

6835 Glacier Gulch Road
Smithers BC V0J 2N2

Rhonda Marshall
Manager, Vancouver Mineral Titles
Ministry of Energy and Mines
300-865 Hornby Street
Vancouver BC V6Z2G3

Email: Rhonda.Marshall@gov.bc.ca

February 28, 2016

RE: Mining Lease Term Extension Applications

Dear Rhonda

As you are aware, I applied for term extensions on Mining Leases 243475 to 243479 and on Mining Lease 23455.

HISTORY OF PRESENT TENURES

Leases 243475 to 243479 were originally District Lots 7200 to 7204 inclusive. These were legally surveyed and granted on January 10, 1968 as Mineral Leases M81 to M85 inclusive. These later became Mining Leases 302 to 306 inclusive, and eventually acquired the present tenure numbers.

Lease 243455 was originally granted on a contiguous group of old Crown Granted Mineral Claims on June 27, 1962. It was one of the earliest Mineral Leases in BC (M-8). It subsequently became Mining Lease 282, then to the present tenure number.

WORK HISTORY

Molybdenum mineralization on Hudson Bay Mountain was first reported in a 1941 GSC Memoir. In the mid 1950's Amax Exploration (Climax – Amax) did some surface sampling. Subsequently some 6320 feet of surface drilling was done with inconclusive results.

Geologists at Climax Molybdenum re-optioned the property and extended some old holes, and drilled another 67,871 feet in 30 holes. Because of the difficult terrain, and length of holes, it was decided to drive underground workings to get closer to the area of interest. To this end a 3.7 mile access road was built in 1965, and the underground tunneling started in late 1965/66.

The writer served as the Geologist – Engineer from 1966 to 1996. During 1966 to 1970 some 9,000 feet of tunnels and raises with 19 major drill stations were completed.

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Underground diamond drilling began in February 1967. By the end of 1980, a total of 115,352 feet had been drilled – the area above the level now drilled off on 100 foot centers. As well, another 880 feet of crosscut tunnel extensions and two bulk sample raises on two drill holes were completed. Thirteen railroad cars of bulk sample material were shipped to the Climax Research Center in Colorado for metallurgical test work.

In 1981 metal prices collapsed and a period of major mergers and acquisitions ensued. Climax-Amax was bought by Phelps Dodge, who in turn was acquired by Cyprus Metals. Companies were liquidating non-cash producing assets in the early 1990's. The writer purchased this property from Cyprus-Amax in 1996.

In 1997 Molycor Gold Corp and Verdstone Gold Corp (both who also had the Adanac Molybdenum property) optioned the property. Metal prices did not rebound and the option was relinquished in 2000.

By 2005 metal prices were improving and Blue Pearl Mining (Later Thompson Creek Metals) optioned the property. Mining activity during the recent term included reopening the existing workings, a 150 foot extension of the 161S Crosscut, establishing 17 drill stations, and 48,292 feet of NQ diamond drilling. In addition most of the work for the PEA application (Preliminary Environmental Assessment) was completed by Rescan, but it was not submitted.

For a variety of reasons, Thompson Creek dropped the option. These reasons included massive cost overruns at the Endako Expansion and Mount Milligan, a poor mining plan that made all infrastructures on the front of Hudson Bay Mountain useless for anything but the extraction of only the highest grade material that could sustain the high cost of a 450 km round trip truck haul to Endako, and, the latest slump in metal prices.

The present expiry date (January 2019 for M-81 to M-85, June 2023 for M-8) leaves insufficient time for any hope of putting a financing group together without the security of longer term tenure.

To date, approximately 10,000 feet of underground drifts, crosscuts and raises have been driven, 42 drill stations and 238,113 feet of diamond drilling have been completed. In addition legal surveys, numerous feasibility studies, bulk sampling raises and 1,000 ton metallurgical testing has been done. To date the cost of this work (not to mention wages, fees and taxes paid) would amount to some 25 to 30 million dollars. No further physical work on the property is required. This is literally a mine-in-waiting for favorable metal prices.

The present area of disturbance at the portal site is approximately 2 hectares. Thompson Creek Metals is presently completing their closure requirements under their existing MX Permit (MX-1-656).

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FUTURE DEVELOPMENT

No one can predict world markets and the recovery (hopefully) of metal prices, but to rework existing mining plans to create a real mine with a concentrator will require access from the SW side of Hudson Bay Mountain with a 6km production tunnel. Prior to this it will take at least 2 years to update, file and get approval for a new PEA.

Driving the 6km access tunnel and the pre-production underground development work will take another 5 years. The actual TCM production plan was for 10 to 12 years. The underground plan would be similar, but residual material that would not have to sustain the high hauling cost could become ore, and another 10 or more years of production could be possible.

I do not feel the request to get 21 year extension up to 2040 is excessive. The initial capital requirements for permitting, pre-production underground development, etc. will be in the order of several hundred million dollars and will take the best part of 10 years. Security of tenure requires a long enough expiry date to cover start-up and enough production time for some pay back.

Any future developers will be directed to your Ministry for required permitting, closure plans, etc. and they will consult with First Nations as required.

In your letter of February 16, 2016, you state that these adjoining leases will be reviewed as one application. Please advise me of the fee and the method of payment.

I will look forward to your comments.

Yours sincerely

Don Davidson M.A.Sc. P.Eng.

Email copy: mark.messmer@gov.bc.ca Director of Mineral Titles