

FIELD REVIEW
RED STAR & WHITE KNOB MINE GROUP
(Cu) + Pb + Zn + Ag + (Au) PROSPECTS
ALDER CREEK MINING DISTRICT - CUSTER COUNTY
SOUTH CENTRAL IDAHO, USA



**A view South towards the Empire Mine AP Pit showing the northern extension area of the Empire Ore System with the location of the historic base & precious metal mines including the Red Star prospect
Photo courtesy of Ryan McDermott, COO of PXC & CEO Konnex Resources Inc.**

FRONTISPIECE

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EXECUTIVE SUMMARY

During the first week of September 2019, the writer undertook a field review of two newly acquired contiguous mineral permit areas pegged by Phoenix Copper Limited (UK AIM: PXC) during 2018. The area covered in this report comprises these two claim blocks: “Horseshoe” and “Windy Devil”, located immediately to the north and NW of the main Empire Mine block of patented and unpatented claims, as shown on Figure 1 of the Report. These claims add an extension of the geologic strike of the Empire Mine Ore System (EMOS) of some 2.5 km and cover the entire width of the mineralised system, thus increasing PXC’s strategic land holding of the EMOS by some 175%, substantially increasing the overall economic potential of the Empire Project. By February 2019, the overall increase in the land holding north, along strike of the Empire Project, has expanded from 3.3 km² to 16.64 km².

Recent reconnaissance RC drilling by PXC at the Red Star prospect, located 300 m north west of the Empire North Pit, resulted in a recent (7th December 2018) AIM’s release highlighting the discovery of two significant intersections as follows:

- Hole KX18 – 55 intersected 6m true width of 327.85 g/t Ag, 9.02% Pb, 0.77% Zn, 0.19% Cu and 0.1 g/t Au;
- Hole KX18 – 57 intersected 1.5m of > 20% Pb and 1,010 g/t Ag

Both these intersections were made within massive garnet – magnetite endoskarns, in which later argentiferous galena (Pb) ± sphalerite (Zn) stockwork quartz – sulphide veining have been developed. The exposed endoskarn in the upper exploration adit is some 6m in true width. These exciting results prompted a thorough review of the ore potential of both of the newly acquired blocks of mineral claims.

Historic mining at the contiguous Horseshoe – Bluebird underground mines (Horseshoe claim block), which comprise the key mines of the White Knob Mining Group, located between 750 m to 1 km NNW of the Red Star prospect, produced a total of 70,300 tonnes of high grade ore for recovery of: 425,000 ounces of silver (185 g/t Ag); 510,000 lbs of copper (0.73% Cu); 13.4 million lbs of lead (19% Pb); and 4.5 million pounds of Zn (6.5% Zn) between 1909 and 1929 when the mines closed. Systematic underground channel sampling of these mines on the No 2 level showed that two main types of high-grade ore were mined over mining widths varying from 1.5m to 3.5 true width on the No 2 level; i.e., zinc – (copper) zones with assay grades of between 3.5% to 31.5% Zn with a sample mean of some 13.29% Zn and 0.35% Cu, and lead + silver + (gold) zones with grades between 5.6% and 37.5% Pb averaging 15.1% Pb, 200.92 g/t Ag and 0.6 g/t Au. In stopes, widths up to 16 meters were mined out. The maximum depth of the historic workings is 100 m below surface, although most of the workings have not gone deeper than – 60 m. Stoping on the levels is approximately only 30% of the strike. Hence, substantial scope remains to explore these workings within, below and along strike of the controlling structure. Finally, the morphology, mineralogy and geochemistry of this mineralisation is identical to that encountered by PXC at the Red Star prospect.

Further similar mineralisation was encountered at the historic White Knob (located 700 m N of the Red Star prospect) and Copper Queen Mines. However, no adequate sampling and underground documentation has been found for these old mines. Some 30 additional such prospects remain to be investigated within the newly acquired ground holding.

Given the foregoing, the following key geologic and exploration facts are highlighted as follows:

- 1) The entire area north of the Empire Mine northern pit for at least the additional 2.5 km of geologic strike, as indicated by historic mine workings, prospecting adits and pits is prospective for endoskarn hosted shear – stockwork quartz – sulphide vein Pb + Zn + (Cu) + Ag + (Au) mineralisation. To date, this area remains virtually unexplored;
- 2) Recent drilling undertaken by PXC plus the geology of the Red Star prospect, and underground mine and stope plans from the historic Horseshoe and Bluebird Mines, suggest mineable widths of between 2m to 16m are achievable at medium to high base metal + silver grades. Such mining widths should be amenable to underground low-cost trackless bulk mining techniques. The endoskarn ore host comprises mechanically competent ground also reducing overall mining costs;
- 3) Along their geologic strike the generally steeply dipping, structurally controlled, shear hosted quartz vein / veinlet – sulphide ore systems morphologically comprise well defined lode type ore shoots display pronounced zoning along their length between zinc – copper rich and lead + silver + (gold) in which medium to coarse grained disseminated to semi – massive sulphides occur;
- 4) The exposed Red Star prospect is open along its NW geologic strike and dips at between 70° to 80° to the SW. Hence, given the KX18 – 55 ore intercept given above, it is strongly suggested that this property be prospected with a SCINTEX “Envimag” ground magnetometer & VLF survey. Such a survey would take from 2 to 3 days to complete with a further 2 days of processing by a geophysicist. The survey would easily pick out the garnet – magnetite (15 vol% - 20 vol% magnetite) endoskarn host and a program of first pass RC drill fences could be drilled along the geologic strike to – 40m vertical depth with a – 80m follow up fence at intervals of 40m along the geologic strike. Given the width of the ore system, it is expected that resource tonnage could be added relatively quickly. Furthermore, the mineralogical characteristics and geology of the ore host suggest that the system should have scope to persist to depth;
- 5) PXC have prepared an initial Phase 1, US\$ 710,000, exploration budget and work program to fully evaluate the potential of the Red Star ore system; and,
- 6) the geochemistry of the Pb + Ag zones within the ore shoots is unusually enriched in Sb, As, Mo and U. The lack of observed chalcopyrite within these mineralised zones suggest that copper may well be present as the silver rich tetrahedrite species freibergite. If so, then argentiferous galena, apparent within high levels of the ore system, maybe be replaced at depth by freibergite as the major silver mineral species. This zonation has been well documented at the Sunshine Mine in the Coeur d’Alene Mining Camp (3rd largest silver producer in the world), Northern Idaho, where higher silver grades (600 to 800 g/t Ag) as freibergite ores have been mined from – 300 m to nearly 3,000 m depth beneath the argentiferous galena zone within the ore veins.

Finally, the foregoing reinforces the view, held in the writer’s previous report on the Empire Mine Project for PXC of last April 2019, that the potential mineralised system has been less than 1% exploited and explored. Indeed, for all intents and purposes, this northern part of the system remains unexplored with indications of substantial ore potential within medium to high grade polymetallic base & precious metal systems offering significant collective potential tonnage.

CONTENTS

	Section Heading	Page No
1.0	Introduction	4
2.0	Location of the Red Star Projects and Access	4
3.0	Geology of the Empire Mine Project Area and District	5
4.0	Historic Mine Workings of the White Knob Mining Company	8
5.0	The Reconnaissance RC Drilling Program at the Red Star Prospect	13
5.1	Geologic Discussion of the RC Drilling Program and Key Issues Raised	16
5.2	Red Star Project within the wider context of the White Knob Mine Group	18
6.0	Conclusions & Recommendations	19
	BIBLIOGRAPHY	22

1.0 Introduction

The writer visited the Red Star Project during the 2nd week of September 2019 in the company of Konnex Resources CEO and Phoenix Global Mining (PXC) Chief Operational Officer (COO) Mr. Ryan McDermott and PXC Chief Geologist. Mr Nathan Bishop.

This report is a continuation of the writer's report of the adjacent Empire Mine Project, completed in April 2019 on behalf of PXC. At the time of the writer's publication of the April report, PXC had:

- Complete a 11,700-metre drilling programme on the oxides in 126 holes;
- Generated a NI 43-101 compliant oxide resource of 15.2 million tonnes containing 73,900 tonnes copper, 6 million ounces silver and 139,000 ounces of gold, plus 4.3 million tonnes of inferred resources;
- Carried out metallurgical test work and environmental base line studies and completed a Preliminary Economic Assessment of the heap leach copper project;
- By February 2019 the 3.3 sq.km area property had increased to 23.14 km². This includes 13.34 km² around the original 3.3 Km². holding plus the 9.8 km². Navarre Creek claim block approx. 5 km. west of Empire These were available claims staked and registered;
- The expanded Empire claim block incorporate 30 additional prospects and three additional brown fields historic mines over 5.4 km strike of known Cu, Au, Ag, Pb, Zn mineralisation;
- Completed a maiden drilling programme on the Red Star silver, lead, copper sulphide deposit.

To date, the main objective of PXC has been to develop the Empire oxide heap leach project. PXC now plan to accelerate a systematic exploration programme on the sulphide deposits in the area, which includes Red Star, Horseshoe, and Windy Devil. This is the main topic of this report.

The writer re – logged the two main RC mineralized intercepts in detail to gain a better understanding of the mineralization host rocks and mineralization style. These findings are discussed in the main body of the text below where an initial overview of the project is discussed with and preliminary assessment of its likely potential. A work program has been proposed by PXC and this is also reviewed and presented in this section of the report.

2.0 The Location of the Red Star Project and General Access

As Figure 1, below, shows the Red Star Project, which is located in the north western corner of the Patented Claims of the Empire Mine Project (blue). Access to the Project Area is readily achievable with a 4WD vehicle or a US made, specially designed, 4WD Utility Vehicle from forest tracks off US Highway 83 which passes north through Mackay to the town of Challis.

The Project Area comprises rugged mountainous terrain which lies within the broader “Northern Rocky Mountain Physiographic Province” which is a complex of high massive mountains dissected by deep valleys. Largescale folding or faulting creates the basic topography of this province. In some areas, this structural framework has a parallel arrangement of high ridges and broad valleys. which is extensively forested with Douglas Firs, Ponderosa Pines, Lodgepole Pines and Sub Alpine Pines. The undergrowth is dominated by various species of ferns. The climate is one of moist winters in which Northern Pacific Maritime air brings in depressional rains much of which is deposited as snow in the high mountains (60% of all precipitation) and in the lee of the mountain’s precipitation is substantially lower in the valleys.

The summers are warm to hot with the weather dominated by warm dry continental air whose influence is dominated by anticyclones periodically established over the continental USA. During this period there is little precipitation hence evapotranspiration rates are high in summer and semi – arid areas are dominated by sagebrush at lower altitudes and aspens grow along incised valleys, where groundwater is better retained in alluvial gravels and matrix richer sandy to gritty soils with good drainage. Soil cover is ubiquitously poorly developed in the area with valley areas off the flanks of mountains covered with Pleistocene (Ice Age) and early Holocene glacial moraines and debris slide unsorted boulder fill deposited by landslides off steep slopes and in steep sided valleys.

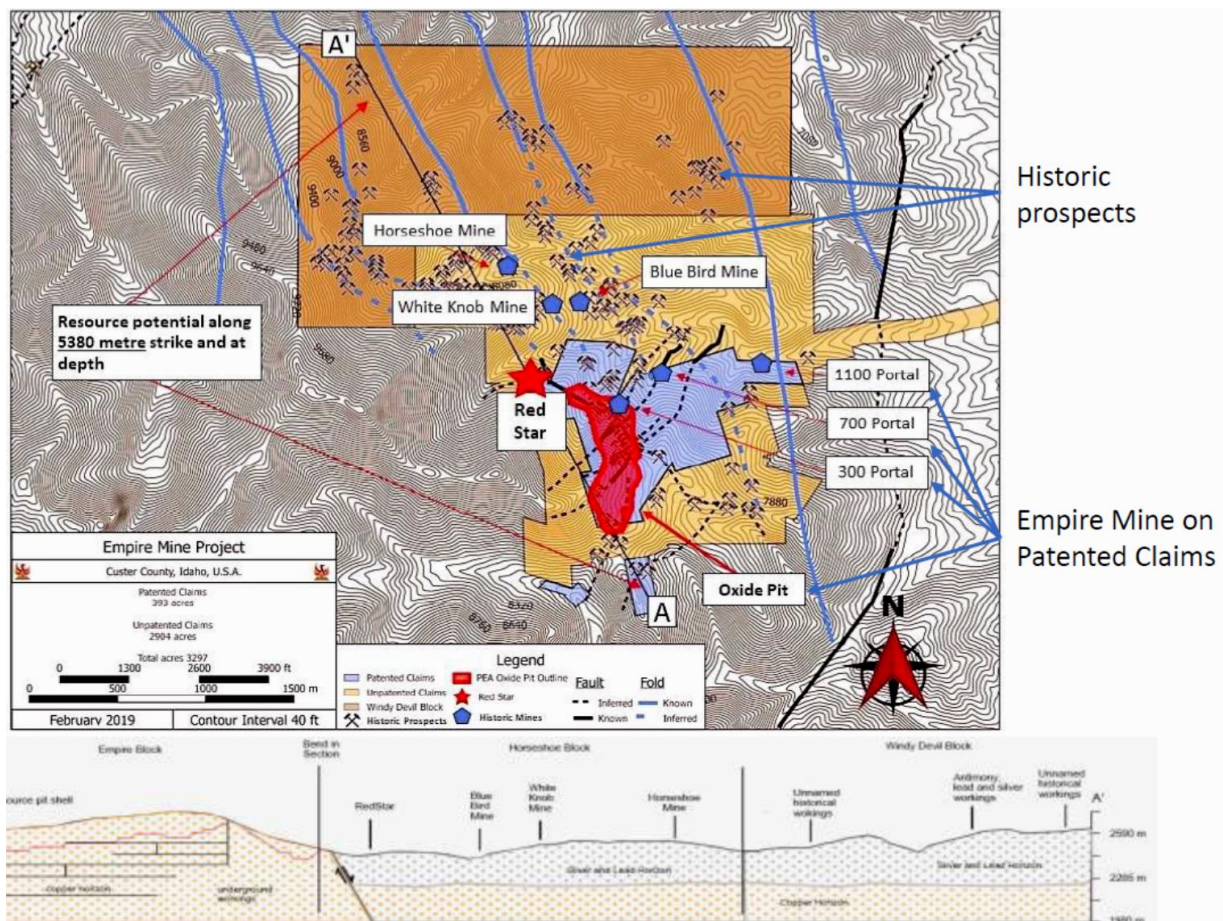


Figure 1: An Overview Map showing: the patented mineral claims of the Empire Mine Project (blue); unpatented mineral claims surrounding the Empire Mine claims and the newly acquired Windy Devil claim block to the north. The location of the Red Star project is clearly indicated in the extreme NE of the Empire patented claim block.

3.0 The Geology of the Empire Mine Project Area & District

The Empire Mine, Red Star project and historic mines of the White Knob Group comprising, especially, the Horseshoe & Bluebird mines are located within the Alder Creek mining district. Regionally, geologic events include the late Palaeozoic Antler orogeny, Mesozoic Cordilleran orogeny, Paleogene extension tectonism, and Neogene Basin and Range extension and the development of the Snake River Plain (Rodgers et al., 1995).

The Alder Creek mining district is to the east of the Idaho batholith and north of the Snake River Plain. It is within the Cordilleran thrust belt, and at the edge of the Basin and Range structural province. The thrust faults were emplaced from west to east during the Mesozoic Era. In this region, the Copper Basin thrust on the southwest and the Lost River thrust on the northeast define the White Knob Thrust Plate. The thrust faults probably formed in the Cretaceous Period. Within the White Knob Thrust Plate, two northeast-striking Eocene faults further define the White Knob horst on the northwest and southeast, respectively (Skipp and Harding, 1985). The Alder Creek mining district is located in the White Knob horst.

The sedimentary rocks exposed on the surface of the White Knob horst are mostly Mississippian. The oldest sedimentary rock is the Lower Mississippian Copper Basin Formation. It is an argillite sequence more than 4,000 feet thick composed of distal thin bedded turbidite and interlayered mudstone, siltstone, and limestone deposited as flysch in a foreland basin (Nilsen, 1977; Skipp and others, 1979, Wilson et al., 1995, and references therein). The colour is usually medium grey to very dark grey on fresh surfaces. Much of the dark colour of these rocks is due to disseminated carbon; and the brown colour is caused by weathering and the introduction of Fe oxides (Nelson and Ross, 1968).

The Upper Mississippian White Knob Limestone (called Brazer before Ross, 1962) conformably overlies the Copper Basin Formation. This formation is 5,500 feet thick, composed of blue grey to black, thick bedded, locally dolomitic but mostly pure limestone. Abundant chert nodules and lenses occur in some beds. The upper 3000 feet contains conglomerate, sandstone, and mudstone interbeds. Skarn deposits in this area are mostly formed within the White Knob Limestone. Locally, Tertiary Challis volcanic rocks are present. On the NW and SE sides the horst is bounded by Eocene Challis volcanic rocks. Along the NE bounding faults, jasperoid is present.

Skarn deposits in this area are mostly formed within the White Knob Limestone. Locally, Tertiary Challis volcanic rocks are present. On the NW and SE sides the horst is bounded by Eocene Challis volcanic rocks. Along the NE bounding faults, jasperoid is present. The Mackay stock was emplaced into the Mississippian sedimentary rocks. The exposed Mackay stock trends roughly northeast. Underneath the cover rocks, the stock extends to the southwest as revealed by regional aeromagnetic data (Worl and Johnson, 1989). In the horst there are also numerous NE-striking dikes that occur mainly in the stock but are also present in the sedimentary rocks.

The Mississippian rocks are folded. Generally, the anticlines and synclines trend north- northwest, though locally the folds may vary. The limbs have moderate to steep dips to the northeast and southwest. The strikes and dips vary locally because of intense folding (Wilson et al., 1995, and references therein). The uplift of the horst and the pluton emplacement were thought to be synchronous (Nelson and Ross, 1968; Skipp and Harding, 1985), but recently it has been proposed that the uplift may be earlier than the intrusion (Wilson et al., 1995, and references therein).

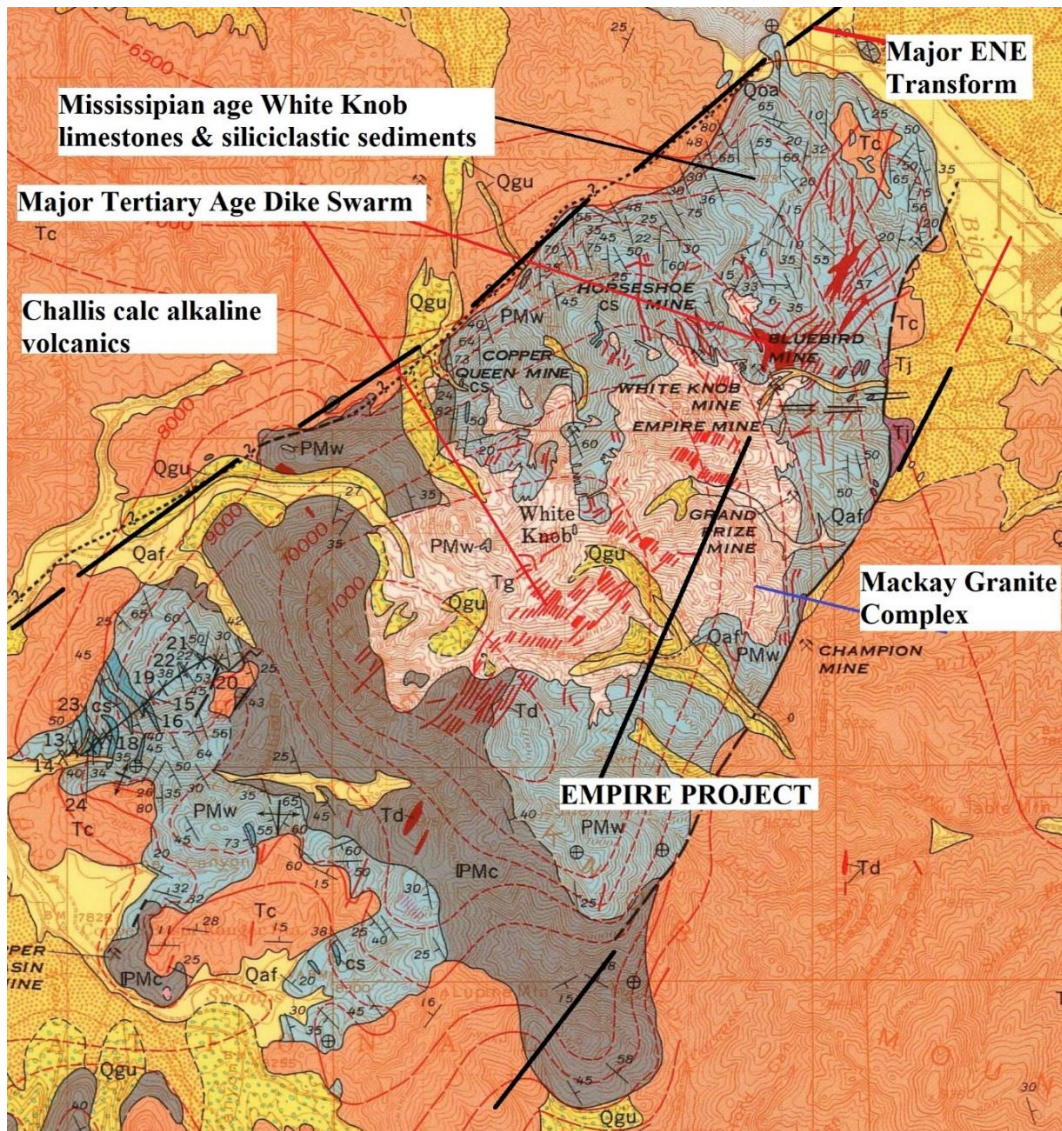


Figure 2: A portion of the US Geological Survey 1: 125,000 scale Map I – 580 (1969) “Geological Map of the Mackay Quadrangle, South Central Idaho by Nelson W H & Ross C P, showing the location of the Empire Mine Project and the Red Star Project and other historic mines in the District. The Mackay Granite Complex is shown in Pink and the Mississippian age White Knob Limestone sequence is shown in Blue. Eocene age Challis volcanic rocks are shown in Orange. Tertiary-age intrusive rocks, mainly dyke swarms, are shown in red and comprise rhyolites, dacites, latites and andesites. Larger intrusive stocks vary in composition from granite to quartz diorites and maybe monzonites or monzogranites (?).

Eocene Challis Volcanic Group rocks are rare in the horst and occur mostly as thin remnants of flows, indurated and welded tuff, and tuff breccia (Nelson and Ross, 1968). These rocks range from andesite to rhyolite but are dominantly of latite composition. The colours range from brown, reddish brown, greenish grey and grey to locally light tan, with brown and reddish- brown colours most common. Geologic evidence indicates that the extrusive and intrusive rocks in the area are about the same age (51-44 Ma, Moye et al., 1988) and composition, and may be genetically related (Nelson and Ross, 1968).

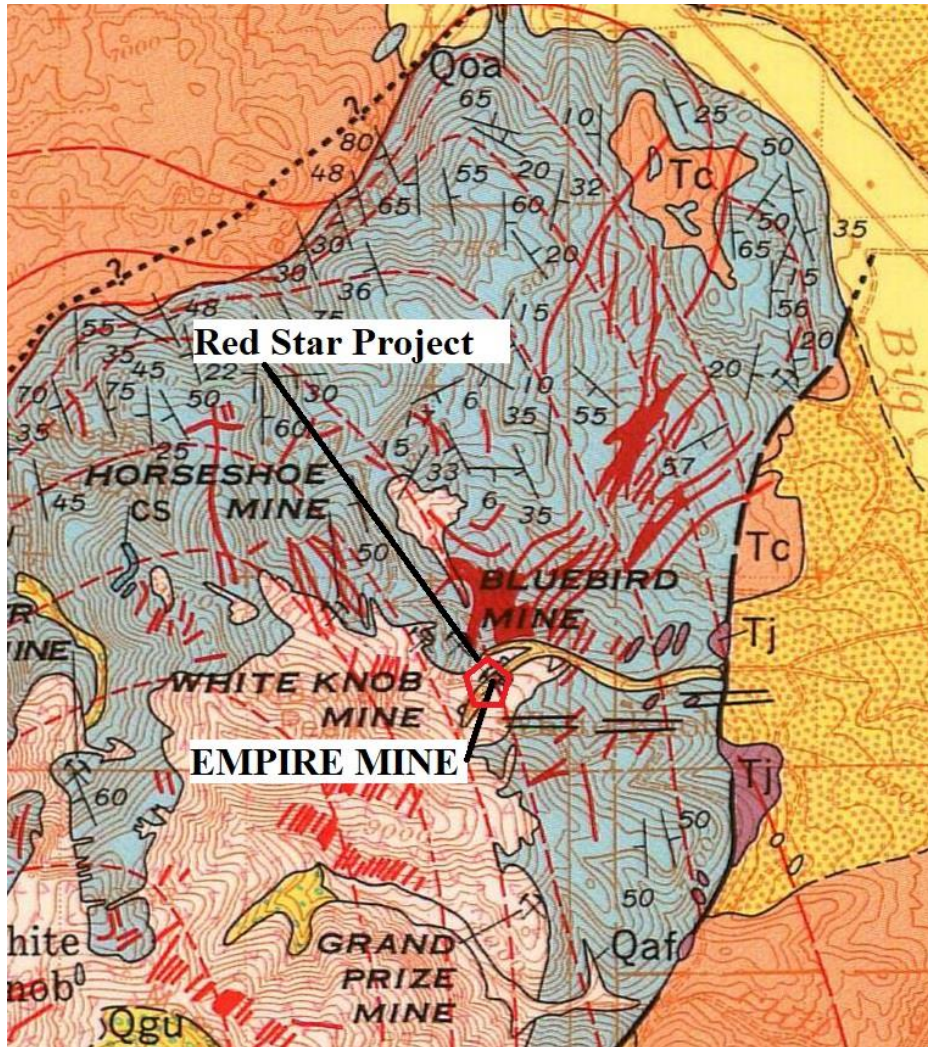


Figure 3: A expanded portion Figure 2 above showing the location of the Red Star Project in close proximity to the Empire Mine Project. However, in reality the two projects are approximately 0.5 km apart.

Besides the dominant northeast-striking extensional structures including the horst, faults, intrusions and dike swarms, there are also northwest-striking Neogene structures related to Basin and Range extension. Numerous such faults are found in the Challis Volcanic Group on the NW and SE sides of the horst. Recently, a major fault was found to cut across the horst.

4.0 Historic Workings of the White Knob Mining Company

The White Knob Mine Group, which includes the historic White Knob, Horseshoe – Bluebird and Copper Queen Mines and some 30 other shallow prospecting shafts and pits including the Red Star prospecting adit date back to 1919. The historic mines were operated by “the White Knob Mining Company” (subsequently known as the Empire Mine owned by the United States Smelting & Refining Company which became known as ASARCO). The mine went into production in 1919 and continued in operation till closure in 1928.

The White Knob Group of mines, located some 400 to 500m north west of the Empire Mine, comprised the following Mining Claims: Homestake, Copper Queen and Bluebell. The first mine production occurred in 1909 when a small parcel of ore was produced from the Horseshoe claims. Horseshoe also produced ore in 1911. Both the Horseshoe and Copper Queen claims produced carbonate lead ore (cerussite) in 1915. In 1916 both mines produced some 60 cars of lead ore and in 1917 ore production rose to 1,000 tons per month.

The underground mine workings shown in plan on Figure 4 below were serviced by one vertical shaft to a depth of 400 feet (122m) below surface. The mine exploited high-grade chalcopyrite, galena and sphalerite lodes to produce a sulphide concentrate which was shipped to smelters by rail. The White Knob Mining Company was established in 1919. However, the mine was idle in that year and went back into full production in 1920. From 1922 to 1929, the mine was operated by lessees who shipped ore very year albeit at annual volumes varying from a few hundred to a maximum of 2,000 tons per year, declining between 1927 to 1929 to only one car per year.

The total metal production for the Alder Creek Mining District is itemised on Table 1 below prepared by Victoria Mitchell of the Idaho Geological Survey in April 1997. The White Knob Mine is but one of several mines that comprise the White Knob Mining Group, which comprises the Horseshoe – Bluebird, Champion and Copper Queen mines whose individual production statistics are given in Table 1 below.

Table 1. Total production from the largest mines in the Alder Creek mining district.

Mine	Ore (tons)	Gold (ounces)	Silver (ounces)	Copper (pounds)	Lead (pounds)	Zinc (pounds)
Blue Bird Mine (1918-1939)	1,530	23.44	16,426	12,595	509,165	3,111
Champion Mine (1908-1964)	2,281	14.20	7,236	20,003	579,668	32,719
Doughboy Mine (1919-1968)	1,070	8.30	31,702	1,972	637,120	3,900
Empire Mine (1902-1975)	921,077	41,431.25	1,294,531	61,689,291	24,110	906,078
Horseshoe Mine (1916-1979)	16,810	110.89	129,686	257,945	3,896,442	1,113,821
White Knob Mine (1909-1968)	51,501	408.53	295,308	252,274	9,455,350	3,436,438
TOTAL	994,269	41,996.61	1,774,889	62,234,080	15,101,855	5,496,067

In 1928, the mine had two tunnels, one vertical shaft, twenty-two raises, six cross – cuts and seven drifts. The No 1 tunnel (level) was 1,100 feet in length and the No 2 level was 900 feet in length and the vertical shaft was 250 feet deep below surface. The mine had a 40 bhp gasoline hoist. The mine operated a 1-ton ore car and had 300 feet of rail track. Minor additional development work was undertaken by the lessees during 1940 including: driving (tunnels) for 175 feet; shaft sinking 125 feet; drifting 185 feet and raising 55 feet. The number 4 level was developed over 100 feet and No 5-level developed over 75 feet. During 1942 the No 6-level was developed over 20 feet and in 1943 the No 7 level was developed over 50 feet.



Plate 1: A view towards the east from the old White Knob Company Ltd base metal-silver mine workings at Red Star; picture taken by Evan Jones from Rustic Lens Photography website www.rusticlens.com

Figure 4, below, is a survey plan of the Horseshoe - Bluebird Mine (7,885 to 7,890 feet level) showing some 600 feet of workings, presumably this being the No 2 level of the mine. Sites of channel sampling taken on the backs of the workings are given and the writer has converted these into metric grades per US short ton, presented at Table 2 below.

As Figure 4 above shows, the historic mining activity focused on the highest grade Pb – Ag and Zn grade ore shoots which form defined lodes within the grandite (grossular – andradite species garnet) – magnetite endoskarn body hosted within the granitic rocks of the Mackay Igneous Complex (MIC). From the writers own structural observations, taken at the upper portal of a prospecting adit driven into ore bearing host skarn, shown on Plate 2, the mineralisation strikes at approximately 130° magnetic and dips at between 70° and the vertical to the SW. These high grade > 10% (combined Pb, Zn and Ag) zones vary between 1.2 and 3.5m in width within the workings from the level plan shown above.

As Table 2 below shows, locally there are some very high – semi – massive to massive sulphide dark grey argentiferous galena ± dark brown sphalerite intersections with grades of Pb or Zn locally above 30%.

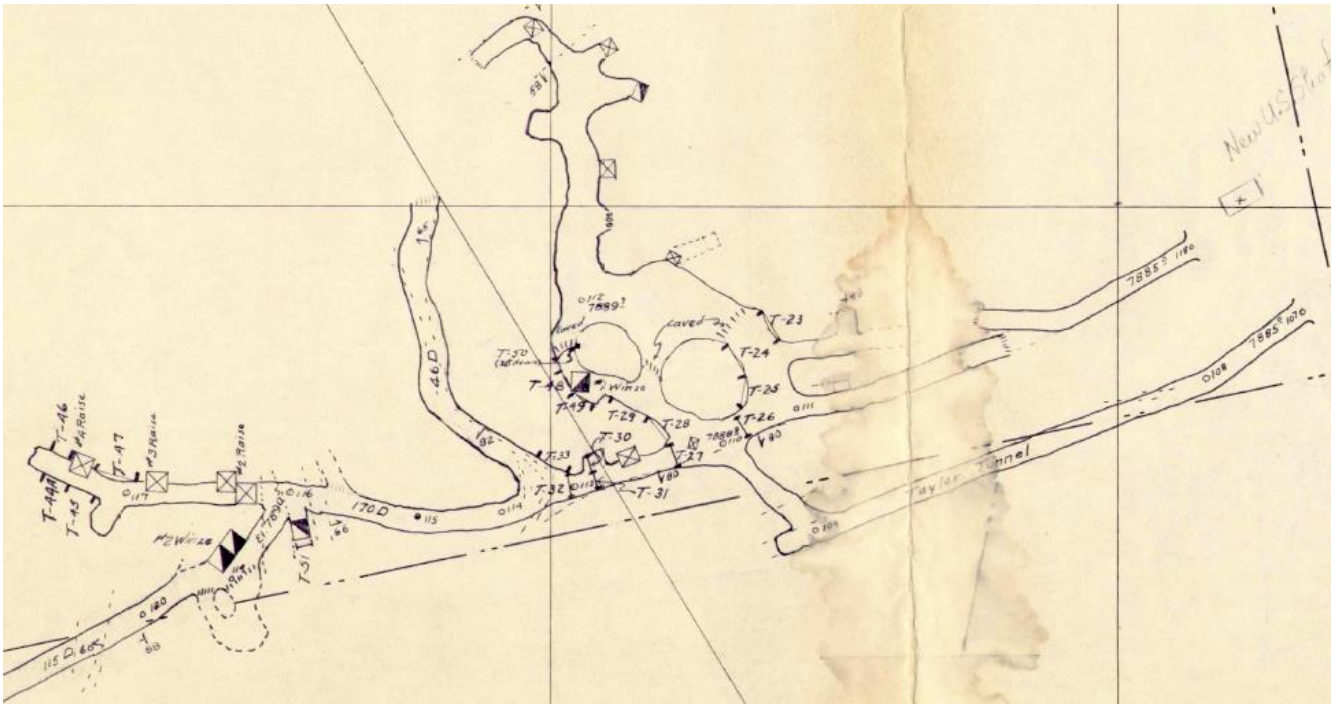


Figure 4: A mine level plan, presumed to be of the No 2 (7,890 feet above mean sea level – AMSL) of the Horseshoe – Bluebird Mine workings showing the location of channel sampling with results given on Table 2 below. The line of a cross section presented as Figure 5 below is located at the top right-hand corner of the Figure.

The cross section through the historic workings, presented below as Figure 5, shows the ore shoot extensively stoped out over a greater width than that exposed in the underground level channel sampling, which is in accordance with the observed surface geology and recent small RC percussion drilling program undertaken by PXC, as discussed in the section dealing with the recent exploration drilling below. A

At a lower cut-off grade envelope, a larger tonnage of the ore shoots should be mineable at an acceptable economic cost. However, the strike extent of individual ore shoots is unknown due to lack of underground mapping. However, given the apparent pronounced metal zonation it seems probable that lead + precious metal ore shoots will morph along their strike and dips into economic zinc + (copper) ore shoots. This rapid variation in the mineralogic character of the ore shoots implies that discrete ore shoots are developed according to a local structural harmonic that has controlled the emplacement of these ore shoots in dilational zones along the control structure. This behaviour is reminiscent of the geometry and mineralogic changes exhibited by silver rich ore shoots at Creede, Colorado and in the historic bonanza base and precious metal mines such as the Sunnyside, Mayflower and Shenadoah – Dives near Silverton in the Colorado Mineral Belt.

The relatively shallow depth of exploitation of these deposits, with the deepest workings being 350 feet or approximately 105 m deep, combined with the modest degree of stoping of ore shoots at around 25% - 30% of the total potential volume, suggests that substantial scope remains to expand ore resources within the historic mine envelope, and beneath these old workings to considerable depth, as well as extend the strike of the mineralised system.

Sample Location No	Sample Width (m)	Gold g/t	Silver g/t	Copper %	Lead %	Zinc %
T 23	2.72	Trace	34.2	0.20	None	28.2
T 24	2.72	Tr	18.7	0.50	0.6	30.5
T 25	2.57	Tr	18.7	0.55	0.6	19.5
T 26	1.80	Tr	15.5	0.45	1.0	6.1
T 27	1.80	Tr	31.1	0.45	1.7	3.5
T 28	2.89	Tr	18.7	0.55	1.8	12.8
T 29	3.00	Tr	21.8	0.25	1.5	17.8
T 30	1.69	Tr	15.5	0.20	0.9	13.4
T 31	1.32	Tr	24.9	0.30	3.0	7.5
T 32	1.57	Tr	15.5	0.15	1.2	6.4
T 33	2.39	Tr	21.8	0.10	0.4	15.4
T 34	0.60	Tr	62.2	0.15	3.9	3.7
T 35	1.20	Tr	34.2	0.20	4.2	2.2
T 36	1.62	0.93	189.7	0.10	19.2	1.2
T 37	1.95	0.31	68.4	0.45	5.8	2.9
T 38	1.95	0.31	133.7	0.15	8.7	1.3
T 39	1.65	0.62	136.8	0.10	6.5	1.4
T 40	2.24	1.24	273.7	0.02	16.8	1.1
T 41	1.80	0.31	90.2	0.10	6.1	0.9
T 42	2.17	0.62	258.2	0.10	33.3	1.0
T 43	2.09	0.62	177.3	0.20	11.9	1.5
T 44 A	2.17	0.31	93.3	0.10	5.6	1.4
T 44 B	3.14	0.62	587.9	0.23	37.5	1.8
T 45	1.80	Tr	52.9	0.10	4.3	0.9
T 46	1.80	Tr	49.8	0.20	5.5	1.6
T 47	3.44	Tr	49.8	0.15	2.4	5.8
T 48	1.95	None	24.9	0.10	3.3	7.8
T 49	1.88	Tr	68.4	0.10	2.4	10.2
T 50	3.14	Tr	68.4	0.15	4.6	11.2
T 51	1.95	None	28	0.30	2.6	5.3
T 52	1.32	Tr	68.4	0.25	5.0	3.2
T 53	1.50	0.62	108.9	0.10	12.4	2.6
T 62	2.72	Tr	18.7	0.05	2.3	1.1
T 63	1.27	0.31	34.2	0.15	2.9	1.1
T 64	1.80	0.47	105.7	0.15	5.8	0.9
T 65	1.50	0.31	49.8	2.15	3.7	6.3
T 66	2.39	Tr	24.9	0.15	5.0	3.1

Table 2: Historic underground channel samples taken from the Horseshoe – Bluebird Mine, White Knob Mining Group, showing metric assay grades for Au, Ag, Cu, Pb and Zn per US short ton (2,000 lbs). Zones of moderate grades are highlighted in yellow and high grades in green. Note that high grades of lead + silver (+ gold between 0.25 – 1.25 g/t) and zinc ± copper (between 0.2 to 0.5%) are mutually exclusive strongly suggestive of pronounced mineral zonation.

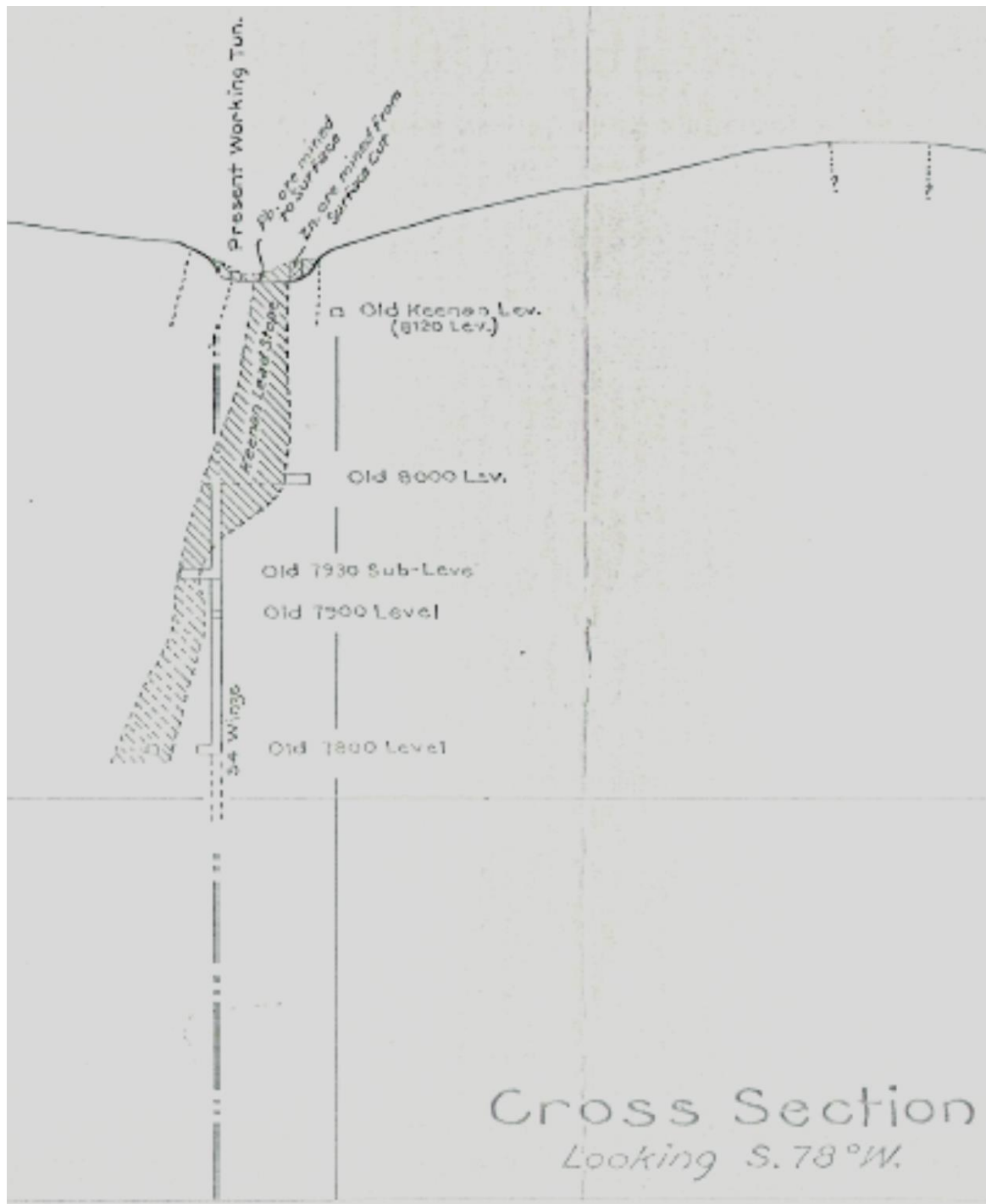


Figure 5: A cross section located to the east of the mine workings on the 7,890-foot level shown on Figure 4 above shows a roughly ENE (roughly 070° magnetic) striking ore body dipping steeply to the SSE at around 70° . This body has an apparent true width, in the zone stoped out, of between 20 to 40 + feet, or 6 to 12 meters. It has been stoped out over a vertical distance of some 350 feet or slightly over 100m down the tip of the ore shoot. The apparent geologic strike is at odds with a surface measurement of strike taken by the writer discussed below.

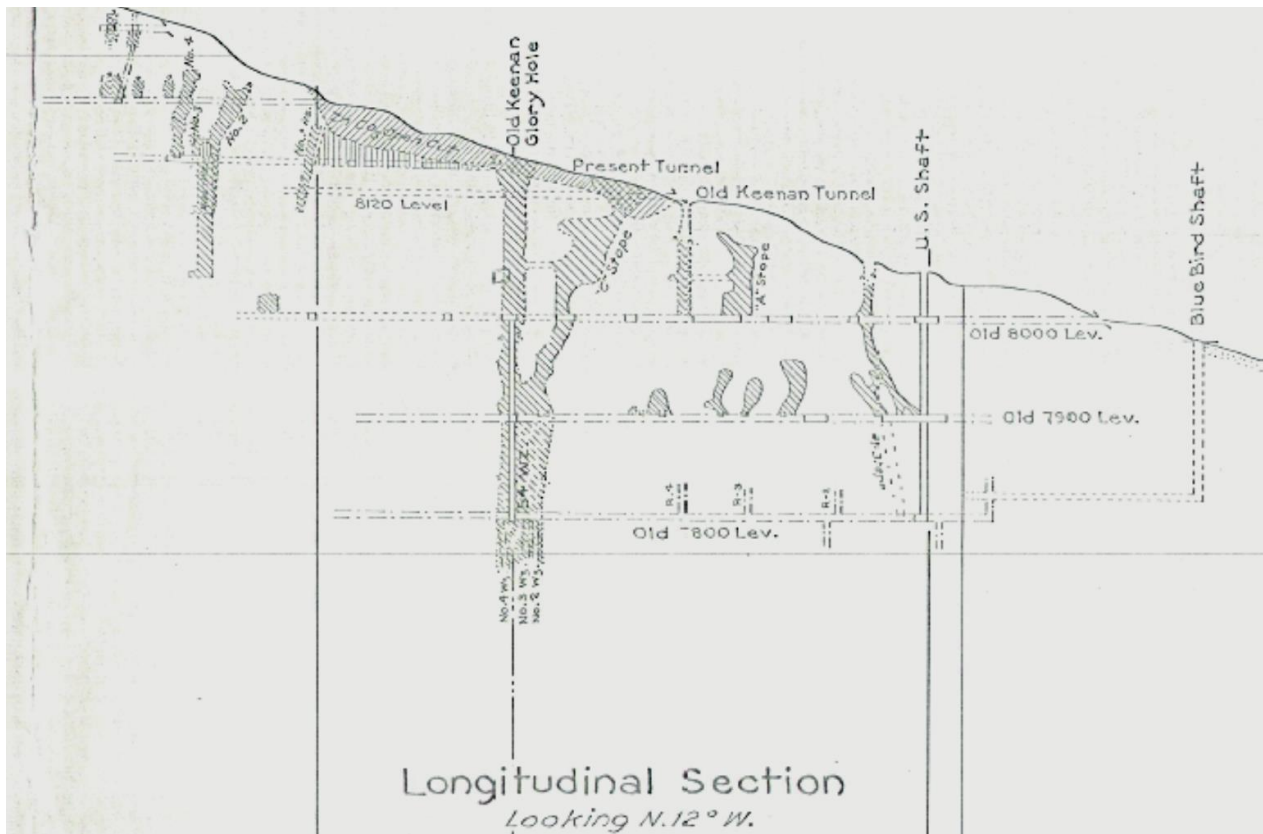


Figure 6: A historic longitudinal section of the Horseshoe – Bluebird Mine showing the underground mine infrastructure of vertical shafts, development / haulage levels, raises and ore shoots stoped out. The sectional view is N 12°W. Note the surface Glory Hole exploitation of the wider and higher-grade ore shoots and the limited underground exploitation of the ore system.

5.0 The Reconnaissance RC Drilling Program at the Red Star Prospect

The location of the three angled RC percussion drill holes in relation to historic mine workings and access is given on Figure 7 below. Total meterage drilled in the three RC drill holes was as follows:

- KX18 – 55 drilled to a downhole depth of 140 feet (41.90 m);
- KX18 – 56 drilled to a downhole depth of 180 feet (53.89 m); and,
- KX18 – 57 drilled to a downhole depth of 160 feet (47.90 m)

Hence total meterage drilled amounted to 143.69 m

Table 3 below itemises the summary geological features to emerge from each of the above drill holes albeit without assay data, which are compiled with summary geology in Table 4 below. It is important to note that PXC’s logging of the RC percussion chips was very cursory in nature and hence the writer re – logged the main mineralised intercepts in holes KX18 – 55 and KX18 – 57 to add much needed additional geologic data. However, it is highly recommended that all three holes be re – logged with support of a binocular microscope with variable magnification from X 10 to X 45. Furthermore, this work should be only be undertaken by an experienced economic geologist.

Table 3: Summary Geology & Mineralisation of hole KX 18 - 55

Depth feet (m)		Geology	Mineralisation
From	To		
0	10	Weathered brown oxidised dirt / clay after Exoskarn	None recorded but assays: 23 g/t Ag, 0.78% Cu, 18.55% Fe, 1% Mn, 0.15% Zn
10	15	Exoskarn Magnetite & garnet prevalent – Chips have slight igneous texture	None recorded but assays: 13.6 g/t Ag, 0.41% Cu, 16% Fe, 0.67% Mn, 826 ppm Zn
15	40	Exoskarn with high effervescence	25 – 30 feet interval assayed 1.135% Zn & 49.4 g/t Ag plus highly anomalous Cu between 128 and 3020 ppm with a mean of 1,150 ppm Cu and 3,000 ppm Zn
40	50	Exoskarn with magnetite replacing garnets	None recorded and assays relatively weak with around 600 ppm Zn
50	55	Endoskarn comprising andradite & grossular garnet – magnetite with quartz veinlets and micro-veinlets + feldspar	Assay data: 15% Fe; 1540 ppm Zn
55	60	Fine grained massive endoskarn comprising mainly brown to pinkish grandite garnets with magnetite (> 10 vol%) with ubiquitous quartz veinlets and micro-veinlets	Assay data: 402 g/t Ag , 308 ppm As, 0.52% Cu, 17% Fe, 1.41% Mn, 9.92% Pb , 0.90% Zn, 60 ppm U, 231 ppm Sb and 0.15 g/t Au
60	65	Fine grained massive grandite garnet – magnetite (> 20 vol %) – glassy quartz endoskarn with dark grey medium to coarse-grained argentiferous galena + lesser dark brown (Fe type) sphalerite closely associated with stockwork quartz veinlets replacing earlier magnetite in the skarn	Assay data: 420 g/t Ag , 10% Pb , 1.7% Zn , 0.13 g/t Au, 423 ppm As, 640 ppm Cu, 14.7% Fe, 3.3% Mn, 120 ppm U, 287 ppm Sb
65	70	As above for interval 60 – 65 feet with > 20 vol % fine grained magnetite and > 5% quartz veins & veinlets with mg – cg dark grey argentiferous galena and dark brown sphalerite	Assay data: 452 g/t Ag , 13.3% Pb , 0.41% Zn, 0.14% Cu, 0.12 g/t Au, 332 ppm As, 0.84% Mn, 80 ppm U, 307 ppm Sb .
70	75	As above but intense glassy stockwork quartz veining (> 30 vol%) and veinlets with disseminated medium to coarse grained dark grey galena and lesser dark brown sphalerite in pervasive replacement of magnetite in a grandite – magnetite endoskarn	Assay data: 320 g/t Ag , 8.97% Pb , 0.43% Zn, 0.07 g/t Au, 519 ppm As, 11.1% Fe, 2.24% Mn, 90 ppm U and 218 ppm Sb .
75	80	As above with 10 – 15 vol% glassy quartz stockwork veins and veinlets bearing remnant inclusions of pinkish andradite garnet & medium to coarse grained dark grey galena plus disseminated galena replacing fine grained grandite – magnetite endoskarn.	Assay data: 94.1 g/t Ag, 3.28% Pb, 0.65% Zn, 1520 ppm Cu, 0.04 g/t Au
80	85	As above with 20 – 25 vol% bluish grey quartz – sulphide stockwork veins and	Assay data: 279 g/t Ag , 8.64% Pb , 0.55% Zn, 0.165% Cu, 0.07 g/t Au, 494

		veinlets bearing mg to cg galena ± lesser sphalerite replacing fine grained grandite – magnetite endoskarn	ppm As, 20% Fe, 1.17% Mn, 40 ppm U, 169 ppm Sb
85	140	Mackay Granite	Assay data: 4% K, 1.3% Na, < 1% Ca, 6.5% Al ₂ O ₃ , 450 ppm Ba; Alkali signature granitoid with a K ₂ O: Na ₂ O ratio of 3:1

Note: Blue highlighted zone re – logged by the writer

Table 4: Summary Geology & Mineralisation of hole KX 18 - 57

Depth feet (m)		Geology	Mineralisation
From	To		
0	5	Oxidised Mackay Granite	None described
10	70	Mackay Granite with disseminated magnetite (amount unspecified)	None described. Assay data silicates: 4.2% K, 2.75 Na and Al ₂ O ₃ = 7.5%, Ca = 1.2% & anomalous Be = 20 ppm. Alkali affinity granite moderately fractionated.
70	80	Exoskarn with magnetite	None described
80	85	10 to 15 vol% pale grey glassy stockwork quartz veins and veinlets with disseminated fine grained to medium grained dark grey argentiferous galena and dark brown sphalerite in fine grained grandite – magnetite endoskarn.	Assay data: 26 g/t Ag, 0.86% Pb, 1.95% Zn, 680 ppm Cu, 0.05 g/t Au, 176 ppm As, 17.75% Fe, 40 ppm U.
85	90	5 to 10 vol% grey glassy quartz stockwork veins and veinlets plus siliceous + sulphide replacement of fine grained pinkish brown grandite – magnetite endoskarn.	Assay data: 25 g/t Ag, 0.73% Pb, 1.81% Zn, 714 ppm Cu, 0.03 g/t Au, 128 ppm As, 14.65% Fe, 60 ppm U.
90	95	30 to 40 vol% grey glassy stockwork quartz veins and veinlets bearing medium to coarse grained dark grey argentiferous galena within a fine grained massive grandite – magnetite endoskarn.	Assay data: 1,101 g/t Ag , > 20% Pb , 0.62% Zn, 595 ppm Cu, 0.15 g/t Au, 822 ppm Sb , 243 ppm As, 81 ppm Mo, 15.8% Fe, 60 ppm U
95	100	5 to 10 vol% glassy grey stockwork veins and veinlets in massive fine grained grandite – magnetite endoskarn. Magnetite content > 20 vol% with pink andradite garnet.	Assay data: 41 g/t Ag, 1.18% Pb, 0.56% Zn, 504 ppm Cu, 0.01 g/t Au and 125 ppm As, 18.1% Fe, 40 ppm U
100	105	< 5 vol% bluish grey glassy quartz veinlets ± sulphides (galena ± sphalerite) in fine grained massive grandite – magnetite endoskarn	Assay data: 48 g/t Ag, 0.72% Pb, 0.80% Zn, 916 ppm Cu, 0.03 g/t Au, 56 ppm As, 17.55% Fe, 30 ppm U.
105	140	Exoskarn – grandite + magnetite massive	
140	160	Mackay Granite	Assay data: 4% K, 1.8% Na, 6.2% Al ₂ O ₃

Note: Blue highlighted zone re – logged by the writer

In addition, the writer strongly recommends that PXC subject selected RC chips for XRF analysis. Assumptions concerning the enclosing igneous intrusive bodies, which are hosts to the skarn mineralisation, are waiting on pending petrographic analysis for additional support. Hence, it is vital to know which type of intrusive rocks are in contact with the skarn hosted ore mineralisation; e.g., whether this be Mackay Granite or the Quartz – Feldspar Porphyry Breccia intrusive which is host to all the endoskarn ore bodies at the Empire Mine. This is also discussed below in reference to assays of the contained alkali's and alumina.

RC drill hole KX 18 – 56 did not encounter economic grades of Pb, Zn, Cu or Ag mineralisation and was not re – logged by the writer.

5.1 Geologic Discussion of the RC Drilling Program and Key Issues Raised

Of the three RC holes drilled only one, KX 18 – 55, appears to have hit a substantial economic ore shoot. Hole KX 18 – 57 also hit the margins of an ore shoot with one sole economic intersection of > 20% Pb and 1,010 g/t Ag between 90 and 95 feet downhole. Hole KX 18 – 56 only intersected an elevated geochemical halo peripheral to an ore shoot but did not encounter economic mineralisation such as that intersected in holes KX18 – 55 & 57.

KX 18 – 55 intersected 30 feet downhole at a grade of 327.85 g/t Ag, 9.02% Pb, 0.77% Zn, 0.19% Cu and 0.1 g/t Au. The intersection true width is most probably 21 feet or approximately 6 m assuming an intersection closure angle with the 70° dipping ore shoot and 60° dipping angled hole of around 50°.

From close examination of RC hole KX – 18 – 55 the following salient geological points arise with respect to the sulphide mineralisation, as follows:

- a) The ore host is a fine grained, pinkish brown coloured, massive endoskarn body comprising intergrown grandite (grossular – andradite) garnets – magnetite in which the actual magnetite ($\text{Fe}^{3+}_2\text{Fe}^{2+}\text{O}_4$) content lies between 18% and 23% by volume;
- b) Sulphide mineralisation is very closely associated with post endoskarn structural shearing and brittle fracturing of the massive skarn with creation of a complex stockwork of grey glassy quartz veins and veinlets closely associated with the argentiferous galena + brown sphalerite + gold mineralisation which occurs as medium sized to coarse grained crystals within the quartz veins and veinlets and as disseminated finer grained sulphides replacing magnetite. Hence, the ore is most likely developed within low pressure structural dilational zones or ore shoots within the massive skarn developed in response to transpressional shearing;
- c) Careful examination of the assay geochemistry demonstrates that the ore shoots are undoubtedly zoned most probably in three dimensions with a higher temperature sphalerite + (copper) core zone with lower temperature galena + silver sulfosalts + gold developed at marginal locations along the geologic strike of the controlling structure;
- d) The highest copper grades within the endoskarn are developed in a peripheral position to the core zone of stockwork quartz + base metal veining and it seem probable that the copper mineralisation was introduced into the endoskarn by an earlier shearing and mineralisation event in which structurally induced ground preparation occurred with brittle fracture of the massive endoskarn;

- e) The geochemical association of Pb + Zn and lesser Cu mineralisation with Ag and minor Au with unusually anomalous As, Sb, Mo and U indicates that the development of the Red Star – White Knob Group of Mines mineralisation involved both chalcophile and lithophile events, with the latter being superimposed upon the former. It seems likely that a larger, albeit low grade, 0.4% Cu, chalcopyrite dominated, mineralising event was overprinted by a late base metal event with more widespread shearing and introduction of quartz accompanied, at this stratigraphic level, by low grade but highly anomalous As, Sb, Mo and U mineralisation possibly associated with fractionation of an “A” type granite molybdenum porphyry at depth;
- f) Curiously, the writer observed an almost complete lack of pyrite and / or pyrrhotite in the RC chips containing appreciable base metal sulphides. This is most unusual;
- g) Despite assay data showing copper values between 0.2 and 0.5% in the zones of economic grade Pb + Zn + Ag mineralisation no copper as chalcopyrite was observed. This is unusual unless copper actually occurs as another sulphide species incorporating the associated anomalous elements As and Sb and, most likely, Ag as the mineral species freibergite $\text{Ag}_{7.2}\text{Cu}_{3.6}\text{Fe}^{2+}_{1.2}\text{Sb}_3\text{AsS}_{13}$. It is important to note that silver rich freibergite is the major silver sulphide ore mineral in the world class “Coeur d’Alene” Mining District in Northern Idaho where, typically, freibergite replaces argentiferous galena – sphalerite at depth throughout the ore field. This fact is especially well documented in the historic Sunshine Mining Camp where overall silver grades increased with depth as the ore species changed from silver sulfosalts within galena to freibergite;



Plate 2: A view SW towards the portal of the upper Red Star exploration adit showing an apparent width and dip of the grandite – magnetite skarn host to the Pb – Zn – Ag mineralization flanked by supposed Mackay Granite; or at least a leucocratic alkali granite. The contact between the skarn and the granite strikes at 130° magnetic and NE at 70°; i.e. it cuts the plane of the Plate at some 50°.

- h) Finally, freibergite is not an uncommon silver ore mineral in the deeper levels of bonanza base metal veins developed above and flanking porphyry molybdenum systems in the Colorado Mineral Belt.

In support of some of the above observations, the writer visited the upper exploration adit at the Red Star property shown on Plate 2 above.

The writer examined, in particular, the hanging wall contact zone in Plate 2. This contact was sheared with the skarn body invaded by 5 to 10 vol% glassy grey, gossanous quartz, and heavily oxidised sulphide veins and veinlets as a stockwork – sheeted vein system. Indicating clearly that the quartz vein – sulphide mineralization postdates the formation of the skarn body and thus documents a later mineralizing event superimposed on the endoskarn.

Interesting the peripheral areas of the skarn body exhibited chrysocolla / malachite staining after disseminated copper sulphides. It is expected that this broader lower grade copper event formed at around the same time as the exoskarn body; i.e., as at the Empire Mine.

5.2 The Red Star Project viewed within the wider context of the White Knob Mine Group

The Red Star project can be collectively grouped with a suite of other Pb – Zn – Cu – Ag – (Au) historic mines; namely the Bluebird, Horseshoe and Copper Queen mines described in section 3.0 above. These old workings are all clustered immediately along the geologic strike of the Empire Mine ore system whose location is given on Figure 3 above and shown on the Frontispiece photograph. Indeed, the channel sample grades of the Horseshoe – Bluebird Mine, shown in Table 2 above, are very similar to those encountered in KX 18 – 55 & 57 drilled at the Red Star project, shown on Tables 3 and 4 above. Hence, one may safely assume that they all form part of the same mineralising event. However, due to inadequate geologic mapping, and other supporting technical data, their actual geologic relationship is not known in detail. Suffice it to say, given the known geology, that they all form a part of a larger mineralised system which is the northern expression of the substantial Empire quartz – feldspar porphyry breccia – Cu – (Zn) – Au – Ag endoskarn hosted ore system located some 300 – 500 m to the south.

Basin and Range block faulting is likely to have caused substantial downthrow of this northern portion of the Empire Ore System (EOS) exposing the higher (stratigraphic) level base metal - silver (sulfosalt) portion of a zoned metallogenic system. Furthermore, substantial block faulting of the order of hundreds of meters or more will have significantly altered the outcrop geology and surface expression of key lithologic units in the EOS. The vegetation cover with mature pines and firs and ground cover ferns plus the variable cover of the bedrock with glacial boulder till / moraine has served to effectively mask the geology and hinder exploration. Nonetheless, the writer is of the technical opinion that the exploration potential of this northern portion of the EOS remains essentially unexplored with most probably less than 1% of the ore system explored and evaluated at surface and to depth.

There is genuine technical scope for PXC to substantially enhance the entire Empire Project through the following phased work program:

- a) incremental exploration and evaluation of the known ore systems; i.e., the Bluebird – Horseshoe and Red Star endoskarn hosted vein systems by a combination of close spaced, grid controlled, ground magnetics and RC percussion drilling to establish an initial Aus, IMM JORC 2012 or NI 43 – 101 Inferred and Indicated categories of ore resources;
- b) Geologic control in resource drilling would be enhanced by the drilling of NQ2 diameter core tails off selected RC percussion drill holes. The tails would comprise orientated core for detailed structural geologic analysis and petrological work on the sulphide species for first pass metallurgical work;
- c) Once an initial ore resource has been calculated, for example for the Red Star project, then an adit(s) should be driven into the ore system in order to evaluate the ore body in detail through a combination of high quality underground geologic / geotechnical mapping and channel sampling. Cross cuts maybe planned from the foregoing work to more cost effectively drill the ore shoot's to depth to augment ore resources and facilitate mine planning and development.

The writer envisages that one of the Empire North Group of projects could be brought to production by the end of 2020 or early 2021 where a concerted effort is made to accelerate the program of work in a systematic manner, as the target is relatively straightforward with an indication that these systems can be mined at a good ore grade over mining widths that should enable exploitation by cost effective LHD trackless mining equipment and long hole stoping techniques.

6.0 Conclusions and Recommendations

The addition of the substantial “Horseshoe” & “Windy Devil” claim blocks to the immediate north of the Empire block of patented and unpatented claims during 2018 has extended the exploration strike of the Empire Mine Ore System (EMOS) by a total of 2.5 km with a mineralised width, as indicated by some 4 brownfields and 30 smaller prospecting adits and pits, by at least 1 km or some 175% +.

In the writer's previous report on the EMOS written during April 2019, he stated that the latter had, in his view, been less than 1% explored and exploited. This view can be extended to the two large additional claim blocks above, where, if anything, even less is known and the potential, as indicated by the historic mines of the White Knob Mine Group mined between 1909 and 1929, and in the discovery holes KX18 – 55 and KX18 – 57, for medium to high grade, endoskarn hosted, base & precious metal shear controlled quartz stockwork – sulphide veins as lode type ore shoots maybe regarded as considerable.

The endoskarn ore host at Red Star comprises a 6 to 7m wide massive garnet – magnetite (15 – 20 vol% +) body enclosed within an the alkalic ($K_2O + Na_2O / CaO \geq 1.5$ to 3.0) coarse grained Mackay leucogranite with combined alkalis > 7%. The endoskarn body is very strongly magnetic and its magnetite content is noteworthy not least because it will be commercially recoverable.

The historic White Knob Mine Group (WKMG) is dominated in terms of its overall production by the combined workings of the Horseshoe & Bluebird Mines (White Knob) which produced the following between 1909 and 1929: a total of 70,300 tonnes of high grade ore for recovery of: 425,000 ounces of silver (185 g/t Ag); 510,000 lbs of copper (0.73% Cu); 13.4 million lbs of lead (19% Pb); and 4.5 million pounds of Zn (6.5% Zn).

Data for these two contiguous mines is the most complete with channel sampling preserved for Level No 2 of the mine. This data indicated the presence of two main types of high-grade ore which were mined over mining widths varying from 1.5m to 3.5 true width on the No 2 level; i.e., zinc – (copper) zones with assay grades of between 3.5% to 31.5% Zn with a sample mean of some 13.29% Zn and 0.35% Cu, and lead + silver + (gold) zones with grades between 5.6% and 37.5% Pb averaging 15.1% Pb, 200.92 g/t Ag and 0.6 g/t Au. In stopes, widths from between 6 m to 16 m were mined out. However, it should be noted that stoping only mined the high-grade semi massive sulphide ores within the controlling structure and over 60% of the ore constrained by the developed levels has never been mined out. Hence, very substantial scope remains to build ore resources within the underground mine envelope, below the historic workings and along the geologic strike of the ore controlling structure and host lithology (endoskarn).

Further to the foregoing, the morphology, mineralogy and geochemistry of the Horseshoe - Bluebird mineralisation is identical to that encountered by PXC at the Red Star prospect.

In all cases so far reviewed, base & precious metal mineralisation occurs in very close association with shear controlled, brittle fracture, ground preparation of the massive endoskarn with open space and replacement filling grey glassy quartz vein and veinlet mineralisation bearing medium to coarse grained dark bluish grey argentiferous galena and lesser brown sphalerite. The veins and veinlets appear as sheeted veins and vein breccias. Mineralisation appears to be developed at the core and hanging wall side of the host endoskarn.

Substantial geologic questions remain to be answered in this part of the EMOS, as follows:

- 1) Nowhere to the north and NNW of the Empire North Pit has the Empire Mine lithologic / structural package been encountered; i.e., the mine system, which includes from west to east: the Mackay Granite; Quartz – Feldspar Porphyry Breccia (between 200 and 500 m in width); the EMOS endoskarn; the wollastonite – plagioclase – garnet exoskarn or White Knob limestone / siliciclastic sedimentary sequence been encountered. So, where is it?
- 2) The sequence of ore hosting lithologies north of the Empire North Pit comprises a mélange of “Mackay Granite”; a hitherto new magnetite rich – garnet endoskarn with base & precious metal mineralisation with shear controlled grey glassy quartz stockwork veining. This is entirely new and, in the writer’s technical opinion, represents a structurally different and most probably stratigraphically higher-level portion of the overall EMOS. Hence, the relationship between 2 and 1 above has to be resolved. It seems possible, given the geology of the EMOS described in the writer’s April 2019 report on the Geology of the Empire Mine System, that this system has been substantially sinistrally displaced to the west along post mineralisation 040° NE magnetic striking structures;
- 3) The mineralised area north of the Empire North Pit appears to be areally substantially larger than the litho – structurally controlled mineralisation of the EMOS at the Empire Mine, as evidenced by the development of the historic mine workings and plethora of smaller prospecting adits and pits across this portion of the overall ore system.

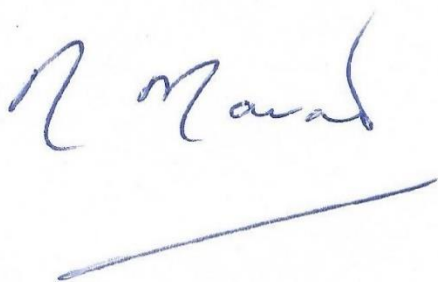
An important feature of the endoskarn ore hosts is that they are strongly magnetitic with a magnetite content ranging from 15 to 25 vol%.

Exploration Activity	Cost US\$
Surface Exploration	
Ground based geophysics – ENVIMAG survey & other	150,000
Landsat Satellite Imagery or ALOS & structural interpretation	3,000
Sub – Total Surface Exploration	153,000
Surface Exploration / Evaluation Drilling	
Access track and drill pad construction	45,000
RC drilling (1,600 m) including rig mobilisation and demobilisation	148,000
HQ diameter core drilling (600 m) including rig mobilisation & demobilisation	180,000
Downhole surveying	17,000
Reclamation seeding	1,000
Sub – Total Surface Exploration & Evaluation Drilling	391,000
Sample Preparation & Assaying at ALS Global – Reno, Nevada	
RC percussion drill rock chips	50,000
HQ diameter core sawing/ sampling/ sample prep & assay	20,000
Surface exploration road cut channel sampling	3,000
General sampling supplies	3,500
Confirmation Assays	2,500
Sample shipping / delivery and insurance	4,000
Sub – Total Sample Preparation & Assaying	83,000
Surveying	
Drill location and planning of roads and pick-up	5,000
Sub – Total Surveying	5,000
KONNEX Staff Travel & Subsistence	
2 x Geologists plus a core cutter / field hand for 3 months	75,000
Fuel & Miscellaneous	3,000
Sub – Total Konnex Staff Travel & Subsistence	78,000
OVERALL TOTAL – RED STAR EXPLORATION PROGRAM	710,000

Table 5: The PXC (Konnex Resources Inc) Proposed Exploration Program and Budget for the Red Star Project Exploration Program for a 3-month period

The writer has already suggested what he feels is the correct approach to Red Star’s exploration in the foregoing report. Also, PXC’s COO Ryan McDermott has proposed an outline Phase 1 exploration program and budget which is presented on Table 5 above. Assuming Phase 1 proves to be successful, an expanded Phase 2 program could readily be designed and implemented, during 2020, to augment overall ore resources and their category of confidence required to create a Proforma Feasibility Study (PFS) on the Red Star Project.

Signed Electronically

A handwritten signature in blue ink that reads "N Maund". Below the signature is a long, thin horizontal line.

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Dated: 17th October 2019

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