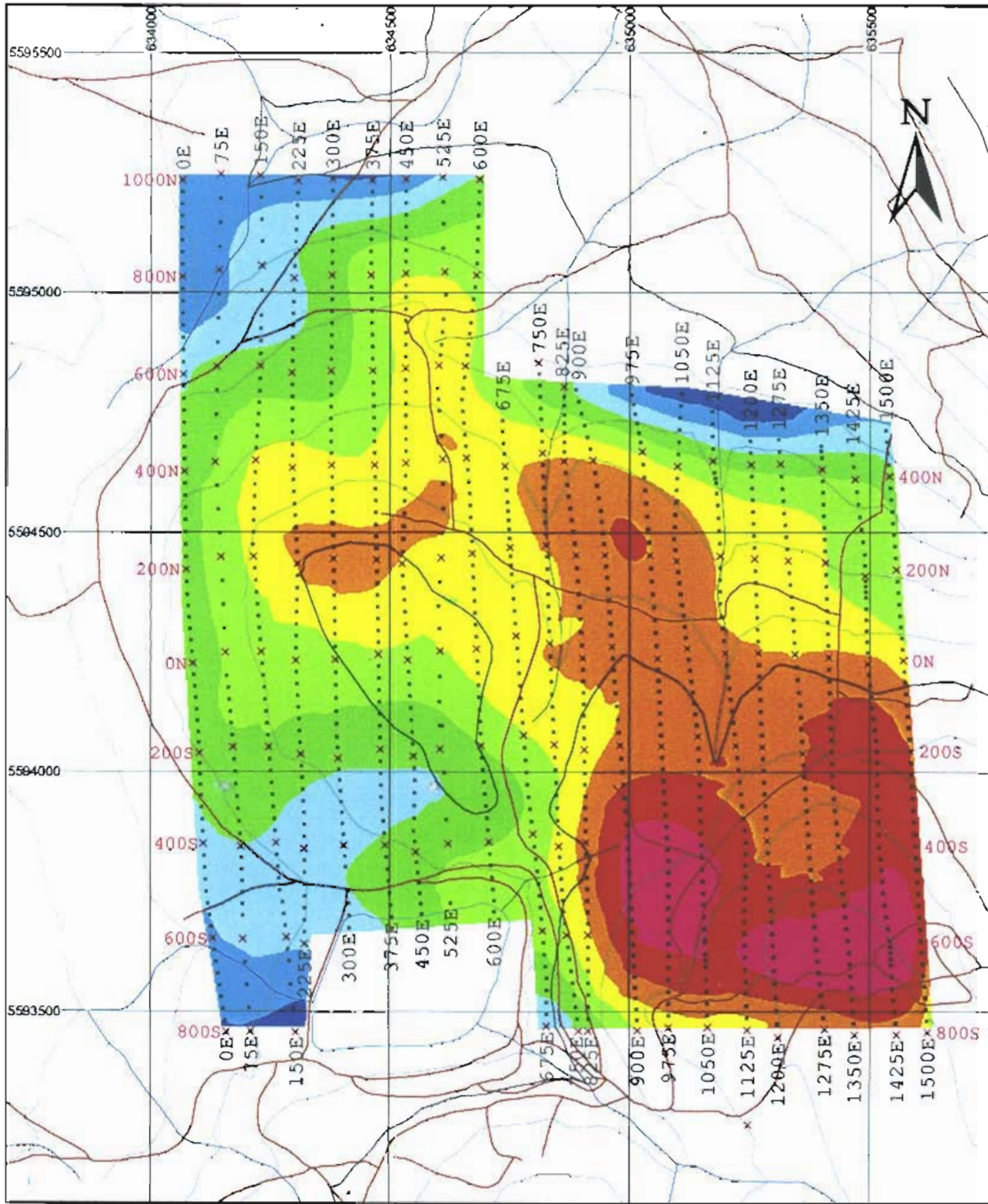
SAN MARCO RESOURCES INC.
ALWIN PROJECT
 BRITISH COLUMBIA
2006 INDUCED POLARIZATION
SURVEY CHARGEABILITY
AT 75 METER DEPTH

DRAWN BY: JOHN R. KERR

DATE: SEPTEMBER, 2006

SCALE: 1:15,000

FIGURE NO 6A



SAN MARCO RESOURCES INC.

**ALWIN PROJECT
BRITISH COLUMBIA**

**2006 INDUCED POLARIZATION
SURVEY CHARGEABILITY
AT 150 METER DEPTH**

DRAWN BY: JOHN R. KERR

DATE: SEPTEMBER, 2006

SCALE: 1:15,000

FIGURE NO. 6b

- 3) A 200 meter diameter chargeability high is centered on L14+00E @ 2+00S. This anomaly correlates well to a copper soil anomaly and area of early 1960/70 trenching.
- 4) On L9+25E @ 3+00N a strong chargeability anomaly peaks at the 150 meter depth level. This anomaly has no known cause, however is associated with copper soil anomalies.
- 5) Between L 2+25 and 3+00E @ 2+00N, a strong chargeability high is located between the 50 and 75 meter depth levels. This anomaly is associated with significant geochemical anomalies. There is no other evidence of mineralization in this area.
- 6) Very little useful data is interpreted from the resistivity plans. The plans indicate some north/south trending lineaments that do not correspond to the orientation of the principle mineralized structure.

Trenching:

There is evidence of trenching and small test-pitting in several areas of the property, however most trenches are caved and badly overgrown. Seven trenches were excavated and sampled in 1993 to test the eastern extension of the main mineralized structure, the results documented in a report by R.D. Somerville for Claimstaker Resources Ltd.

DRILLING

The history of exploration and development drilling is well-documented for the Alwin property. Most of the early drilling was completed during the period of 1967 – 1981, completing 642 diamond drill holes totalling some 33,250 meters. 47 of these holes were surface drill holes and the rest of the holes were underground. No drilling has been completed on the property since 1981. The size of drill core obtained, drill records, assay data and drill logs have been well-preserved through the property ownership.

A review of the drill-hole data indicates the following:

- 1) Most of the drill core size was AQ (2.5cm) diameter, however reference is made to limited BQ (3.7cm) diameter and NQ (4.7cm) diameter.
- 2) Some of the drill core exists at the site in very poor condition. It is questionable whether this core could be used for sample verification and re-logging.
- 3) Reference is made to all sampling of drill core from mineralized zone to be split core. The entire fault/shear zone was sampled and assayed when intersected.
- 4) It is apparent that all (most) drill hole collars were surveyed, giving coordinates with respect to mine grids. It is believed this can be converted to UTM coordinates for future use.
- 5) Down-hole surveys are reported for most of the deeper holes exceeding 50 meters. Testing is apparently only dip-angle by acid (etch) tests.
- 6) Drill logs are of good quality with excellent references to rock types, structures, rock alteration and mineralization. Logs are either typed or handwritten.
- 7) Supervision of drill programs appear to be by a competent professional staff hired by the operator or contracted out. Reporting, where available is of good quality.
- 8) It is believed that greater than 95% of all drilling completed on the Alwin property is accounted for in drill logs. Greater than 50% of the original assay data sheets are available.

In summary, it is the writer's opinion that the historic drill records are of sufficient quality to use for resource calculations. It is recommended to research government records and contact previous operators to find out if any more details pertaining to drill logs, assay sheets, and drill-hole surveys are available for resource calculations.

There are several references to drill programs in the vicinity of the Alwin property, however there is no other direct evidence of drilling having been completed within the property boundary away from the main resource area. In the 1960s and 1970s, drilling in the Highland Valley and Guichon Batholith was at a peak level, therefore it is suspected that other drill holes exist on or very near the property boundaries.

SAMPLE QUALITY

Sampling Method and Approach: There are minimal records of previous drill sampling program sampling techniques, therefore details of sampling methods and approach of historical programs are not discussed. There is reference however that all drill core intersecting the main mineralized structure was sampled, and it is believed that samples obtained were from split drill core. A cursory review of drill logs indicate sampled core interval was determined by geological contacts, with no routine sample interval. Sample intervals of 0.5ft (0.15m) to 22ft (6.7m) have been noted.

Over the history of drilling, samples were sent to at least five various custom laboratories, one mine laboratory, and at least one on-site laboratory. Results are all reported as full assays, with copper assays reported for all samples. Gold, silver and molybdenum assays are reported for some of the development drill programs. Details were not reviewed as resource details were not the mandate of this study.

The 2006 program consisted of soil sampling and limited rock-chip sampling. Soil samples were collected at 50 meter stations along all grid lines and packed in brown kraft envelopes for shipment to the laboratory. Samples were taken from the "B" horizon of soil where possible and identified. Swampy and high organic areas were avoided.

The rock chip samples were collected in plastic sample bags. Appendix B defines the location, nature and results of these samples

Sample Preparation, Analysis and Security:

Historical drill core sampling procedures are not thoroughly discussed in documented reports. It is believed that all samples were from split core and placed in quality sample bags for shipment to laboratories. Reference is made to sample assays being completed at the following custom laboratories in Vancouver:

- 1) Coast Eldridge Laboratories Ltd.
- 2) TSL Laboratories Ltd.
- 3) Chemex Ltd.
- 4) Bondar-Clegg and Company Ltd.
- 5) Crest Laboratories Ltd.

All were acceptable and high-quality custom laboratories of the 1960s and 1970s. Reference is made to considerable samples being run by Bethlehem Copper Mines Ltd. laboratory in the late 1960s. This mine site was very local to the Alwin Mine and samples were likely shipped there for convenience. Two on-site laboratories are referenced during the two periods of mine production. It is believed that some of the development drill samples were assayed at these labs.

Sample handling methods, preparation and analysis of the 2006 program are briefly discussed as follows:

Soil samples were shipped to Acme Analytical Laboratories Ltd. in Vancouver, British Columbia. All soils were sieved to -80 mesh and then were analyzed for 36 elements by MS ICP methods. Results were reported to the company and the author.

The rock chip samples were carried by the author directly to Acme Analytical Laboratories in Vancouver. All samples were pulverized and then were analyzed for 36 elements by MS ICP methods. Copper values reported in excess of 10,000ppm were assayed for copper. Results were reported directly to the author.

Data Verification:

QA/QC procedures for historical drill programs are not well documented. Reference is made to some cross-checking of samples at the same laboratory and at other laboratories, however it is currently unknown if a sufficient statistical package is available to relate potential laboratory biases.

Except for in-house standard laboratory testing, there has been no attempt to verify any of the geochemical or assay results presented in this report. The author believes there is no necessity to have this completed at this time.

UNDERGROUND MINING and DEVELOPMENT

The underground workings have been entered from two portals approximately 400 meters apart. The lower portal is located at the southeast corner of OK Lake and is entirely buried, the entry not located today. This was the main mining entry of early operations and used to a limited extent in the 1972 mining campaign.

The upper portal entry exists today and is located on L10+50E @ 6+00S. It leads to an inclined adit (~15%) and is driven 250 meters into the resource area. All mining from the 1981 production program was from this entry. It is unknown how far entry is possible into this incline without dewatering or mine rehabilitation.

Sketchy records exist as to the extent of underground mine development, however estimates indicate that some 2700 meters of underground development tunnels exist on all levels. The resource has been developed by tunnels to the 1400m (4600ft) elevation, a depth of some 270 meters below surface.

Mining is reported to have been open stopes in the early 1970s and by a crude form of block caving in 1981. There are therefore open stopes and cavities underground that once housed approximately 230,000 – 250,000 tonnes of mined ore. Mining widths were 1.5 – 10 meters.

METALLURGICAL TESTING and OTHER INFORMATION

There is reference to mills having been built on site to process ore from the three periods of production:

- 1) In 1916/17, a 50 ton/day (~45tonne/d) mill processed 1875 tonnes of ore. This was likely carrying very high content of copper (>5%) and was separating the copper minerals by gravity methods, as flotation metallurgy was not developed at this time.
- 2) In 1972, a 500 ton/day (~450tonne/d) flotation mill was built and processed 1.5% copper ore in that year. The mill processed 76,000 tonnes of ore, sketchy records expressing recoveries >90%. There are no available records of flow-sheets, additives, or other pertinent details of the metallurgy.
- 3) In 1981, the mill was expanded to 700 ton/day (~640tonne/d), processing 155,000 tonnes of ore grading 1.55% copper. Again there are very sketchy records pertaining to details of the metallurgy.

In summary, metallurgy of the resource is well tested, however results are not known. It is apparent that very acceptable recoveries were experienced during the mining periods.

There is no further relevant information pertaining to the property that the writer is aware of, that has not been disclosed in this report.

MINERAL RESOURCE ESTIMATES

In 1969/1970, a resource calculation was presented in a feasibility study completed by Bacon and Crowhurst Ltd. and Sandwell and Company Ltd., both reputable engineering firms located in Vancouver, B.C. The calculation was based on section-to-section volumetric calculations of mineralized zones at a stated cut-off of 0.70% copper. The estimate reported a minimum mining width of 4ft (1.2m). A summary of this estimate reports a total of 955,000 tonnes grading 2.51% copper and 0.375opt silver. The calculation was based on 1967 – 1969 drill programs (~200 holes)

After the last period of mining in 1981, a resource estimate is reported by Dekalb Mining Corp. to have been completed in 1982. The calculation was based on level-to-level volumetric calculations of mineralized zones at no stated grade cut-off.

The calculation was evidently completed by the staff of Dekalb after mine closure and verified by R.D. Westervelt, P. Eng. in 1993. A summary of this calculation reports a grand total of 390,000 tonnes grading 2.50%Cu that exists in the ground today after historical mining events. This was classified as proven, probable and possible by Dekalb. Cut-off grade was not reported, therefore it is assumed the cut-off was a geological contact. The calculation was based on drill results of 1967 to 1981 drill programs (640 drill holes).

There is a discrepancy of some 325,000 tonnes of resource in the two estimates that is not reconciled in this study and report. Both estimates report a similar grade of 2.5% copper. The 1970 estimate of 955,000 tonnes must consider the 240,000 tonnes mined in 1972 and 1981, therefore 715,000 tonnes would remain after mining. The 1982 estimate reports 390,000 tonnes after mining. This discrepancy should be reconciled prior to further resource estimates.

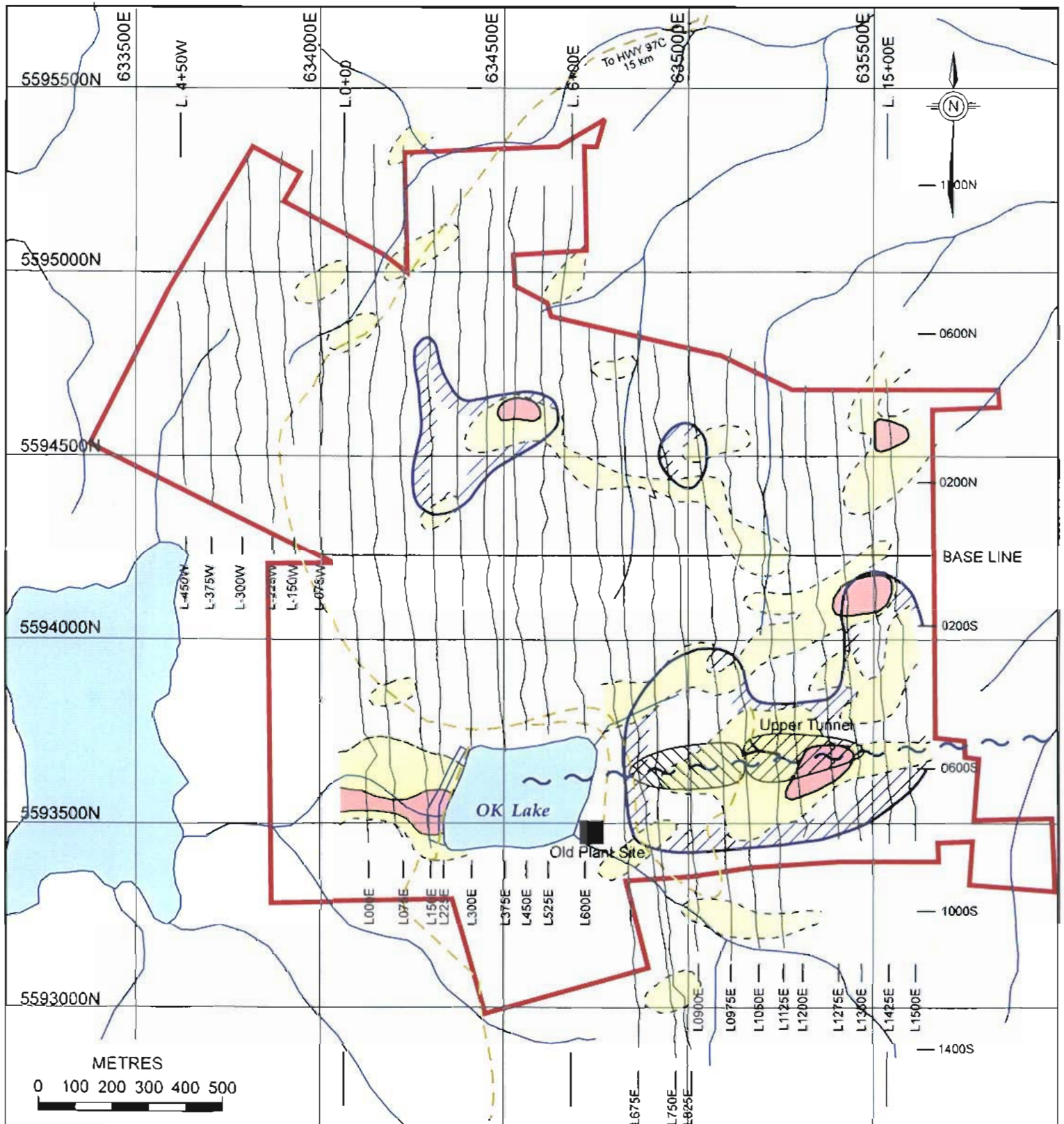
The two resource estimates can only be classified as “**Historical Resource**” estimates and therefore cannot be used for mine planning or feasibility.

It is the author’s opinion that the existing data is of sufficient quality to provide a Mineral Resource acceptable to NI43-101 standards can be completed. Two options exist for ongoing operators to provide acceptable NI43-101 resource estimates for the Alwin project:









I Research and collect all additional and available drill logs, surveys, assay data and build a new geological model based on this data. The data would have to be verified by twinned drill holes and limited additional drilling in order for this resource calculation to be placed into a “Indicated or Measured” category.

II Build a new geological model based on existing data. The resulting resource calculation would only be classified in the “Inferred” category and could not be used for mine planning until twinning and verification drill programs have been completed.

It is not the current operator’s mandate to establish a resource on the property at this time. The mandate is to explore the entire claim area for additional resource potential in a geological area of extremely high exploration potential. Therefore recommendations for ongoing programs will be initially exploration drilling rather than resource estimations and development drilling of the known historic resource.



LEGEND

-  Area of significant chargeability IP anomalies
-  Definite Cu in soil anomaly
-  Prob/Poss Cu in soil anomaly
-  Historic Resource
-  Area of historic mining
-  Alwin Fault
-  Portal to inclined adit
-  Main access roads

SAN MARCO RESOURCES INC.

**ALWIN PROJECT
BRITISH COLUMBIA**

COMPILATION PLAN

DRAWN BY: JOHN R. KERR

DATE: SEPTEMBER, 2006

SCALE: 1:20000

FIGURE NO. 7

INTERPRETATION and CONCLUSIONS

A mineral resource, defined as a **Historical Resource**, exists on the property and is located in a mineralized structure that has been the subject of periodic and historic mine production. The claim location is in the famed Guichon Batholith, within three kilometers of the Highland Valley Copper open pit. For these reasons, the property is considered an advanced stage exploration project, with excellent potential of discovering additional resource.

Since most grass-roots exploration completed on the property was done in the 1960s and 1970s, there is sufficient justification to incorporate updated and sophisticated methods into ongoing work programs to assist in locating new targets for potential resource. The 2006, 3D Induced Polarization survey has provided excellent targets for exploration. Coincidental with these targets are significant geochemical anomalies. Diamond drilling is being recommended to explore the potential of these target areas, as well as projection of the known mineralized structure to the east and to depth. Analysis of all samples is to include copper and gold, as well as periodic testing by ICP methods for other metals.

Discussions and conclusions regarding the reliability and quality of all work programs have been thoroughly discussed in previous sections of this report and need not be discussed again.

In summary, the Alwin property is considered a property of merit, and is worthy of a significant initial phase of exploration drilling.

RECOMMENDATIONS

It is recommended that initial exploration work be oriented at diamond drilling the geochemical and chargeability targets from the recently completed IP survey as they relate to mineral showings and the known mineralized structure. A two-phase exploration program is therefore recommended. **Phase I** incorporates a total of six diamond drill (NQ – 5.2cm diameter) holes on the property, three holes to test the eastern and depth projection of the known mineralized structure; one hole to test the large and strong chargeability anomaly in the eastern portion of the claim on L 14+25E @ 2+00S, as it relates to old exploration trenches and a significant soil anomaly; one hole to test the chargeability anomaly on L9+00E @ 2+50N as it relates to geochemical values; and one hole to test the chargeability anomaly on L2+00E @ 2+00N as it relates to geochemical values. In total, 1350 meters of drilling is allowed for in **Phase I**.

Sufficient access roads exist into the initial two areas contemplated for drilling and clear-cuts should provide fairly easy access into the last two sites, therefore building of roads to drill sites should be minimal. An allowance is being made in **Phase I** for site preparation to suit permit requirements.

Also incorporated into **Phase I** is continued research to procure and organize all historic mine development records and drill data that may exist in the offices of government or past operators.

Anticipated costs of **Phase I** are as follows:

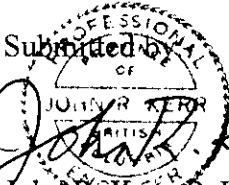
Diamond drilling – (5 holes) 1350 meters @ 120/m	162,000
Supervision, logging and sampling	14,000
Assays and Analysis	12,000
Room, Board, Truck and Miscellaneous Supplies	10,000
Drill Site Preparation	10,000
Additional Permitting and Bonding	10,000
Research of Historical Data	5,000
Contingency (15%)	<u>32,000</u>

Total Phase I Costs

\$ 255,000

Phase II incorporates continued exploration drilling by reverse circulation drilling and/or diamond drilling methods, to test priority targets delineated drilling and continued grid work of the Phase I program. As the amount and location of work is contingent on the results of Phase I, costs of the Phase II program are not estimated at this time.

Phase II would also incorporate the establishment of a new geological and resource model, utilizing available and updated computer programs. It is this author's opinion that a resource model should be developed prior to any further resource development drilling in order to establish the amount and nature of drill-hole patterns, required to upgrade the resource to an indicated and measured category. Costs of this modeling, study and resource calculation is estimated to be \$30,000.

Submitted by

John R. Kerr, P. Eng.
November 15, 2006

Appendix A - References

REFERENCES

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- 1969 – 1988, Various Assessment Reports from Ministry of Energy, Mines and Petroleum Resources files (too numerous to list)
- 1965 - 1984, Annual Reports and Mineral Inventory Files, Ministry of Energy, Mines and Petroleum Resources.
- 1961– 2003, Correspondence, drill logs, assay data, miscellaneous maps, notes and memos, pertaining to the Alwin Mine – provided by the property owner.

Appendix B – Sample Descriptions and Assay/Geochem Sheets

Sample Descriptions: (Alwin Property, collected June 1, 2006)

<u>Sample No.</u>	<u>Showing</u>	<u>GPS Coords</u>	<u>Grid Coords</u>	<u>Elev.</u>	<u>Sample Description</u>	<u>Cu Content</u>
A-01	Upper Portal	635208E 5593478N	L10+50E @ 6+00S	5517'	Sheared, brecciated and alt'd granodiorite, with cpy, born, pyr and mal Grab Sample o/c	1.76%
A-02	Trench	635552E 5593434N	L13+50E @ 6+75S	5591'	Very highly sheared gran Mainly mal and rusty wthd pyr. Chip/2m	0.85%
A-03	Trench	635538E 559437N	as above		Rusty decomposed gran Mal, with poss sulph Grab float/1.5m	2.38%
A-04	Dump	no readings			From dump at old plant Massive sulphides in Highly altd gran	12.26%

Appendix C - Writer's Certificate

APPENDIX C - Writer's Certificate

I, **John R. Kerr**, of the City of Vancouver, B.C. hereby certify that:

- 1) I graduated with a BAsC degree in geological engineering from the University of British Columbia, Vancouver, B.C. in 1964.
- 2) I am a consulting, contract geologist, with my address of business 208 - 515 West Pender Street, Vancouver, B.C. V6B 6H5.
- 3) I am a member in good standing of the Association of Engineers and Geoscientists of the Province of British Columbia (#6858).
- 4) I have worked as a geologist continuously for 42 years since graduation.
- 5) 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, professional affiliation, and past relevant work experience, I fulfill the requirements to be a "qualified person" for the purposes of NI 43-101.
- 6) I am responsible for the preparation of the entire report entitled **SUMMARY REPORT on the Alwin Property, British Columbia**, and dated November 15, 2006, relating to the Alwin mining claims. I visited the property on June 1 and October 24, 2006. The purpose of these visits were for site examination, program coordination and work supervision on the property. The October visit was to further identify and examine anomalous areas on the ground.
- 7) I am not aware of any material fact or material change that is not reflected in the Technical Report, the omission to disclose which makes the Technical Report misleading.
- 8) I am independent of the issuer applying all tests in section 1.4 of NI 43-101.
- 9) I have read NI 43-101 and Form 43-101F1, and the Technical Report has been prepared in compliance with this instrument and form.

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

Certified Correct:



John R. Kerr, P. Eng.

Date: November 15, 2006