



March 5, 2015

Progress Report: Prepared By Rauno Perttu, Project Geologist

Underground Core Drilling Program – Golden Wonder Mine

The following is a progress summary of the ongoing Golden Wonder core drilling program.

LKA is conducting a staged drilling program at the Golden Wonder Mine. The first stage is primarily focused on providing “close-in” targets for immediate exploratory mining adjacent to the northeast end of the active workings on the 600 level. Initial drilling has identified minable, high-grade vein(s) in close proximity to the existing mining area. Drill holes CH-1, CH-3 and CH-5 spanned an area adjacent to the workings that is 20 feet wide and extends to 55 feet above the 600 level. The vein intercepts in these holes averaged a gold grade of 10.86 ounces per ton over an average true vein width of 16.8 inches. Hole 8, which was 20 feet above hole 1, the highest of the three, was of much lower grade across an intercept of 4 feet, but may have been on the edge of the existing vein as evidenced by the poorly mineralized holes 4, 7, 9 and 10, and an abrupt margin. Holes 2 and 6 clipped mine workings and were terminated. Hole 11 was angled below these workings, and was un-mineralized. Mining of the newly located vein extension is already underway.

A limited number of first-round exploration holes were drilled to evaluate the potential for nearby, new vein structures. Drill hole CH-9 was extended upward to the north to a total length of 300 feet. Drill hole CH-12 was drilled eastward for 503 feet, and CH-13 was drilled to the southeast for 543 feet. Although none of the three holes encountered a high-grade vein, all three holes began and were terminated in excellent host rock.

These three holes intersected several “stringers” in the host rock and appeared very similar to some which have historically expanded into significant ore zones in the Golden Wonder Mine. Importantly, the holes intersected bleached, altered, locally strongly silicified rhyolite, pumice and volcanic ash for their entire lengths. The holes contain local scattered sulfides, zones where sulfides have been oxidized and leached out, and small voids that often appear to have resulted from explosive venting of water and volcanic gases in a volcanic “boiling zone”. The holes stayed in or near this “boiling zone” over most of their entire lengths. Core from each of the three holes contain zones of strong silica enrichment, i.e., “silica flooding”. In epithermal gold systems, gold is preferentially found in or immediately below the boiling zone of the ore system, and these gold systems are usually enriched in silica (quartz) in and above the gold mineralization.



Underground Core Drilling Program – Golden Wonder Mine (Cont'd)

My observations of holes CH-12 and CH-13 indicate an even more favorable environment for gold mineralization near their terminations than their beginning points. They are strongly leached, silicified, and in or near the mineral system's boiling zone. It is not disappointing that they did not intersect gold veins. High-grade gold veins are very localized in epithermal systems, and the majority of holes, especially early in a drilling program of this type, will likely miss the gold bearing veins, but are important in outlining and defining the gold system geology. Additional outward exploration will, I believe, be successful in finding additional new gold veins. There is a good possibility that some of the "stringers" intercepted in each of these three holes will develop into gold veins in nearby parts of the mineral system. None of these holes undercut the numerous surface prospect pits. The surface above these holes is hidden under colluvial gravels, with no exposed bedrock. It's important to remember that surface prospect pits and old surface workings extend for thousands of feet outward from the Golden Wonder Mine, and this first stage drilling only extended out to a maximum of 500 feet in a very limited area and elevation. Most of the Golden Wonder gold system remains unexplored.

The second round of drilling will be conducted from a different location, which is currently being prepared. When ready, the drill will be moved to this new location, which will provide a better angle for drilling further out along the Golden Wonder vein trend. It will also allow for drilling of extensive, unexplored portions of the Golden Wonder vein system between the historic workings (commercially mined zone) and along the trend of the vein to the southwest. This new drill location will also allow exploration access to undercut historic surface workings, which remain unexplored further northeastward along the Golden Wonder vein.*

* See Mr. Perttu's report dated November 6, 2013 entitled:
[Golden Wonder Field Investigation Study – November 2013](#)

Rauno Perttu - Golden Wonder Mine Project Geologist

Mr. Perttu is a registered, professional engineer-geologist with over 40 years experience in all phases of metals and minerals exploration, evaluation and project development. His career included key positions with Pacific Power & Light, Gulf Minerals, and Kennecott where he was Coal Manager and Director of Business Development. He has directed and evaluated numerous projects in North and South America involving gold, molybdenum, coal, uranium, and industrial minerals.