GOVERNMENT OF
NEWFOUNDLAND AND LABRADOR

Department of Mines and Energy

Mineral Lands Division

Registry File Nos:
774:3924-3943

Geological Survey No:
01241/16/1178

Confidential Until:
2008-10-06

Mineral Rights:
☐ Licence ☐ Extended Licence ☐ Impost ☐ Mining Lease ☐ Regional ☐ Other

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<th>Licence/Property</th>
<th>No. of Claims</th>
<th>Assessment Year</th>
<th>Date Issued</th>
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<td>4</td>
<td>2000-06-26</td>
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Continued next page ☐ Yes ☐ No

Number of Volumes: ______

Enclosures (indicate number of each):


Comments: RM 2005-10-06.

Signed: [Signature]

Date: 2005-10-12
Fifth Year Assessment Report
(Geological-Prospecting Mapping & Soil Sampling)

Penny Cove Project,
Baie Verte Area, Newfoundland

Map Staked Licenses: 7513M & 7536M

Field Work Performed: July-September, 2005

Licenses Held By: South Coast Ventures Inc.

2005 Exploration Expenditures

<table>
<thead>
<tr>
<th>Licenses No.</th>
<th>No. of Claims</th>
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<tr>
<td>7513M</td>
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</tr>
<tr>
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<td>3</td>
<td>$3,205</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>$9,157</td>
</tr>
</tbody>
</table>

Prepared By:

Charles Dearin, P. Geo.
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2 Forest Road,
St. John's, Nfld A1C2B9

Tel (709) 754-8844

September 26, 2005
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(Geological-Prospecting Mapping & Soil Sampling)  

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September 26, 2005
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I. INTRODUCTION

Scope
This fifth year assessment report summarizes a geological mapping-prospecting and soil sampling program carried out during July and September 2005 by FORTIS GeoServices Ltd. on the Penny Cove Gold Project on behalf of South Coast Ventures Inc.

Property Location & Access
The property is located approximately five km west of the village of Ming’s Bight and about six km NE of the town of Baie Verte on the eastern side of Baie Verte, Newfoundland (Figure 1). A five km-long gravel road from the Ming’s Bight highway into the Pine Cove gold deposit and a 1.5 km long skidder trail/footpath north to the Romeo & Juliet gold prospect gives direct foot access to the southern end of the property. An old drill trail from the Romeo vein leads into the SE part of the Penny Cove Gold Project (Figures 2 & 5). The airport towns of Deer Lake and Gander are located approximately 155 km and 255 road-km west and east respectively from the town of Baie Verte via the Baie Verte Highway and the Trans Canada Highway; daily flights to and from the mainland exist at both airports.

The claims are covered with a mixture of second growth trees and small spruce. Outcrop makes up to 5% and overburden ranges from 0.5 to possibly less than 3 metres except in bogs and linear valleys where it may exceed 5 metres thickness.

Ownership & Land Tenure
The Penny Cove claims were staked in May 2000. The property consists of 6 mineral claims (150 hectares) under Map Staked Licenses 7513M & 7536M issued on June 5 and 26, 2000 respectively, which are the yearly anniversary dates for the Licenses. The claims are held 100% by South Coast Ventures Inc. of St. John’s, Nfld. The claim statistics are summarized in Table 1 below.

The Crown holds all surface rights with local logging companies and Abitibi-Price holding significant areas of timber rights. None of the property or adjacent areas are encumbered in any way. The Baie Verte area has been a source of logging over the past 75 years and logging continues today. The Baie Verte area has a history of mining since the 1860’s with production from a variety of Cu-Zn, Cu-Au, asbestos and gold deposits. The area is not in an environmentally or archeologically sensitive zone.

Table 1: Summary and statistics of the Penny Cove claims.

<table>
<thead>
<tr>
<th>License No.</th>
<th>No. Claims</th>
<th>Area (ha)</th>
<th>Issuance Date</th>
<th>Next Report Due Date*</th>
<th>Next Expenditure Required*</th>
</tr>
</thead>
<tbody>
<tr>
<td>7513M</td>
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<td>75</td>
<td>June 5, 2000</td>
<td>August 4, 2013</td>
<td>$408</td>
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<td>7536M</td>
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<td>75</td>
<td>June 26, 2000</td>
<td>August 25, 2008</td>
<td>$150</td>
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<td></td>
<td>6</td>
<td>150</td>
<td>Next Expenditure Required for 2008:</td>
<td>$150</td>
<td></td>
</tr>
</tbody>
</table>

Note * these dates & expenditures refer to the dates & amounts due after this current report & assessment expenditures, listed in Table 3 are filed.
Figure 1: Location map of the Penny Cove Gold Project, Baie Verte area, Newfoundland.
Figure 2: Claim map of the Penny Cove Project area, Baie Verte, Newfoundland.
**Infrastructure**  
The claims are near to the towns of Baie Verte and Ming’s Bight. Good roads, power lines, experienced exploration personnel, heavy equipment construction and a diamond-drilling contractor are located in Baie Verte. The TCH lies 60-road km to the south of Baie Verte. An assay lab, geophysical and drilling contractors are located in Springdale 100 km to the SE. The Ming’s Bight power line and paved road lie five km to the east of the Project. The Pine Cove gold deposit (open pit resources of ~2.5 million tonnes grading 2.8 g Au/t) occurs about 1.5 km south of the property and the Romeo & Juliet high-grade gold vein is adjacent to and strikes into the Project. The mine development of the Pine Cove deposits will certainly make the Penny Cove Project an attractive exploration property.

**Previous Exploration Work**  
The Baie Verte Peninsula was first explored during the 1850’s to early 1900’s with dozens of mainly base metal copper prospects being found, mostly along the coastline. The development of the volcanogenic massive sulfide (VMS) Cu-Zn-Au deposits at the Terra Nova mine in Baie Verte, the Betts Cove mine and the Tilt Cove mine in the 1860’s makes the Baie Verte area one of the older mining regions in Canada. During the late 1930’s to early 1960’s exploration by a number of companies on large concessions led to the discovery and subsequent mine development of the Rambler Cu-Au VMS deposits and Advocate asbestos deposits. Although gold was first discovered in the late 1890’s at the Barry & Cunningham, the Goldenville zones (produced ~158 ounces of gold ~1905) and the Uncle Enos, etc. gold zones (1940’s), the vast majority of previous exploration work carried out on the Baie Verte Peninsula was for VMS style base metal deposits and very little was for gold.

During 1985 to 1988 the Baie Verte Peninsula became one of the ‘hot-beds’ for gold exploration in Canada. In May 1986 Noranda discovered the spectacular Deer Cove Au prospect approximately seven km to the NE of the Penny Cove Project. This led Noranda to blanket stake over 4,000 claims in the area and included the current Penny Cove Gold Project. Over the next three years Noranda and dozens of other explorationists carried out an intensive exploration for gold using the ‘Mother Lode, California’ or mesothermal vein type model. This led to the discovery of hundreds of gold showings and at least twelve significant deposits of which at least five host commercial to near-commercial resources (two have since been mined out). During 1989-1990 ‘flow-through funds’ dried up and along with this so did serious gold exploration in the region. Many deposits and new high-potential gold zones have yet to receive the serious exploration attention they deserve; the region bounds with under-explored gold deposit opportunities.

During 1986-1988 Noranda and a number of junior exploration companies explored the east side of Baie Verte for gold. Noranda emphasized the adjacent Deer Cove-Devils Cove project with intensive soil geochemistry, geological mapping, drilling and underground exploration drifting on the Deer Cove Main Vein. Noranda had several phases of exploration carried out on new alteration and gold zones discovered within the Penny Cove Project. Below is a summary of this exploration work.
Prior to 1985: Rambler Mines carried out base metal grass roots prospecting along the east side of Baie Verte; there are no records of this work available but little was found.

- Several University Master theses were carried out in the area (1940’s to 1985) but none specifically within the Penny Cove Project.
- Hibbard (1982) publishes the first comprehensive 1:50,000 scale geological map for the Baie Verte region. This map forms the basis for all subsequent gold exploration.

1985: During July, 1995 South Coast Resources Ltd. staked approximately 1,000 claims along the Baie Verte Highway, Nippers Harbour and Pine Cove area covering some 20 km of the Baie Verte Fault and using the ‘Mother Lode, California’ gold model began the first recorded modern primary gold exploration program in the area.

1986: May, 1986 Noranda prospectors discovered spectacular visible gold in quartz veins near Deer Cove on the east side of Baie Verte. A major staking rush ensued with all remaining open ground in the region being staked. Noranda staked approximately 2,000 claims in the Baie Verte area plus another ~2,500 claims in the Baie Verte to Springdale areas.

- Noranda carried out regional stream and till heavy mineral sampling and prospecting over the Baie Verte area; many Au anomalies were located.
- Initial prospecting and heavy mineral stream sampling by South Coast Resources revealed several very prominent gold anomalies, especially in the Pine Cove area.

1987: Soil surveys and detailed prospecting by South Coast Resources locate a number of areas with anomalous gold in the Baie Verte Highway and Nippers Harbour areas. Detailed prospecting and panning of 1986 heavy mineral stream anomalies leads to the initial discovery of the Pine Cove gold deposit (aka Thunder & Lightening zones) and the Romeo & Juliet gold-quartz veins.

- Noranda continues with detailed prospecting, soil geochem, geophysics, trenching and underground drifting on the Deer Cove project.
- Initial prospecting and till sampling by Noranda prospectors immediately north of the Pine Cove deposits locates anomalous gold in streams and tills.
- The Nfld Department of Mines & Energy released the results of a regional lake sediment sampling survey of the White Bay-Baie Verte-Springdale Peninsula’s (Davenport & Nolan, 1987). Numerous gold anomalies are defined with many coincident As and Cu anomalies.

1988:

- Pine Cove deposit diamond drilling cuts up to 11.1 g Au/t over 8.1 m of core.
- Noranda discovers the Stog ‘er Tight Au deposit ~three km east of the Pine Cove deposit (23 g Au/t over 7 m in trenches; 8.9 g Au/t over 5.0 m and 5.1 g Au/t over 19.6 m in drill core).
- The Nugget Pond Au deposit near Betts Cove is discovered with 19 g Au/t over 8 m in trenches and 15.8 g Au/t over 20.6 m in core.
- In July Noranda prospectors locate the Pumbly Point Au showing (on the current Penny Cove Project); consists of a two metre-wide strongly carbonatized ENE striking shear cutting mafic flow breccia; grabs assayed up to 1.9 g Au/t with channel samples assaying up to 0.67 g Au/t over 1.0 m. Several separate carbonatized-silicified zones with anomalous Au values are located south and SE of the Pumbly Pt. sh15owing.
In August and September Noranda cut a 1.2 km long base line grid with lines every 100 metres (total of 7.5 km of line cutting) over the recently discovered gold bearing carbonate altered shear zone. Detailed geological mapping, prospecting, rock sampling (127 grabs, 66 channels) soil sampling (255 samples), VLF-EM and magnetic surveys followed by seven trenches (440 m) was done. One drill hole (150 m) was drilled at the north end of the Carbonate zone and the newly found Fuel Bog zone.

Despite recommendations for more extensive trenching and diamond drilling, Noranda does no further work and their claims expired in September 1996.

**1996 to 2000:** Several private groups stake the Pumbly Point area; no fieldwork is recorded.
- March 2000 the claims expire and come open for staking in May 2000.
- May 2000 C. Dearin stakes six claims under two Licenses covering the main prospects.
- June 2001 the Licenses are transferred 100% to South Coast Ventures Inc.

**2001:** South Coast carried out a brief program of reconnaissance prospecting and sampling of Noranda trenches. A digital data compilation was completed.

**2005 Program & Work Completed**

During July and September 2005 the writer carried out a geological-prospecting mapping program along the eastern side of the claims in an effort to trace the Romeo & Juliet vein system and alteration zone. This was complimented with several lines of b-horizon soil sampling as checks to the carbonate alteration located and to the 1988 Noranda soil sampling, which returned favorable Au-As etc. soil anomalies. Four days were spent on the property in mapping and prospecting and an additional two days in soil sampling (plus two days mobe-demobe). Twenty-eight soils were collected and analyzed for Au (fire assay) and 30 elements (ICP-AES); analytical results are included in Appendix A and shown on Figures 4 & 5.

The following Tables 2 & 3 summarize personnel who worked on and expenditures incurred on the Penny Cove Au Project.
Table 2: Personnel & contractors employed on the Penny Cove Project, Licenses 7513M & 7536M, Baie Verte area, Newfoundland.

<table>
<thead>
<tr>
<th>Name</th>
<th>Residence</th>
<th>Dates Worked</th>
<th>Work Done</th>
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<tr>
<td>C. Dearin</td>
<td>St. John’s</td>
<td>June &amp; Aug, 2005 = 8 days Sept, 2005 = 4 days</td>
<td>Mapping-prospecting, soil sample Report and map</td>
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<tr>
<td>C. Dearin</td>
<td>“</td>
<td></td>
<td></td>
</tr>
<tr>
<td>D. Dearin</td>
<td>St. John’s</td>
<td>June, 2005 = 4 days</td>
<td>Compilation &amp; digitizing</td>
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Contractors

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<tr>
<th>Contractors</th>
<th>Residence</th>
<th>Dates Worked</th>
<th>Work Done</th>
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<tr>
<td><strong>FORTIS GeoServices</strong></td>
<td>St. John’s</td>
<td>June-Sept, 2005</td>
<td>Field work &amp; report</td>
</tr>
<tr>
<td>Eastern Analytical</td>
<td>Springdale</td>
<td>Sept, 2005</td>
<td>Assaying</td>
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Table 3: Expenditures incurred on the Penny Cove Project, License 7513M & 7536M.

<table>
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<th>Expenditure Item</th>
<th>Amount</th>
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</thead>
<tbody>
<tr>
<td>Geological Mapping-Prospecting &amp; Sampling</td>
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<tr>
<td>▪ Fees &amp; Wages</td>
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<tr>
<td>▪ Assays &amp; Supplies</td>
<td>683</td>
</tr>
<tr>
<td>▪ Truck &amp; ATV usage &amp; gas, etc. (St. John’s-Baie Verte-St. John’s)</td>
<td>765</td>
</tr>
<tr>
<td>▪ Accommodations &amp; Meals - 6 days Baie Verte</td>
<td>690</td>
</tr>
<tr>
<td>Report &amp; Maps</td>
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<tr>
<td>▪ Fees – report writing &amp; maps</td>
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<tr>
<td>▪ Reproductions – copy report &amp; maps</td>
<td>125</td>
</tr>
<tr>
<td>▪ Overhead @ 15%</td>
<td>1194</td>
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<tr>
<td><strong>Total 5th Year Program Costs</strong></td>
<td><strong>$9,157</strong></td>
</tr>
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</table>

These costs are allocated to the two Licenses based on the number of mandays and samples incurred on each License; costs should be distributed as follows:

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III. GEOLOGY

Regional Geology and Mineralization

The Baie Verte Peninsula is underlain by two contrasting geological environments in the northern most section of the Appalachian Mountain Belt Orogen. The western tectonostratigraphic zone, the Humber Zone, represents late Paleozoic to mid-Ordovician continental margin rocks, termed the Fleur de Lys Belt. The Fleur de Lys rocks consist of older rift type siliciclastic and volcanic rocks which are transitional upwards into continental slope facies rocks of the Fleur de Lys Super Group (Old House Cove and Mings Bight Groups). These are overlain by deeper water continental slope facies rocks consisting of sandstone, shale, etc. of the Rattling Brook Group. These rocks have been poly deformed into schists and gneisses during and after the Taconian Orogeny and later intruded by Siluro-Devonian granitic batholiths.

The eastern tectonic zone, the Dunnage Zone, represents segments of the western edge of the Lower Paleozoic Iapetus Ocean consisting of obducted and now deformed ophiolitic suites, unconformably overlying volcanic-sedimentary rocks and intrusive rocks which make up the Baie Verte Belt. The ophiolitic rocks comprise up to four early Ordovician allochthonous complexes (Birchy, Advocate, Point Rousse and Betts Cove Ophiolite Complexes) obducted onto continental rocks during the Taconian Orogeny. These mafic-ultramafic complexes are conformably (?) overlain by olistostromes and mafic volcanics of the Flat Water Pond Group. Silurian bimodal to mainly felsic subaerial volcanics and variably amounts of fluviatile sedimentary rocks, presumably of continental caldera volcanic complexes (the Cape St. John and Mic Mac Lake Groups) unconformably overlie these mafic units. Siluro-Devonian granitoid suites, possibly subvolcanic to the Mic Mac Lake and Cape St. John Groups, intrude all rocks of the Baie Verte Belt.

The boundary separating the Humber and Dunnage Zones is a regional fault structure termed the Baie Verte Line (BVL) or Flexure. Traceable as a major fault throughout the Appalachian Mountain Belt, the BVL is a crustal suture zone where two continents collided and it contains the remnants of a major Taconian subduction zone.

This major fault is the loci of the vast majority of the known gold prospects and deposits on the Baie Verte Peninsula. It’s geological setting in conjunction with the proximal rocks makes this fault zone comparable to the Melones Fault of the Mother Lode gold belt, California, the Destor-Porcupine Fault in the Porcupine gold district, Ontario-Quebec, and many other famous mesothermal gold districts throughout the world.

Penny Cove Property Geology

The Point Rousse Ophiolite Complex underlies the northern section of the Baie Verte Peninsula and consists of variable assemblages of ultramafic rocks overlain by sheeted dikes, gabbros and mafic volcanics & volcaniclastic (Hibbard, 1983). The Penny Cove Project is underlain by generally undeformed (i.e. low-grade greenschist) variable mixtures of mafic flows, volcaniclastic and gabbros of the Point Rousse Ophiolite Complex. Several ENE and NW
Figure 3: Geological setting of the Baie Verte Peninsula and Penny Cove project area.
trending shear fault zones-linears cut these mafic rocks and host moderate to intense carbonate altered zones, some containing quartz veins and quartz-carbonate stockworks.

From a gold potential point of view a number of sub-parallel and crosscutting faults occur within and adjacent to the property. The regionally important Baie Verte Line (Fault) occurs immediately to the west of the Project in Baie Verte. This structure and related subsidiary splays from it, are directly related to the more important gold deposits in the area (Pine Cove, Deer Cove, Stog ‘er Tight) and also the Romeo & Juliet auriferous quartz vein which occurs immediately adjacent to and on the Penny Cove Project (Figures 4 & 5). Secondary splay faults are generally the more important hosts for structurally controlled gold deposits. Adjacent to and within the Penny Cove Project such conjugate splays and linears appear to be significant hosts to gold quartz veins and carbonate alteration zones, the Romeo vein is a classic example of this.

**Penny Cove Property Mineralization**

Gold mineralization on the Penny Cove Project occurs as very fine gold associated with fine to medium grained pyrite and minor arsenopyrite. This mineralization is directly associated with variably width (0.5 to >50 metres) and elongate (100 to >500 m) sinuous zones of moderate to intense carbonate alteration in and adjacent to shear zones.

Two zones of auriferous carbonate alteration were located and worked by Noranda in 1988 (Pollard, 1988 and Smith, 1989) as follows:

**Pumbly Point-Carbonate Zone:** Initially located on the shore of Baie Verte this intense carbonate altered shear yielded grabs of 2.7 g Au/t and channels of 0.65 g Au/t over 2 m. Prospecting and trenching traced the Zone discontinuously over 500 m to ENE. This zone is an ENE striking, 50° to 70° north-dipping, intense to moderate carbonate alteration zone related to a strong shear zone cutting fine grained gabbros (Figure 5). The zone varies from 0.5 to >12 m wide; the variation in width appears to be fault related where the alteration is locally cut off sharply on fractures. Channels in trenches produced values up to 0.5 g Au/t over 5 m (trench 1) and 2.7 g Au/t over 1.4 m (initial chip sample here assayed 6 g Au/t) (trench 4). Weakly altered wall rocks adjacent to the carbonate alteration generally yielded anomalous values with occasional values of 3.7 g Au/t and channels to 1.3 g Au/t. The zone could not be exposed in the northeasterly most trench (trench 0) due to thick overburden, but it was cut in the one drill hole beneath this trench (Figure 5); assays of 1.24 g Au/t over 1.9 m were intersected.

**Fuel Bog Zone:** This zone was located in the south end of trench 0 while exploring for the NE extension of the Pumbly Point Carbonate Zone. It occurs about 25 m south of and parallel to the later zone. The zone is >30 m wide but was never fully exposed due to thick overburden in the south end of the trench. Initial grabs of the trenched and exposed carbonate zone assayed up to 1.9 g Au/t while careful channel sampling yielded up to 1.2 g Au/t over 4.0 m. During the trenching in thick overburden at the south end of trench 0, a number of angular pieces of sub outcrop rubble of pyritized (10%) carbonate altered quartz stockwork produced assays to 4.9 g Au/t. This area of the trench is within the ENE trending strong linear which is mostly covered
by bog and thick overburden throughout the length of the linear on the property. As most intense carbonate alteration within strong shear zones would erode quicker than a silicified zone, it is not unusual that such carbonate hosted gold mineralization is well covered in bogs and thicker overburden zones.

Noranda drilled only one drill hole on the property in 1988 (Smith, 1989) (see Figure 5). Located near and under trench 0 the hole possibly cut both of the above carbonate zones. A wide moderate alteration zone was cut near the hole collar and several narrow zones (<1 m) of intense alteration were intersected with anomalous gold values.

In addition, at least three other separate carbonate alteration zones with anomalous to high gold values occur but received only cursory exploration. The more important of these is the Corner Shore zone located near the coast of Baie Verte. The showing consists of massive carbonate altered basalts cut by stringers of quartz-carbonate veinlets and containing ~5-10% fine to medium grained euhedral pyrite. Initial grab samples returned up to 14.6 g Au/t; no further work was done on this zone. Two other linear, intense carbonate alteration zones cutting similar fine-grained gabbros contain weakly anomalous gold values (25 to 200 ppb Au) but have only received cursory exploration efforts.

The host rock of the few known extensive alteration zones is either basalt and/or gabbro. The gabbro is a tight, fine-grained microgabbro that is generally brittle and not conducive to a good permeability/porosity, except within and immediately adjacent to shear zones. The rocks hosting the Pine Cove gold deposit, ~2 km to the south are mostly weak to moderately carbonate altered, poorly silicified volcaniclastics containing fine to medium grained euhedral pyrite disseminated in the altered volcaniclastics and narrow quartz-carbonate stringers. These rocks once hosted a good porosity and permeability around and adjacent to a major structure.

The Penny Cove Project could host a significant gold deposit if:

- Similar conditions of Pine Cove type porosity in volcaniclastics occur on the property; this is encouraged by the highly anomalous Au values from adjacent wall rock (i.e. these auriferous fluids did flow past the carbonate alteration but appear to have been locally restricted due tight rock conditions).
- Extensive zones of >50 m wide, sheared, auriferous, intense carbonate alteration exists in overburden-covered linears; this is true for the Fuel Bog Zone.
- The Penny Cove property gabbros and basalts appear no different than the Deer Cove mafic rocks to the NE. Strong fault-shear structures on the Penny Cove Project could host high-grade mesothermal quartz veins. These sheared zones could be in overburden filled linears.
- The NE strike extension of the Romeo & Juliet vein has yet to be seriously explored on the Penny Cove Project despite the continuation of both moderate to strong carbonate alteration and significant soil anomalies (to 380 ppb Au) defined by Noranda and recently confirmed during this current 2005 program (i.e. up to 153 ppb Au).

2005 Program and Results
During July and September 2005 six days were spent in geological mapping and prospecting the central part of License 7513M and the western side of License 7536M in an attempt to locate extensions to the Romeo & Juliet quartz vein and to locate additional veins and zones of carbonate alteration in favorable mafics. A total of 27 soils were collected on two compass and paced lines along strike of the Romeo vein and to the immediate NE where Noranda had previously located several linears with anomalous Au values in b-soils.

Most of the 1988 Noranda cut lines were located for mapping purposes and are still easily followed. The mapping was done in an attempt to trace the Romeo vein associated carbonate alteration along NE-trending VLF and magnetic anomalies. No new quartz veins were located but a new moderately carbonate altered zone was defined and is possibly the NE extension of the Romeo vein alteration zone (Figure 5); this newly defined alteration zone strikes to the NNE for over 400 meters from the Romeo vein. All rock outcrops and suboutcrops (i.e. < 3% exposure) in this area are medium to fine grained, massive basalts. Small local areas of weak carbonate stockworks and disseminated pyrite also occur in the area on both sides of this new carbonate alteration zone.

The NE extension of the Romeo vein on the Project appears to lie within a prominent linear which is directly coincident with a moderate to strong VLF conductor as detected by Noranda in 1988 (Figure 4 & 5). Noranda also detected several good b-soil anomalies (22, 40, 55, 380 ppb Au, etc.) for >200 to 450 meters along strike and coincident with the NE trending carbonate alteration zone defined in July 2005 (Figure 4 & 5). Two lines of b-soils were collected in September 2005 and analyzed for gold and 30 elements by fire assay and ICP-AES respectively. The 2005 soils confirmed the Romeo NE extension with values of 153 and 91 ppb Au coincident with Noranda’s values of 380 & 22 ppb respectively (Figure 4). In addition, the 2005 sampling detected a new ENE trending gold anomaly (65 & 47 ppb Au) about 150m east of the Romeo vein (Figure 5).
II. CONCLUSIONS AND RECOMMENDATIONS

The Penny Cove Gold Project contains a good structural and geological environment conducive to hosting gold deposits. The following factors bode well for this Project:

- The Romeo & Juliet mesothermal high-grade Au quartz lodes occur immediately adjacent to the SW boundary of the Penny Cove property. This veins host structure with moderate to intense carbonate alteration and anomalous gold in soils, appears to continue striking through the Penny Cove Project for over 400 meters.
- Moderate to strong carbonate alteration in sheared mafic volcanics hosting anomalous to moderate grade gold values in several locations on the property indicate that the Project area has been intruded with significant auriferous magmatic fluids. Only minimal exploration work, with positive results, has been carried out in these areas.
- A new soil gold anomaly was detected 150 m east of the Romeo vein trend on the Project.

The combination of these features in generally unexplored linears yields a very favorable exploration situation. The Penny Cove Project contains a number of important auriferous alteration zones that are worthy of additional exploration work.

Proposed Future Program

The following exploration work is proposed for the Project:

- Backhoe trenching along the NE strike extension of the Romeo vein should be done.
- Detailed trenching should be carried out across several ENE trending, moderate (50-150 ppb Au) soil anomalies
- Detailed prospecting and soil sampling should be done in the NE area of the claims to test for strike extensions to the “Carbonate & Fuel Bog” gold zones.
- Future prospecting should be concentrated in linears and cross cutting structures.
- A program of at least five diamond drill holes under the NE extension of the Romeo vein and under the linear adjacent to the north end of the Pumbly Point Carbonate Zone and the Fuel Bog Zone should be carried out.
IV. REFERENCES


Smith, R., 1989: Third year assessment report on geological, geochemical, geophysical, trenching and diamond drilling exploration for the Advocate/Wildcat project for license 3499 on claim blocks 3988-3993, 4417-4419, 4458-4460, 4511, 5010, 5027-5028, 5033, 3756 and 15543 in the Baie Verte, Pumbly Point, Sisters Point and Rattling Brook areas, NW Newfoundland, 186 pages, Geofile NFLD/1915.
APPENDIX A

2005 Geochemical Analysis

Penny Cove Project

License 7513M & 7536M
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