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TECHNICAL REPORT

**IRON-T VANADIUM-TITANIUM-IRON PROPERTY
MATAGAMI AREA, QUEBEC, CANADA**

Prepared for

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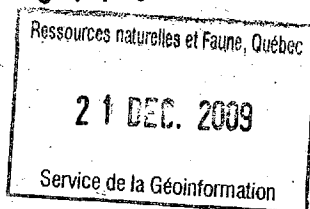
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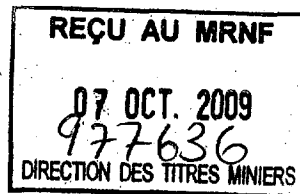
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Salaberry de Valleyfield

January 8th, 2009



LIST OF FIGURES

Figure 1 Location map	13
Figure 2 Claims location map.....	14
Figure 3 Airborne survey - Total magnetic field	18
Figure 4 Simplified geology	26
Figure 5 Geology of the property	29
Figure 6 General view of trench A	35
Figure 7 Trench A - Magmatic layering associated to massive oxide mineralization	35
Figure 8 Relationship between Fe (tot) and V ₂ O ₅ grade	38
Figure 9 Relationship between Fe (tot) and TiO ₂	39
Figure 10 Trench A - Channel sampling results	40
Figure 11 Diamond drill holes location map superimposed over the total magnetic field	42
Figure 12 Samples collected from trench A – Vanadiferous massive oxide mineralization	47

Item 3: Summary

On August 1st, 2008, Apella Resources Inc. retained Mr Roger Moar, consulting geologist to execute an independent technical report compliant with NI 43-101 (Standards of Disclosure for Mineral Projects), covering the entire Iron-T Vanadium-Titanium-Iron property, Matagami area, Quebec, in order to determine the potential for vanadium, titanium and iron mineralization.

The Iron-T Vanadium-Titanium-Iron property is located in the Matagami area in the west-central part of the Province of Quebec, Canada, approximately 780 km north of Montreal. The property currently consists of 27 designated claim cells totalling 14.98 km² and covering one block of contiguous claims among Lozeau and Comporté townships including a block of 17 designated claims cells totalling 9.47 km² designed as the Audet Option.

The Audet Option has been acquired by agreement, dated February 1st, 2008, between Novawest Resources Inc. and Mr Albert Audet, Mehmet Taner, Pierre Bérubé and Pierre d'Aragnon. The mining titles of the Audet Option has been tranfered to Apella Resources Inc. as of June, 2nd, 2008. The listing of the claims indicates as of September 23rd, 2008 that all claims are owned 100% by Apella Resources Inc. and are in good standing. An additional 94 staked claims were also applied for in Spring 2008 and remain subject to a processing period before approval.

The Iron-T Vanadium-Titanium-Iron property is located in the Bell River Complex and covers the northern flank of the Galinée anticline in the northern part of the Abitibi Greenstone Belt. The Bell River complex covers an area of 1,300 km² and transects the volcanic rocks of the Watson and Wabasseé groups. The Bell River complex is mostly composed of gabbro and less than 20% anorthosite, pyroxenite and minor dunite and magnetite.

Mining companies conducted exploration work since 1958 on or in the vicinity of the actual Iron-T Vanadium-Titanium-Iron property. The main interest was directed toward base metals mineralization following initial discoveries on the Matagami mining camp. In 1979, following published results of an airborne magnetic and electromagnetic survey over the Matagami area, the *Société de Développement de la Baie-James* initiated an exploration program some 1.5 km NE of Lake Swallow. Hole L-1-82-1 was bored in 1982 and successfully identified vanadiferous mineralization over significant widths on the property. Assay results returned **0.34% V₂O₅, 6.74% TiO₂ and 25.19% Fe (total) over 56.39 m (estimated true width 39.87 m).**

In 1997-1998, Noranda Exploration Inc. carried out exploration works, under the supervision of a well recognized vanadium expert, Dr. M. Taner, on the Lake Olga Fe-Ti-V occurrence, located approximately 1.8 km NE of Lake Shallow. The company carried out a ground magnetic survey, drilled two diamond drill holes and conducted stripping and channel sampling.

Three grab samples collected from Trench A during the exploration program in 1997 returned values between 0.52 and 0.59% V_2O_5 . The average content of the channel samples from Trench A is 52.37% Fe_2O_3 , 9.71% TiO_2 and 0.52% V_2O_5 over 10.50 m. Trench B located at 50 m north of Trench A, returned grades of 35.43% Fe_2O_3 , 5.89% TiO_2 and 0.37% V_2O_5 over 15.0 m. Two diamond drill holes spaced 430 m apart were carried out at 300 NW and 200 NE of Trench A. Hole LT98-01 returned 0.34% V_2O_5 , 6.17% TiO_2 and 42.16% Fe (total) over 36.45 m and 0.32% V_2O_5 , 4.84% TiO_2 and 30.04% Fe (total) over 7.50 m. Oxide mineralization intersected in hole LT98-02 yielded 0.26% V_2O_5 , 3.80% TiO_2 and 23.42% Fe (total) over 16.50 m; and 0.34% V_2O_5 , 4.90% TiO_2 and 38.96 Fe (total) over 22.70 m.

Geological setting and mineralization encountered on the Iron-T Vanadium-Titanium-Iron property located in the Bell River Complex indicates many similarities with typical world-class magmatic Fe-Ti-V oxide deposits associated with layered intrusive complex. Most of these deposits are associated to mafic-ultramafic layered complexes such as the Lake Doré Complex in Chibougamau, Quebec; the Windimurra Complex in Australia; the Panzihua layered intrusion in China and the Bushveld Complex in South Africa. These deposits have been formed from an immiscible oxide-rich melts as a result of an extensive fractional crystallization in mafic-ultramafic magmas.

Based on a very limited amount of drilling, assay results confirm a continuous vanadium mineralization over a minimum strike length of 500 m. Prospective targets areas are characterized by high magnetic susceptibility. A ground magnetic survey conducted in 2007 indicated that previous drilling and trenching were conducted within an area characterized by strong magnetic anomalies trending WNW and ESE extending over 1 km and 150 to 225 m wide. The ground magnetic data from the survey conducted in 2007 is considered adequate to assist geological mapping and delineate potential areas for diamond drilling.

A two-stage exploration program totalling \$1,250,590 is proposed to further define prospective areas of vanadiferous mineralization within the Iron-T Vanadium-Titanium-Iron property. The proposed program is oriented toward geological, geophysical and geochemical data acquisition which can lead to the

discovery of an economic vanadium, titanium and iron deposit.

Item 4: Introduction & Terms of Reference

Apella Resources Inc. (TSX.V: APA) retained Roger Moar, consulting geologist, in August 2008 to complete an independent technical report of the Iron-T Vanadium-Titanium-Iron property. The author completed the technical report titled “Technical Report, Iron-T Vanadium-Titanium-Iron property, Matagami Area, Quebec, Canada” and dated as November 5th, 2008. The title ownership and status information documented in this technical report are considered current as of September 23rd, 2008. However, the author does not accept any responsibility for errors regarding this information. The report has been prepared in compliance with the Canadian National Instrument 43-101 (Standards of Disclosure for Mineral Projects).

Report objective

The purpose of this technical report is to provide an independent evaluation of the Iron-T Vanadium-Titanium-Iron property, summarize the data on which this assessment is based and make recommendations to undertake a specific exploration program in order to determine the potential for vanadium, titanium and iron mineralization

Sources of information

This report is based on a review of the available data including public assessment files and government reports available in the public records as well as a limited amount of private documents including agreement, pertinent report and maps, and data from various private sources provided by **Apella Resources Inc.**. Where cited, references are referred to in the present technical report by author and date. All references are listed in Item 23 (References).

Field visit

The author of the present report has visited the Iron-T Vanadium-Titanium-Iron property on August 4th, 2008, in the course of the property evaluation.

Units used

All measurements quoted in this report are expressed in metric unless otherwise stated. Vanadium (V), vanadium pentoxide (V_2O_5), titanium dioxide (TiO_2) and total iron (Fe_2O_3) grades are reported in weight percent (%) and geochemical analyses are reported in parts per million (ppm) or parts per billions (ppb) unless otherwise stated. All dollars referred to in this technical report are expressed in Canadian dollar (\$).

Terms and definitions

« Apella » refers to Apella Resources Inc., « Novawest » refers to Novawest Resources Inc., « Noranda » refers to Noranda Exploration Inc., « SDBJ » refers to *Société de Développement de la Baie-James*, « MRNF » :refers to *Ministère des Ressources Naturelles et de la Faune*, « GESTIM » refers to *Gestion des Titres Miniers - Ministère des Ressources Naturelles, de la Faunes*.

Item 5: Reliance on Other Experts

Author's opinions contained herein and effective on September 23rd, 2008, are based on assessment files and government reports and information such as correspondence, pertinent maps and agreements provided by **Apella**. For the purpose of this report, the author has relied, and believes that there is a reasonable basis to rely, on information including historic exploration documents and papers from a well recognized expert, Dr. Mehmet Taner, who has contributed to research on iron-titanium-vanadium mineralization.

The title ownership and status information documented in this technical report were obtained from information provided by the *Ministère des Ressources Naturelles et de la Faune (MRNF)* on the GESTIM website and are considered current as of September 23rd, 2008. The title ownership and status information provided by the *MRNF* website are not considered valid legal opinion.

Item 6: Property Description & Location

Location

The Iron-T Vanadium-Titanium-Iron property is located in the Matagami area in the west-central part of the Province of Quebec, Canada, approximately 780 km north of Montreal. The property is located between latitudes 49°45'13"N and 49°42'56"N and longitudes 77°23'00" W and 77°36'49" W (Fig. 1). The property covers the Isle-Dieu, Lozeau, Galinée and Comporté townships and the National Topographic Sheets (NTS) 32F11 (Rivière Opaoca), 32F12 (Ile Bancroft), 32F13 (Matagami), 32F14 (Lac Olga).

Mining Property

The Iron-T Vanadium-Titanium-Iron property currently consists of 27 designated claim cells totalling 1,485 Ha and covering one block of contiguous claims among Lozeau and Comporté townships located on the Rivière Opaoca topographic sheet (Figure 1). The Iron-T Vanadium-Titanium-Iron property includes a block of 17 designated claim cell designed as the Audet Option. The claims have not been legally land-surveyed but each claim covers an area of 30 seconds in latitude and 30 seconds in longitude. The author has verified the status of the claims of the Iron-T Vanadium-Titanium-Iron property provided by *MRNF* on the GESTIM website as of September 23rd, 2008. The listing of the claims indicates that all claims are owned 100% by **Apella** and are in good standing. An additional 94 staked claims were also applied for in Spring 2008 and remain subject to a processing period before approval. The distribution of active designated claims actually held by **Apella** is shown in the Table 1. Figure 2 shows active designated claims owned by **Apella** as well as the perimeter of claims staked in Spring 2008.

TABLE 1 IRON-T VANADIUM-TITANIUM-IRON PROPERTY - CLAIMS HELD BY APELLA (AS OF SEPTEMBER 23RD, 2008)			
Township	Title	Expiration / Renewal dates	Area (Ha)
Lozeau & Comporte	2148868	2010/05/06	55.00
Lozeau & Comporte	2148869	2010/05/06	55.00
Lozeau	2148870	2010/05/06	55.00
Lozeau	2148871	2010/05/06	55.00
Lozeau	2148872	2010/05/06	55.00
Lozeau	2148873	2010/05/06	55.00

TABLE 1
IRON-T VANADIUM-TITANIUM-IRON PROPERTY - CLAIMS HELD BY APELLA
(AS OF SEPTEMBER 23RD, 2008)

Township	Title	Expiration / Renewal dates	Area (Ha)
Lozeau	2148874	2010/05/06	55.00
Lozeau	2148875	2010/05/06	55.00
Lozeau	2148876	2010/05/06	55.00
Lozeau	2148877	2010/05/06	55.00
Lozeau & Comporte	109860	2009/12/18	55.00
Lozeau & Comporte	109861	2009/12/18	55.00
Lozeau & Comporte	109862	2009/12/18	55.00
Lozeau & Comporte	109863	2009/12/18	55.00
Lozeau & Comporte	109864	2009/12/18	55.00
Lozeau & Comporte	109865	2009/12/18	55.00
Lozeau & Comporte	109866	2009/12/18	55.00
Lozeau & Comporte	109867	2009/12/18	55.00
Lozeau	109869	2009/12/18	55.00
Lozeau	109870	2009/12/18	55.00
Lozeau	109871	2009/12/18	55.00
Lozeau	109872	2009/12/18	55.00
Lozeau	109873	2009/12/18	55.00
Lozeau	109874	2009/12/18	55.00
Lozeau	109875	2009/12/18	55.00
Lozeau	109876	2009/12/18	55.00
Lozeau	109877	2009/12/18	55.00
TOTAL			1 485.00

The Audet Option has been acquired by agreement, dated February 1st, 2008, between **Novawest Resources Inc. (Novawest)** and Mr Albert Audet, Mehmet Taner, Pierre Bérubé and Pierre d' Aragon and comprises 17 claims totalling 946.55 Ha (9.47 square kilometres). This group of claims is hereafter referred to as the "Audet Option" (Figure 2 and Appendix D). The option entitles **Novawest** to acquire a 100% interest in the claims by payment of \$250,000 and the issuance of 900,000 common shares of **Novawest** to the vendors. In addition, Novawest is required to carry out \$500,000 of exploration expenditures work on the ground being optioned, and grants a three percent net smelter return ("NSR") to the vendors. One half of the NSR (1.5%) can be purchased for \$500,000. The mining titles of the Audet Option has been tranfered to **Apella** as of June, 2nd, 2008 (*MRNF - Régistre public des droits miniers, réels et immobiliers*, Registration Number 52645).

According to the surface area and the location of the claims, **Apella** must spend as minimum work requirement an amount of \$1,200 for each claim in order to keep each designated claim cell in good standing.

Environmental Liabilities

The Iron-T Vanadium-Titanium-Iron property is not subject to any environmental liabilities.

Permits

Authorizations and permits with regard to the Iron-T Vanadium-Titanium-Iron property will be obtained from the *MRNF* when required.

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Item 7: Access, Climate, Infrastructure & Physiography

Access

The Iron-T Vanadium-Titanium-Iron property is accessible via Matagami located approximately 780 km of Montreal, 250 km from Val d'Or and 185 km from Amos along regional highways. Matagami is accessible via Regional Highway 109 which links Amos to the Bay James Highway. The central part of the Iron-T Vanadium-Titanium-Iron property is located 10 km ESE of the town of Matagami. Access to the property is via all-weather gravel road N805 which links Lebel-sur-Quévillon to Matagami. It is situated approximately 5.4 km ENE of Matagami and crosses the central part of the property in an EW direction and the eastern part of the property in NS direction. Travel within the property is by all terrain vehicles (ATV) or snowmobiles along secondary forestry roads, or on foot.

Climate

The Matagami area is characterized by a cold temperate continental climate with cold winters and generally warm and short summers. Temperatures in January range between -13° and -27° C with an average temperature of -20° C. July is the warmest month with temperature ranging from 9° C to 23° and an average temperature of 16° C. The annual average daily temperature in Matagami is slightly under the freezing point specifically -0.7° C. Snow accumulation and freeze-up of lakes begin in mid-November and snow remains on the ground until the beginning of May. The annual precipitation is around 905 mm with approximately one-third of the annual precipitation occurring as snow mostly between October and April.

Infrastructure

Matagami, situated in the administrative region of Northern Quebec, is the major town in the area and can provides housing, servicing, supplies, consumable and transport facilities including railway access for an efficient mining operation. Services also include health care centre and primary schooling. The current population of Matagami is approximately 2000 people. Matagami has a municipal airstrip. It should be noted that there is presently no regular flight to Matagami but Air Creebec and Propair offer chartered flights. Val d'Or located 250 km to the south has a regional airport with daily scheduled flight to and from major cities such as Quebec, Montreal and Toronto. The Canadian National rail-line passes some 15 km to the south of the claim block.

Physiography

The Iron-T Vanadium-Titanium-Iron property lies in the Abitibi Lowlands of the Canadian Shield. The Abitibi Lowlands are characterized by small rounded hills, widespread swamps and depressions frequently occupied by lakes and rivers. The highest area of the property has an elevation of approximately 310 m and is located 1.5 km north of Lake Shallow. The elevation of the Lake Shallow is approximately 260 m. above sea-level. The property is generally well drained and contains exposed and extensive glaciolacustrine and glaciofluvial overburden deposits. The forest cover is relatively young with vegetation largely composed of spruce and lesser poplar and birch. The drainage system flows northwards towards James Bay.

Item 8: History

The first mapping reconnaissance in the Matagami area was conducted by *Bancroft (1913)* of the *Services des Mines du Québec*. Major geologic features in the vicinity of the Iron-T Vanadium-Titanium-Iron property were published by *Auger and Longley (1939)*, *Black and Freeman (1940, 1944)*, and *Longley (1943)* of the Department of Natural Resources, Quebec. In 1968, *Sharpe* published the first geological compilation of Matagami area including the integration of data from the Matagami Lake Mine (Zn-Cu-Ag) and from bordering sulphide units. It divides the volcanite units into two main groups: The Lake Watson Group and the Wabasse Group, and also establishes a correlation between the massive sulphide deposits by using the Key Tuffite unit as reference. More recently, the Opaoca river area (NTS 32F11) as well as the Lake Olga area (NTS 32F14) has been mapped at a scale of 1: 20 000 by *Goutier (2005)* and *Goutier et al. (2003)*. This work was undertaken mainly in order to correlate the geology and mineralization present between the Matagami and Chibougamau sectors. Detailed cartography covers the eastern half of the Iron-T Vanadium-Titanium-Iron property.

The area under study is covered by regional helicopter-borne magnetic and electromagnetic INPUT MK VI surveys conducted in 1977. Regional magnetic data over the study area were acquired at a nominal lines spacing of 200 metres and a nominal mean terrain clearance of 125 metres. The western half of the Iron-T Vanadium-Titanium-Iron property is covered by regional airborne gradiometric survey carried out in 1984. Magnetic data was acquired at a nominal lines spacing of 300 meters and a nominal mean terrain clearance of 150 meters. The airborne magnetic survey outlined a broad magnetic anomaly up to 4 000 nt above the background level and continuous some 25 km in a WNW direction (Figure 3).

Previous Exploration

Several mining companies conducted exploration work since 1958 on or in the vicinity of the actual Iron-T Vanadium-Titanium-Iron property. The main interest was directed toward base metals mineralization following initial discoveries in the Matagami mining camp. The following is a review of significant exploration work completed and undertaken by previous owners or operators prior to **Apella** involvement on the property. The following table shows a review of exploration works conducted on the property since 1958.

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**TABLE 2
REVIEW OF PREVIOUS EXPLORATION WORK**

YEAR	COMPANY	TYPE OF WORK	REFERENCE
2007	Albert Audet	Ground magnetic survey totalling 100.7 km	GM 63124
1998	Noranda	Mineralogical examination and microprobe analysis	GM 58344
1998	Noranda	2 ddh's (LT-98-01 and LT-98-02) totalling 196.3 m; stripping and channel sampling	GM 58343
1998	Noranda	Geological and geophysical evaluation	GM 56292
1995	Noranda	Induced Polarization survey totalling 34.45 linear km on the Lozile Joint Venture Property; using a time-domain system and a 50 m dipole-dipole array, N equals 1 to 5	GM 53135
1983	Noranda	Mapping program at 1: 20 000 scale of the Shallow Lake area	GM 40529
1983	Noranda	Lozile Joint Venture Property; linecutting; ground geophysical surveys (horizontal loops EM and ground magnetic surveys)	GM 40250
1982	Noranda	Panique Property; 2 ddh's (PAN-82-1 & PAN-82-2) totalling 357 m	GM 39290
1982	Noranda	Ground geophysical surveys (horizontal loops EM and ground magnetic surveys); Lozile Joint Venture Property	GM 39156
1981	Noranda	DEEP EM survey totalling 10 linear km and covering the Panique property	GM 39289
1982	SDBJ	1 ddh (L-1-82-1) totalling 91.44 m on the Lozeau 1 property	GM 39986
1980	SDBJ	Ground geophysical surveys (horizontal loops EM and ground magnetic surveys)	GM 36424
1981	Noranda	Ground geophysical surveys (horizontal loops EM and ground magnetic surveys); Panique property	GM 37597
1980	Noranda	Ground geophysical surveys (horizontal loops EM and ground magnetic surveys); Comporte property	GM 36419
1963	Juma Mining & Exploration Ltd	1 ddh (L-2) totalling 159.5	GM 13003
1963	Juma Mining & Exploration Ltd	1 ddh (L-1) totalling 144.9 m	GM 12956
1962	Juma Mining & Exploration	Geological survey	GM 12545

**TABLE 2
REVIEW OF PREVIOUS EXPLORATION WORK**

YEAR	COMPANY	TYPE OF WORK	REFERENCE
	Ltd		
1962	Dome Exploration Co Ltd / McIntyre Porcupine Mines Ltd	4 ddh's (1, 2, 5, 6) totalling 402 m	GM 12738
1962	Mining Corp of Canada Ltd	5 ddh's (1 to 5) totalling 638 m; ddh No 5 (134 m) located within claims boundary	GM 12659
1962	Dome Exploration Company Quebec Ltd	Ground geophysical (TURAM and magnetic surveys)	GM 11989
1959	Chibougamau Mining and Smelting Co. Inc.	Ground geophysical (VEM and magnetic surveys)	GM 08867-A
1959	Chibougamau Mining and Smelting Co. Inc.	Diamond drilling; 2 ddh's (MA-1 & MA-2) totalling 441 m	GM 08867-B
1958	Chibougamau Mining and Smelting Co. Inc.	Geological and ground geophysical (vertical electromagnetic and magnetic surveys)	GM 07615

The first work in the Iron-T Vanadium-Titanium-Iron property area was carried out in 1958 by Chibougamau Mining and Smelting Co. Inc (GM 07615). This work consisted of a geological survey and an electromagnetic survey (VEM). In 1959, the company drilled two holes (ddh's MA-1 & MA-2) for a total of 212 m (GM 08867-B) and carried out a detailed electromagnetic survey (VEM) (GM 08867-A). The results indicate that drilling did not intersect any significant sulphide mineralization.

In 1962, Dome Exploration Co Ltd and McIntyre Porcupine Mines Ltd carried out a ground magnetic and electromagnetic survey (GM 11989) approximately 2.6 km ENE of Lake Shallow in the Comporte township. Following that work, four diamond drill holes (GM 12738) totalling 402 m were bored to test EW trending EM anomalies with magnetic coincidence. As for the Mining Corp of Canada Ltd, it carried out a series of five diamond drilling campaigns (GM 12659) for a total of 638 m the majority of which are outside the Iron-T Vanadium-Titanium-Iron property limits. The drill core logs do not indicate any significant sulphide mineralization.

Two diamond drill holes (L-1 and L-2) totalling 304.4 m were bored in 1963 by Juma Mining & Exploration Ltd (GM 12956 & GM 13003). Extensive zones of magnetite enrichment has been intersected. Results will be discussed in Section 13 of the present technical report.

In 1979, following publishing results of an airborne magnetic and INPUT MARK VI survey over the

Matagami area (DPV 657) by the *Ministère des Ressources Naturelles du Québec*, the *Société de Développement de la Baie-James (SDBJ)* carried out a ground magnetic and Horizontal Loop Electromagnetic (HLEM) (GM 36424) on the Lozeau 1 property (Bellem project) situated at some 1.5 km NE of Lake Swallow. The geophysical surveys were carried out on cut lines oriented NE, spaced at 100 m and totalling 9.3 linear km. Magnetic data were collected with readings taken every 12.5 m. The instrument used was an Unimag G836 proton precession magnetometer with a sensitivity of ± 10 nt. Diurnal corrections were applied to raw magnetic data. Total field magnetic profiles and contour map was produced. The HLEM survey was conducted using an Apex Parametrics MaxMin II EM system, operated in the maximum coupled (horizontal coplanar loops) mode at frequencies of 444 and 1 777 Hz. The separation between the transmitter and the receiver was maintained using a 100 m reference cable. Electromagnetic results indicated the presence of a two shallow (< 22 m) conductors (A & B) in coincidence with ground magnetic anomalies. It is likely possible that the western conductor (A) has been already tested by diamond drilling by Juma Mining & Exploration Ltd in 1963. Hole L-1-82-1 (GM 39986) was bored in 1982 by SDBJ to test EM conductor (B) previously identified by HLEM survey. This hole is the first to identify vanadiferous mineralization over significant widths on the property. Results will be discussed in further detail in Section 13 of the present technical report.

Ground geophysical surveys were conducted in spring 1980 along cut lines oriented N-S in the NE area of Lake Shallow (GM 36419). Geophysical surveys consisted of a HLEM survey (16.8 km) and a magnetic survey (18.8 km). The HLEM survey was conducted using the same geophysical instruments and parameters as previously described. Total field magnetic data were collected using a Geometrics G816 proton precession magnetometer with a sensitivity of ± 1 nt. Readings were collected at 12.5 m intervals. Diurnal corrections were applied using the tie-point method. The electromagnetic survey successfully located a good conductor associated to a high magnetic area located along L0+00, approximately 25 m north of the Lozeau and Comporte township line. The EM conductor extends some 300 m in a ESE direction. Based on the location provided by the assessment file, the conductor appears to be coincident with the Trench B excavated by Noranda in 1997. In 1981, Noranda carried out a ground geophysical survey on his Panique property (GM 37597) along cut lines spaced at 100 m intervals. The HLEM survey, totalling 21 linear km, was conducted in order to locate an INPUT MARK VI airborne anomaly. Electromagnetic survey was conducted using an Apex Parametrics MaxMin II EM system, at frequencies of 444 and 1 777 Hz and a 150 m reference cable. Readings were collected every 25 m. Electromagnetic results indicated the presence of two good conductors (1 & 2). As follow-up, diamond drilling was recommended on these anomalies. The ground magnetic survey, totalling 22.6 linear km, was conducted using an Exploranium G816 proton precession magnetometer with a sensitivity of ± 1 nt. Readings were

collected at 12.5 m intervals. Diurnal corrections were applied using a base station magnetometer. The magnetic survey indicated that the northern part of the grid lines is characterized by relatively higher amplitude magnetic anomalies. A DEEPEM (GM 39289) survey, totalling 10 km, was also completed in the NW part of the Shallow Lake. The survey was based on six (approximately 100 m X 100 m) transmitter loops on the grid, with survey lines at 100 m spacings and 25 m stations. The survey successfully located two shallow dipping conductors to the south. The following year, two AQ diamond drillholes (PAN-82-1 & PAN-82-2) (GM 39290) totalling 357 m were completed by Noranda in order to investigate EM anomalies. Logs indicate up to 15% magnetite oxide mineralization with trace amounts of pyrite associated with melanocratic gabbro interlayered with anorthositic gabbro and gabbroic anorthosite was intersected.

In 1982, Noranda carried out a ground magnetic and HLEM survey covering the Lozisle joint venture project (GM 39156) actually representing the central portion of the Iron-T Vanadium-Titanium-Iron property. The magnetic and the electromagnetic surveys covered respectively 58.4 and 56.7 linear km and were carried out on cut lines spaced at 100 m intervals. The surveys were conducted using the same geophysical instruments and parameters as previously described. Geophysical surveys identified two low priority EM conductors associated with low magnetic anomalies possibly associated with alteration zones along a geological contact. No follow-up was recommended.

A HLEM survey as well as ground magnetic (total field and vertical gradient) surveys (GM 40250) were commissioned in 1983 by Noranda. Geophysical surveys were conducted in a block of claims located some 3.2 km north of Lake Shallow. These surveys covered approximately 15% of the Iron-T Vanadium-Titanium-Iron property. The HLEM survey, totalling 85.65 km, was conducted using an Apex Parametrics MaxMin II EM system with the same geophysical parameters as previously described. The magnetic surveys totalling 88.60 km were carried out using an EDA PPM-500 gradiometer with sensitivity of 0.1 nt/m. Readings were taken at 12.5 m intervals and diurnal corrections were applied using an EDE PPM-400 as a permanent base station. The magnetic surveys indicated that the geological units located in the southern part of the surveyed area are possibly deformed and characterized by a high magnetic relief. The HLEM survey indicated the presence of one good EM conductor located in the south-eastern portion of the surveyed area. This conductor is coincident with a magnetic high (3 000-4 000 nt). As follow-up, an IP survey was recommended on this anomaly. A geological survey of the shores of Lake Shallow (GM 40529) was carried out on the Panique property during summer 1983.

Of particular significance to the current interest on the Iron-T Vanadium-Titanium-Iron property is the

work conducted by Noranda. In 1997, the company acquired three properties along a 25 km strike length covering the upper portions of the Bell River Complex. The Lorte property acquired by Noranda covered most of the current Audet Option. Given the association between magnetite content and vanadium mineralization, the company carried out a ground magnetic survey, drilled two diamond drill holes and conducted stripping and channel sampling (GM 58343 & GM 56292).

The magnetic survey, totalling approximately 3.5 km, was conducted along lines oriented N-S spaced at 200 m. Readings were collected at 2 seconds intervals using a GSM-19 instrument with an “Overhauser” detector. The sensitivity of the instrument was fixed at 0.1 nt. A base station magnetometer was used to monitor diurnal corrections. Corrected total field magnetic data were plotted at 1:2 000 scale. Results indicated a broad (300-400 m) strong magnetic zone trending at N110° and associated to relatively short magnetic highs less than 25 m..

Following the vanadium values obtained on the Lake Olga Fe-Ti showing, stripping and channel sampling work was undertaken on the mineralized outcrops mainly on line 0+00 north of the line separating the Lozeau and Comporté townships. Results will be discussed in Section 11 Mineralization of the present technical report.

Two diamond drill holes totalling 196.3 m were collared in 1998 through the principal anomalous zones by Noranda under the supervision of a well recognized vanadium expert, Dr. M. Taner. The two holes were drilled 430 m apart on either side of the area of surface trenching and sampling in the southernmost sector of Lozeau Twp. Hole LT 98 1 was drilled southwards through the magnetic anomaly to a depth of 83.3 m and hole LT 98 2 was drilled northwards through the zone to a depth of 113 m. Given the sub-vertical attitude of the mineralization, both holes were drilled at an inclination of - 45° giving vertical depths of approximately 60 m and 90 m respectively. Results will be discussed in Section 13 of the present technical report.

In 2007, a total field ground magnetic survey (GM 63124) was carried out over the full extent of the Audet Option. The survey, totalling 100.7 linear km, was conducted along lines oriented N-S and spaced at 100 m intervals. The magnetic data were collected at 1 second intervals and position fixed by an integrated Marconi GPS (Global Positioning System) in Universal Transverse Mercator (UTM) metric coordinates using the North American Datum 1983 (NAD83). A GSM-19 magnetometer of GEM Systems was used with an “Overhauser” detector with a sensitivity of ±0.2 nt. Base station readings were taken at ten second intervals and diurnal corrections were applied to raw magnetic data. Survey products include a

series of maps at a scale of 1:5 000: Total magnetic field contours and profiles, vertical calculated magnetic gradient and horizontal projections of the Iron Formations as well as a 3-D diagram of the magnetite-rich horizon was produced by magnetic inversion. The magnetic data is considered high quality.

Item 9: Geological Setting

Regional geology

The Iron-T Vanadium-Titanium-Iron property is located within the Matagami volcanic complex in the northern part of the Abitibi Greenstone Belt which represents one of several EW trending belts composed of a series of volcanic, sedimentary and intrusive rocks within the Superior Province. The simplified geology of the area as well as the location of the Iron-T Vanadium-Titanium-Iron property is shown on Figure 4.

The Matagami volcanic complex has been originally subdivided by Sharpe (1968) into the Watson Lake Group overlain by the Wabasse Group which are located on both sides of the Galinee Anticline. Rocks of the Matagami mining camp were formed during two major phases of volcanism. The first phase is characterized by the extrusion of tholeiitic rhyolite and rhyodacitic lavas which correspond to the Watson Lake Group. By contrast, the second phase of volcanism which formed the Wabasse Group is characterized by a calc-alkaline basaltic to andesitic composition (*Beaudry and Gaucher 1986, Piché et al., 1993*).

The Watson Lake Group is approximately 2 000 m in thickness and hosts the massive sulfides deposits of the Matagami mining camp. This unit is mainly composed of dacite, spherulitic rhyolite, porphyritic rhyolite interlayered with tuffs and intermediate to mafic lavas horizons (*Goutier, 2003*). Felsic volcanic units of the Watson Group outcrop near the New Hosco Mine, on the northern and the eastern areas of Watson Lake, as well as east of Matagami Lake and the Orchan mines located on the southern flank of the Galinee Anticline. Rhyolitic units occur also as sparse outcrops between the Allard and Bell rivers and between Bell River and Garon Lake. Pyroclastic horizons are locally interlayered with the felsic volcanic rocks of the Watson Group. These horizons are rarely exposed at surface but are encountered in drill core and underground mining such as Lake Matagami, Orchan, New Hosco, Lake Garon and Radiore. The Key Tuffite, a cherty exhalite, is located at the stratigraphical top of these units and forms a regional marker horizon which can be followed for 30 km (*Beaudry & Gaucher, 1986*) on the southern flank of the Galinée Anticline between the contact of the Watson and the Wabasse group. Intermediate to mafic rocks are interlayered with rhyolitic units of the Watson Lake on both flanks and along the fold hinge of the Galinee Anticline. These rocks are poorly exposed and their distribution is not well defined. Pillowed basalts occur 800 m east of the Matagami Lake Mine and as an enclave within the Bell River Complex 300 m south-east of Channel River in Isle-Dieu Township.

Microfilm

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The Wabasse Group is composed of mafic lavas and has been subdivided into the Allard River unit and the Bell River Unit (*Beaudry and Gaucher 1986*). Both units are similar in texture and are locally massive or pillowed but vary in composition. The Allard River unit crops out on both flanks of the Galinée Anticline. It consists of light green calc-alkaline basalt overlying the Watson Group (*Piché et al., 1990*). The Bell River unit crops out on the northern flank of the Galinée Anticline and stratigraphically overlies the Allard River unit. This unit is characterized by dark green, tholeiitic basalt. The Allard River unit is characterized by an informal sub-unit marker horizon, a spherulitic rhyodacite, named the Dumagami Rhyolite (*Piché et al., 1990, Piché et al., 1993*).

The volcanics described are intruded by the Bell River Complex, a syn-volcanic layered gabbro-anorthositic intrusion. It is interpreted that the Bell River Complex initiated the hydrothermal fluid circulation that formed the Matagami massive sulphides deposits (*MacLean, 1984*). This intrusion covers an area of approximately 25 km x 65 km within the Isle-Dieu, Lozeau, Galinée, Comporté and Pouchot townships. U-Pb dating suggests that the Watson Lake Group and the Bell River Complex may be comagmatic based on overlapping ages.

The Matagami Volcanic Complex is cut by several generations of Proterozoic, mafic dykes. The N-S trending dykes are generally considered part of the Matachewan dyke swarm (2473 ±13/-9 Ma; *Heaman, 1997*), whereas the ENE trending dykes are younger and are part of the Abitibi dyke swarm (1141 ±2 Ma, *Krogh et al., 1987*). NW and NE trending mafic dykes also occur, but have not been assigned to any particular dyke swarm. All these dykes are clearly visible on regional magnetic maps.

Mineral assemblages indicate that Archean rocks of the Matagami mining camps are gradually metamorphosed from greenschists to amphibolite facies. Metamorphic grade generally increases from a WNW to ESE direction. The typical mineral assemblage for the metamorphosed Bell River Volcanics is hornblende +plagioclase +quartz ±epidote ±carbonates ±biotite. The mineral assemblage of the Watson Lake volcanics is quartz +plagioclase +biotite +muscovite ±anthophyllite ±magnetite ±microcline ±epidote ±tourmaline. These mineral assemblages are consistent with amphibolite-facies.

Within the Bell River complex, metamorphic grade generally increases from west to east. Mineral assemblages in the eastern part of the complex are characterised by hornblende +plagioclase +actinote ±epidote ±tremolite ±magnetite ±chlorite ±pyroxene, indicative of amphibolite-facies conditions. By

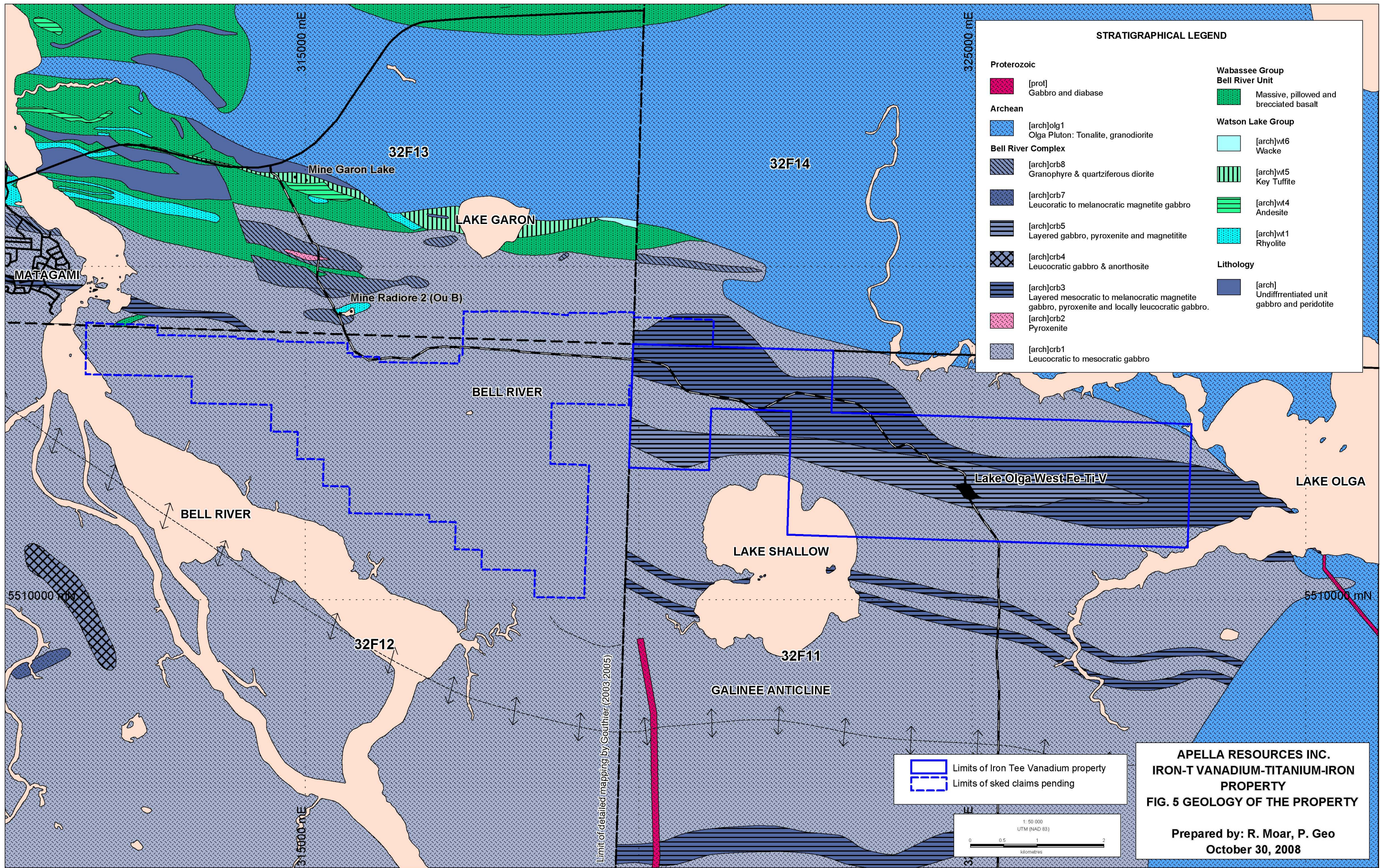
contrast, the western part of the complex contains the mineral assemblage actinolite +hornblende +plagioclase +chlorite ±epidote ±magnetite±tremolite ±biotite ±carbonates ±talc, interpreted by represent retrograde re-equilibration of the original amphibolite-facies assemblage to greenschist-facies conditions. This interpretation is consistent with the replacement of biotite by chlorite, amphibole by carbonates and plagioclase by damourite, which commonly occurs in the entire Matagami area.

Structural observations indicate that the Matagami volcanic complex is folded by a large-scale northwest-southeast deformation event forming the Galinée Anticline. The southern flank is weakly deformed and dips to 45° to the southwest. The northern flank of the anticline is strongly deformed, nearly vertical and is transected by several east-west trending fault and shear zones associated within the Garon high-strain zone (*Piché et al., 1993*). The Daniel Fault is a major NW trending reverse fault crosscutting the Galinée anticline and the volcanic units located on the southern flank.

Property geology

The Iron-T Vanadium-Titanium-Iron property is located in the Bell River Complex and covers the northern flank of the Galinée anticline (Fig. 5). The Bell River complex was first recognized by *Bancroft (1913)* during reconnaissance work for the *Service de Mines du Québec*. The area was later mapped in detail by *Freeman (1936)*, who also defined the main lithological units. The Bell River complex covers an area of 1,300 km², near the center of the Galinée anticline and transects the volcanic rocks of the Watson and Wabasse group. The complex itself is intruded by late-stage tonalites and diorites of the Olga Pluton and Opaoca Tonalite.

The Bell River complex is composed of ~81% gabbro, 12% anorthosite, 6% pyroxenite and less than 1% dunite and magnetite. Similar to the Bushveld complex in South Africa, the Bell River complex has alternating gabbroic layers and does not contain chromite-rich horizons. In contrast to the Lake Doré complex, there are no plagioclase mega-cumulates and layering is less important in the Bell River complex. *Goutier (2005)* divided the Bell River complex into three sub-units based on lithological assemblages and interpreted these to represent different stages in the evolution of the layered complex. The western unit, which is closest to the surface, is interpreted to represent the last, most evolved stage and hosts the Iron-T Vanadium-Titanium-Iron property. The western unit is genetically associated with the formation of the massive sulfide deposits of the Matagami mining camp. The central unit is interpreted to represent an early event, deep within the Bell River complex, whereas the eastern segment is interpreted to represent the intermediate stage of evolution at intermediate depth.



APELLA RESOURCES INC.
IRON-T VANADIUM-TITANIUM-IRON
PROPERTY
FIG. 5 GEOLOGY OF THE PROPERTY

Prepared by: R. Moar, P. Geo
 October 30, 2008

Three lithological units have been distinguished within the Iron-T Vanadium-Titanium-Iron property. However, it should be noted that the lithological contacts are often gradational. The following descriptions are taken from *Goutier (2005)*.

Unit [arch]crb1 is the predominant unit in the vicinity of the property. It is characterized by a sequence of medium- to coarse-grained, leucocratic to mesocratic gabbro, which locally becomes melanocratic. The rocks are mainly composed of hornblende, actinolite and plagioclase. Two different generations of plagioclase can be distinguished: magmatic plagioclase with compositions varying from bytownite to labradorite and metamorphic plagioclase with compositions varying from andesine to anorthite. The gabbros are altered to chlorite, sericite, epidote, biotite, quartz and carbonate. This unit is not magnetic.

Unit [arch]crb3 is layered with alternating mesocratic gabbro, melanocratic gabbro and pyroxenite, and locally with leucocratic gabbro. This unit forms horizons that are laterally continuous for over a kilometre. Locally, anorthosite and olivine-bearing gabbro-norite are also present. The gabbroic rocks are medium to very coarse-grained, and are composed of variable amounts of plagioclase, amphibole and magnetite. Melanocratic gabbro can contain up to 50% vanadiferous magnetite and ilmenite. It also occurs as decimetre to metre-wide bands within mesocratic rocks.

Unit [arch]crb5 is 500 m wide and covers 7.8 km across the property. This band is defined by an alternating sequence of leucocratic to melanocratic gabbro, pyroxenite and magnetite. The magnetite-rich layers contain 20 to 90% vanadiferous magnetite and ilmenite and variable amounts of amphibole and plagioclase (*Taner and Allard, 1998a, b*). Sulfide minerals include pyrite, chalcopyrite and locally sphalerite, pyrrhotite and cubanite. Goethite is locally present. These mineralized horizons can reach a thickness of up to 16m. Airborne magnetic data indicates that this unit has a lateral extent of about 10 km in a WNW-ESE trending direction. The Iron-T Vanadium-Titanium-Iron property covers approximately 85% of this unit.

Item 10: Deposit Types

Geological setting and mineralization encountered on the Iron-T Vanadium-Titanium-Iron property located in the Bell River Complex indicates many similarities with typical world-class magmatic Fe-Ti-V oxide deposits associated with a layered intrusive complex. Most of these deposits are associated with mafic-ultramafic layered complexes such as the Lake Doré Complex in Chibougamau, Quebec; the Windimurra Complex in Australia; the Panzihua layered intrusion in China and the Bushveld Complex in South Africa. The following section will discuss characteristics of these deposits.

The 6.5 km thick sequence of the Bushveld complex is the largest layered mafic intrusion in South Africa. About 39.5% of total world vanadium production (55 700 t in 2006 (*USGS, 2006*)) comes from the Bushveld Complex. The Fe-Ti-V oxide ores form concordant layers varying from 0.1 to 10 m in thickness within the Upper Zone but most of these layers are relatively thin and less than 30 cm in thickness. The lower contact of individual layers with their footwall is usually sharp. The upper contacts of individual layers are often gradational and shows a gradual decrease of oxide content in the rock. Furthermore, oxide-rich layers are rarely composed entirely of Fe-Ti oxide and some layers or portion of layers may be composed of a fair amount of silicates. *Reynolds (1985)* considers that a complex interplay of factors resulted from large amount of Ti, V magnetite precipitation. Factors include concentration of Fe, TI and V in the residual magma; in situ bottom crystallization of plagioclases with development of stagnant magma above from which the oxide crystallized; change in fugacity of oxygen, temperature and water content of the magma. The economically important Main Magnetite Layer varies from 1.0 to 2.5 m in thickness and covers a strike length of 200 km in the western Bushveld Complex and 120 km and the Eastern Bushveld Complex (*Reynolds, 1985*). The Rhovan mine of Xstrata Alloys is a primary vanadium producer situated within the Western Lobe of the Bushveld Complex. The mine is located some 35 km ENE of Rustenburg, South Africa. The vanadium mineral resource and ore reserve of Rhovan mine reported by Xstrata Alloys as of September 2007 (*Xstrata Alloys, 2008*) are:

Proved Ore Reserves – 39.2 Mt @ 0.51% V₂O₅

Probable Ore Reserves – 10.5 Mt @ 0.53% V₂O₅

Measured Mineral Resources – 64.4 Mt @ 0.51% V₂O₅

Indicated Mineral Resources – 13.7 Mt @ 0.53% V₂O₅

Inferred Mineral Resources – 124.9 Mt @ 0.51% V₂O₅

The Lake Doré Complex is a Bushveld-type Archean layered mafic intrusion (*Allard, 1976*) located some 250 km due east of Matagami in the Chibougamau mining camp. The Lake Doré Complex is the most advanced project and the largest vanadium deposit in North America. It shows a geological setting and vanadiferous mineralization similar to the Bell River Complex. The Lake Doré Complex is 5 to 7 km in thickness and has been subdivided into three main units from base to top: The Lower Serie including the Anorthosite Zone; the Layered Serie; and the Upper Serie which includes the Granophyre and the Border Zone (*Daigneault and Allard, 1990*). The mineralized zones form a 50 to 200 m thick sequence within the Layered Serie. The sequence comprises ferrogabbro, ferropyroxenite and magnetite and host the highest grades of vanadium mineralization. Mineralized oxide horizons are also characterized by heterogeneous and rhythmic distribution within the Layered Serie (*Taner, Ercit and Gault, 1998*) and a gradual upward decrease of vanadium content and gradual upward increase of ilmenite (*Daigneault and Allard, 1990*). The magnetite horizons vary from 50 to 200 m in thickness and extend for 16 km along strike as inferred from airborne magnetic data. The Lake Doré Vanadium deposit is estimated to 100.0 Mt grading 0.49% V₂O₅ including 32.2 Mt of measured resources at 0.65% V₂O₅ (*Girard and Allard, 1998*).

The Windimurra Vanadium deposit, discovered in 1961, is located some 80 km ESE of the Mount Magnet, Murchison area in Western Australia. Mining operations of the Windimurra Mine commenced in 1999 and closure was announced by Xstrata in 2003. The Windimurra Mine is actually owned 90% by Precious Metals Australia Limited and 10% by Noble Resources Limited. The deposit occurs within the Shephards' Discordant Zone (SDZ) which is a part of the Windimurra differentiated Archean layered mafic intrusion (*Bolton, D., Alexander, J., 2004*). The vanadiferous titaniferous magnetite mineralization is hosted in a 150 m lower portion of the SDZ in a sequence of magnetite-bearing gabbro and leucogabbro composed of variable amount of plagioclase, augite and magnetite. The main part of the ore zone comprises approximately 50 magnetite-rich layers ranging up to 2 m in thickness, interlayered with disseminated blebby vanadiferous titaniferous magnetite hosted-gabbro. Mineralized horizons contains up to 90% opaque ore minerals. A JORC (Australasian Joint Ore Reserves Committee) compliant measured and indicated resource as reported by Precious Metals Australia Ltd in 2007 (*Precious Metals Australia Ltd Annual Report 2007*) of 93.73 Mt at 0.47% V₂O₅ with an additional inferred resources of 55.10 Mt at 0.44% V₂O₅; and a probable and proved reserve of 79.0 Mt at 0.47% V₂O₅.

The Panzihua Gabbroic Layered Intrusion (PGLI) hosts several Fe-Ti-V oxide deposits located in the Sichuan Province, south-western China. The PGLI is a member of the Emeishan Large Igneous Province covering an area of 500 000 km² between the western part of the Yangtze Block and the eastern Margin of the Tibetan Plateau. The Panzihua Mine is one of the largest vanadium producers in China. The mine

has produced since the 1960s 134 Mt of ore grading 45% FeO, 12% TiO₂ and 0.3% V₂O₅ and hosts reserves estimated to 1,199 Mt of ore (Zhou *et al.*, 2005). The PGLI is approximately 2 km in thickness and extends approximately 19 km along strike. It has been subdivided in four zones based on internal structure and extent of oxide ore bodies from base to top: the Marginal zone followed by the Lower, the Middle and the Upper zones. The main ore body of the Panzhihua Mine occurs at the base of the Lower zone and extends laterally for more than 15 km along strike and 850 m down dip. The Lower Zone is less than 110 m in thickness and consists of layered melanogabbro hosting major vanadium-bearing ore zones forming up to 60 m thick layers. The Fe-Ti-V mineralization occurs as massive and disseminated ores in stratiform layers. Massive mineralization comprises more than 80% titanomagnetite and variable amounts of clinopyroxene, plagioclase and olivine. Disseminated mineralization consists of 50% titanomagnetite, 20% clinopyroxene, 20% plagioclase, 10% ilmenite and trace amounts of olivine. Zhou *et al.* (2005) proposed that the overall enrichment in Fe, Ti and V in the PGLI results from a Fe-rich and Si-poor tholeiitic or picritic magma and that the ore bodies were formed by very late-stage crystallization of a vanadiferous titaniferous magnetite from oxide rich melt.

Item 11: Mineralization

Lake Olga West Fe-Ti-V occurrence

The Iron-T Vanadium-Titanium-Iron property hosts the Lake Olga Fe-Ti-V occurrence discovered *Black and Freeman (1944)* and located approximately 1.8 km NE of Lake Shallow. This occurrence was originally assayed for Fe and Ti contents. Grabs samples returned 39.98% and 50.21% Fe and 6.49% and 8.92% Ti. This showing was also the subject of stripping work (Trench A and Trench B) and of diamond drilling (ddh' S LT98-01 and LT98-02) carried out by Noranda in the year 1998.

Three grab samples collected from the Trench A (Figures 6, 7 and Appendix II) during the exploration program in 1997 returned values between 0.52 and 0.59% V_2O_5 (GM 56292). The average content of the channel samples from Trench A is 52.37% Fe_2O_3 , 9.71% TiO_2 and 0.52% V_2O_5 over 10.50 m (GM 56292). Trench B (Appendix II) located at 50 m north of Trench A, returned grades of 35.43% Fe_2O_3 , 5.89% TiO_2 and 0.37% V_2O_5 over 15.0 m. Two diamond drill holes spaced 430 m apart were carried out at 300 NW and 200 NE of Trench A. The holes were drilled in order to test ground electromagnetic and magnetic anomalies. Hole LT98-01 returned 0.19% V (0.34% V_2O_5 equivalent), 6.17% TiO_2 and 42.16% Fe (total) over 36.45 m and 0.18% V (0.32% V_2O_5 equivalent), 4.84% TiO_2 and 30.04% Fe (total) over 7.50 m. Oxide mineralization intersected in hole LT98-02 yielded 0.15% V (0.26% V_2O_5 equivalent), 3.80% TiO_2 and 23.42% Fe (total) over 16.50 m; and 0.19% V (0.34% V_2O_5 equivalent), 4.90% TiO_2 and 38.96 Fe (total) over 22.70 m.

Taner et al. (1998) conducted a mineralogical and petrological study of vanadium mineralization in the Bell River and Lake Doré Complexes. This study indicates that the vanadium mineralization is associated to magnetite and ilmenite layers within the layered ferrogabbro zone of the upper part of the Bell River Complex. The oxide-rich gabbro horizons varying in width from 10 to 100 m clearly appear on the airborne regional magnetic survey. The oxide-rich gabbro is a mineralized cumulate forming either homogeneous horizons with disseminated oxide mineral contents ranging from 20 to 60% or homogeneous massive layers with oxide mineral contents varying from 60 to 90%. Massive oxide mineralized bands are interlayered with poorly mineralized gabbro forming pluri-centimetric to decimetric scale interlayers and contribute to the dilution of the vanadiferous mineralization.

Optical microscopy indicates that oxide minerals comprise magnetite and ilmenite varying in size from 1 mm to 2 mm to less than 5 μm . They occur as subedral crystals intergrown with cumulus silicate minerals



Figure 6 General view of Trench A



Figure 7 Trench A - Magmatic layering associated to massive oxide mineralization

such as plagioclase and pyroxene. Electron microprobe analysis indicates that ilmenite is mineralogically and compositionally homogeneous and characterized by a very low vanadium content. Titaniferous magnetite is inhomogeneous and hosts trellisworks of ilmenite lamella in Ti-poor and V-rich magnetite. Based on ionic charge and size considerations, vanadium is mainly associated with magnetite ($\text{Fe}^{2+}\text{Fe}^{3+}_2\text{O}_4$) where it replaces trivalent iron. Substitution may also occur with aluminum (Al) and titanium (Ti). Electron microprobe analysis was conducted by Lakefield Research Ltd (GM 58344) on five samples collected from the area of which one (Sample Nu 61344M) can be attributed to the Trench A on the property. A total of 38 magnetite grains and 22 ilmenite grains were analyzed. Results indicate that the average vanadium content in magnetite grains (0.61% V or 1.09% V_2O_5 equivalent) is one order of magnitude higher than the average concentration in ilmenite grains (0.05% V or 0.09% V_2O_5 equivalent).

Assay results of holes L-1-82-1, LT98-01 and LT98-02 confirm that the vanadium content is closely correlated with iron contents of the host rock. Given that vanadium targets are also expressed as zones of high magnetic susceptibility, it is considered that ground magnetic surveys will provide the most effective approach to locate favourable horizons that may be indicative of vanadiferous mineralization over the property. The vanadiferous oxide mineralization is associated with leucocratic to melanocratic gabbro, pyroxenite and magnetite units followed 21 km in a WNW – ESE direction from Matagami to Lake Olga.

Item 12: Exploration

Apella conducted in August 2008 a channel sampling program to validate previous assays results obtained on the Trench A excavated by Noranda in 1997.

The channel sampling was conducted by **Apella's** exploration team under the supervision of Dr Christian Derosier, P.Ge and Vice President exploration of **Apella**. Twenty-five channel samples were collected over three channels across oxide mineralization on Trench A. The total sampling length was 25 m and the sampling length fixed at 1.0 m. Assay results returned values between 0.40% V₂O₅, 6.46% TiO₂ and 28.07% Fe (total) over 9.00 m and 0.56% V₂O₅, 9.26% TiO₂ and 36.88% Fe (total) over 8.00 m. The weighted average of the three channels is 0.49% V₂O₅, 8.09% TiO₂ and 33.20% Fe (total) over 8.33 m. The channel sampling program confirms previous results for the vanadium content obtained by Noranda in 1997 over the Trench A but indicate that vanadium grade is associated with lower iron concentrations.

Assays results and calculated weighted grade for Fe, TiO₂, V and V₂O₅ for each channel are summarized in the following table.

TABLE 3 2008 CHANNEL SAMPLING ASSAY RESULT ON TRENCH A								
Channel Nu	Sample Nu	From (m)	To (m)	Lenght (m)	Fe (%)	TiO₂ (%)	V (%)	V₂O₅ (%)
1	825401	0.00	1.00	1.00	11.45	1.86	0.08	0.14
1	825402	1.00	2.00	1.00	8.87	1.39	0.05	0.09
1	825403	2.00	3.00	1.00	24.70	5.50	0.20	0.36
1	825404	3.00	4.00	1.00	39.00	10.15	0.38	0.67
1	825405	4.00	5.00	1.00	27.10	5.75	0.21	0.37
1	825406	5.00	6.00	1.00	32.80	7.42	0.25	0.45
1	825407	6.00	7.00	1.00	37.60	9.30	0.30	0.54
1	825408	7.00	8.00	1.00	39.20	9.79	0.32	0.57
1	825409	8.00	9.00	1.00	31.90	7.01	0.22	0.40
Weighted average - channel 1				9.00	28.07	6.46	0.22	0.40
2	825410	0.00	1.00	1.00	22.30	4.93	0.18	0.32
2	825411	1.00	2.00	1.00	32.70	8.15	0.29	0.52
2	825412	2.00	3.00	1.00	36.10	9.24	0.33	0.59
2	825413	3.00	4.00	1.00	36.00	8.65	0.31	0.55
2	825414	4.00	5.00	1.00	38.20	9.36	0.32	0.58
2	825415	5.00	6.00	1.00	41.20	10.65	0.34	0.61
2	825416	6.00	7.00	1.00	43.60	11.50	0.39	0.69
2	825417	7.00	8.00	1.00	32.30	7.40	0.24	0.43
Weighted average - channel 2				8.00	35.30	8.74	0.30	0.54

TABLE 3
2008 CHANNEL SAMPLING ASSAY RESULT ON TRENCH A

3	825418	0.00	1.00	1.00	27.20	6.76	0.24	0.43
3	825419	1.00	2.00	1.00	47.10	12.90	0.46	0.82
3	825420	2.00	3.00	1.00	26.70	6.00	0.22	0.39
3	825421	3.00	4.00	1.00	35.90	8.70	0.31	0.55
3	825422	4.00	5.00	1.00	39.40	9.48	0.33	0.59
3	825423	5.00	6.00	1.00	45.30	12.20	0.38	0.68
3	825424	6.00	7.00	1.00	37.80	9.40	0.31	0.54
3	825425	7.00	8.00	1.00	35.60	8.65	0.27	0.48
Weighted average - channel 3				8.00	36.88	9.26	0.31	0.56
Weighted average of three channels				8.33	33.20	8.09	0.28	0.49

Analytical data from the mineralized zone on Trench A indicate that the V_2O_5 content is directly associated (coefficient of determination (R^2) of 0.94) with the magnetite content of the rock (Fig.8) and shows a strong positive correlation with the TiO_2 (Fig.9). Based on these results, a minimum of 33.6 % total Fe could theoretically contain on average 0.50% V_2O_5 , which is a typical grade for operating vanadium mines.

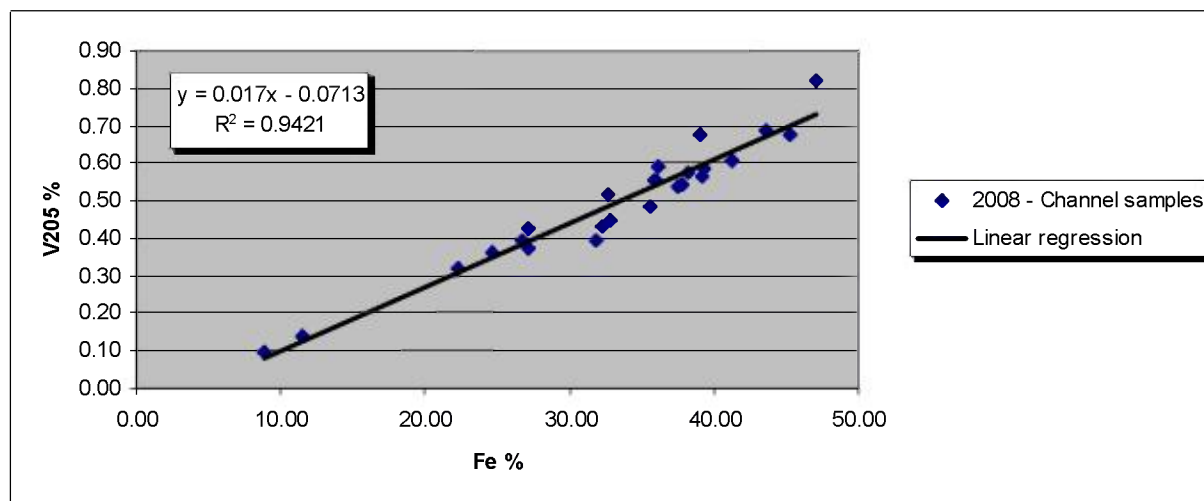


Figure 8 Relationship between Fe (tot) and V_2O_5 grade

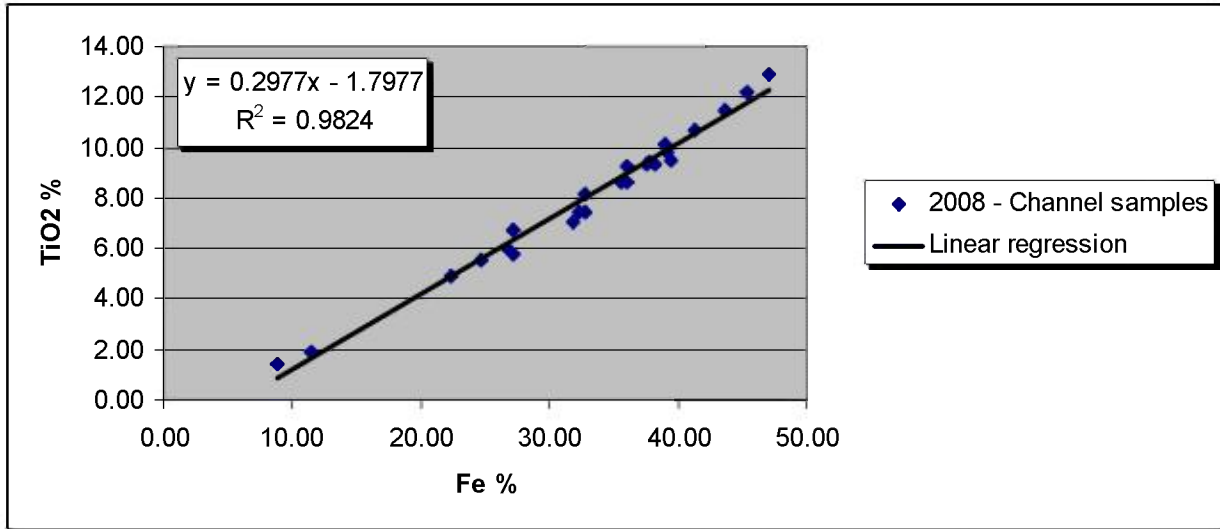


Figure 9 Relationship between Fe (tot) and TiO₂

324,950

324,955

324,960

324,965

324,970



Sample Results from Channel Sampling
Iron (%) / Titanium (%) / Vanadium (%)
Fe / TiO2 / V

TRENCH A, Channel #3

TRENCH A, Channel #1

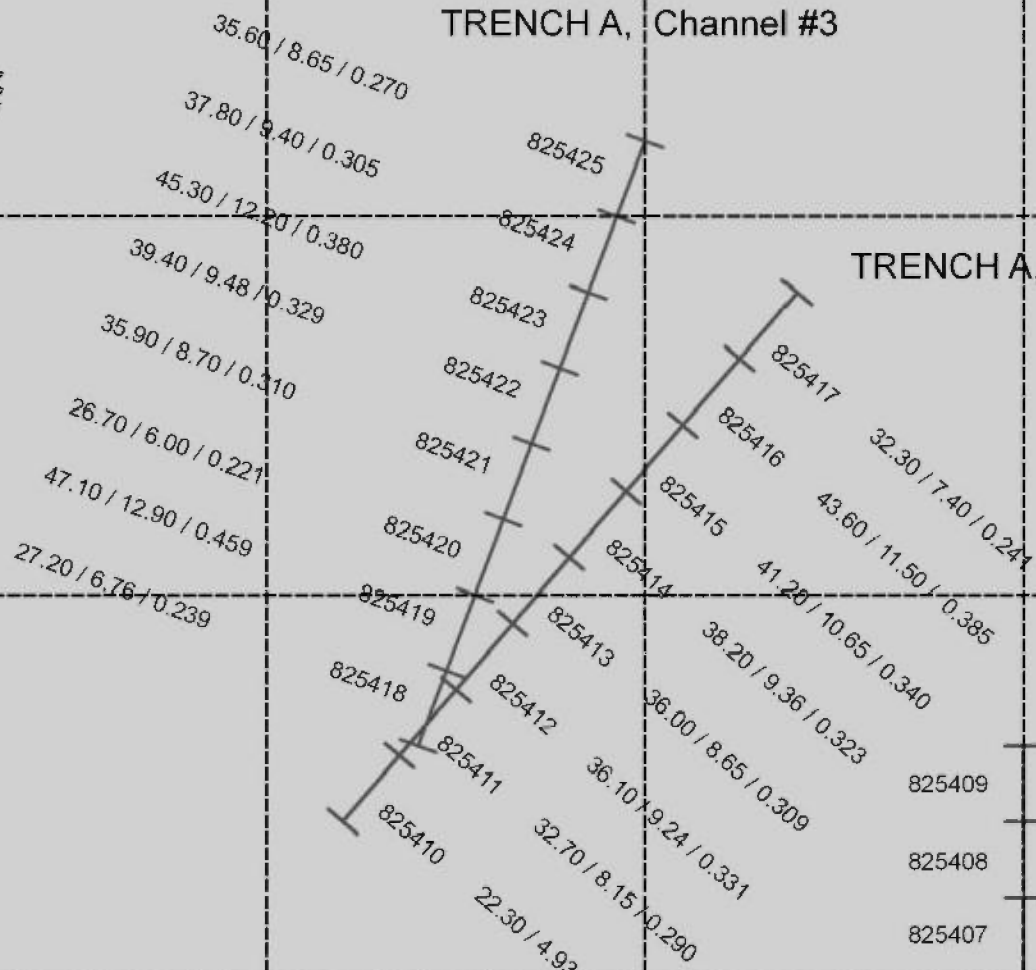
TRENCH A, Channel #2

5,511,635

5,511,630

5,511,625

5,511,620



1:100



APELLA RESOURCES INC.

**IRON -T PROPERTY, QUEBEC
MATAGAMI
(VANADIUM / TITANIUM / IRON)**

**Channel Sampling Results
August 2008**

825409	31.90 / 7.01 / 0.222
825408	39.20 / 9.79 / 0.317
825407	37.60 / 9.30 / 0.300
825406	32.80 / 7.42 / 0.251
825405	27.10 / 5.75 / 0.208
825404	39.00 / 10.15 / 0.378
825403	24.70 / 5.50 / 0.203
825402	8.87 / 1.39 / 0.053
825401	11.45 / 1.86 / 0.077

Item 13: Drilling

No diamond drilling campaign has been undertaken by **Apella** on the Iron-T Vanadium-Titanium-Iron property. The following describes historical diamond drilling programs conducted on the current property.

The author has reviewed the diamond drilling completed on the Iron-T Vanadium-Titanium-Iron property. The following table summarizes diamond drilling completed on the property since 1959. However, the most significant drilling results in regard to oxide mineralization were generated by Juna Mining & Exploration Ltd, SDBJ and Noranda. The results of this work will thus be discussed more in detail. Figure 10 shows diamond drill holes location on the Iron-T Vanadium-Titanium-Iron property.

TABLE 4 SUMMARY OF DIAMOND DRILLING			
YEAR	COMPANY	NUMBER OF DDH'S	TOTAL LENGTH (m)
1998	Noranda	2 ddh's (LT-98-01 and LT-98-02)	196.30
1982	Noranda	2 ddh's (PAN-82-1 & PAN-82-2)	357.00
1982	SDBJ	1 ddh (L-1-82-1)	91.44
1963	Juna Mining & Exploration Ltd	2 ddh.'s (L-1 & L-2)	304.40
1962	Dome Exploration Co Ltd / McIntyre Porcupine Mines Ltd	4 ddh's (1, 2, 5, 6)	402.00
1962	Mining Corp of Canada Ltd	1 ddh (5)	134.00
1959	Chibougamau Mining and Smelting Co. Inc.	2 ddh's (MA-1 & MA-2)	441.00
	Total	14	1 926.14

In 1962, Juna Mining & Exploration Ltd conducted 304.40 m of AX core diamond drilling. Hole L-1 was collared on a north azimuth with an inclination of -45° , approximately 350 m NW of the Lake Olga Fe-Ti-V occurrence. The hole was drilled with an AX core size. After 14.30 m of overburden along hole, heavy magnetite oxide mineralization (5-80%) was encountered to a depth of 75.60 m in a metagabbro unit. Assuming a subvertical dip of metagabbro unit, the true width of oxide mineralization is estimated to 43.4 m. A second magnetite-bearing horizon was intersected between 141.7 to 144.8 m (true width estimated to 2.2 m). This interval contains 60 to 90% of magnetite with trace amounts of pyrrhotite and chalcopyrite. The hole was halted to at 144.8 m due to rock conditions. Assays results are not provided in the diamond

Microfilm

PAGE DE DIMENSION HORS STANDARD

MICROFILMÉE SUR 35 MM ET

POSITIONNÉE À LA SUITE DES

PRÉSENTES PAGES STANDARDS

Numérique

PAGE DE DIMENSION HORS STANDARD

NUMÉRISÉE ET POSITIONNÉE À LA

SUITE DES PRÉSENTES PAGES STANDARDS

drill log. Hole L-2 is located approximately 100 m WNW of hole L-1. This hole was bored in a north direction and inclined at -45° . Bedrock was intersected at a depth of 22.9 m along hole. Six magnetite-bearing metagabbro horizons were intersected from 43.9 m to 57.60 m; 63.1 m to 64.6 m; 66.4 m to 90.8 m; 91.4 m to 96.9 m; 109.1 m to 149.4 m and 151.2 m to 159.4 m. The estimated true widths of these mineralized horizons ranges from 1.1 m to 28.5 m with a variable magnetite content of 5 to 70%. The hole was halted at a depth of 159.4 m in a metagabbro unit associated with 10 to 70% magnetite. The casing was left in the hole. There is no assay results available.

In 1982, SDBJ collared hole L-1-82-1 some 325 m NW of the Lake Olga Fe-Ti-V occurrence, on a $N200^{\circ}$ direction with an inclination of -45° . The hole was drilled using BQ core. After 7.77 m of overburden, the hole encountered mainly a sequence of leucocratic to mesocratic metagabbro interlayered with a serpentinized metaperidotite from 31.03 m to 71.78 m. The serpentinized ultramafic horizon contains 30-50% magnetite. Assay results returned **0.19% V (0.34% V_2O_5 equivalent), 6.74% TiO_2 and 25.19% Fe (total) over 56.39 m (estimated true width 39.87 m)**. Pyrite, pyrrhotite and chalcopyrite are present in minor amounts.

Holes PAN-82-1 and PAN-82-2 were collared by Noranda approximately 1 km NW of Lake Shallow in order to test EM conductors. AQ core diamond drilling totalled 357 m. Both holes were bored in a north direction and an inclination of -50° . The holes intersected heterogeneous layered sequences varying in composition anorthositic gabbro to melanocratic gabbro. The normal gabbro is the most abundant unit. Magnetite content varies from 5-20%. Casings have been left in both holes. There are no assay results provided in diamond drill logs. However, *Taner & Allard (1998)* reported values of **0.11% V or 0.19% V_2O_5 equivalent, 2.79% TiO_2 and 24.08% Fe (total)** from a core sample collected at a depth of 61.87 m in hole PAN-82-2.

In 1998, Noranda completed 196.3 m of NQ diamond drilling (LT98-01 & LT98-02) in order to test high magnetic anomalies as well as the extent at depth and along strike of the vanadiferous oxide mineralization on Trenches A and B. The holes were spaced 430 m apart. Hole LT98-01 is located approximately 205 m to the west of Trench A whereas hole LT98-02 is located at 200 m to the east of Trench B.

Hole LT98-01 was collared on grid line 2+00W at station 1+25N, on a south azimuth with an inclination of -45° . After 11.20 m of casing, gabbroic rock was encountered to a depth of 12.30 m. From 12.30 m to 48.75 m, the hole intersected a magnetite-ilmenite rich (20-50%) gabbro. The magmatic layering is

oriented at 45° to the core axis. A second mineralized gabbro with 5-25% magnetite-ilmenite was intersected from 53.60 m to 61.10 m. Leucocratic gabbro or mafic diorite, locally deformed, schistozed and cataclased were intersected to a depth of 78.40. The hole was halted in a fine-grained granophyre at 83.30 m. Compositied assay results returned **0.19% V (0.34% V₂O₅ equivalent), 6.17% TiO₂ and 42.16% Fe (total) over 36.45 m (estimated true width 25.77 m); and 0.18% V (0.32% V₂O₅ equivalent), 4.84% TiO₂ and 30.04% Fe (total) over 7.50 m (estimated true width 5.30 m).**

Hole LT98-02 was collared on grid line 2+00E at station 0+10N, on a north azimuth with an inclination of -45°. Bedrock was intersected to a depth 3.30 m. From 3.30 m to 82.60 m, the hole intersected a heterogeneous sequence of gabbro, locally deformed and cataclased, interlayered with ilmenite-magnetite-bearing gabbro layers ranging from 1.4 to 4.1 m in thickness. The iron oxide content varies from 2-50%. A massive (90%) iron oxide layer interlayered with magnetite-bearing ultramafic rock was intersected from 57.30 m to 61.40 m. The main vanadiferous iron oxide layer was intersected between 82.60 m and 105.30 m. Mineralization comprises 5-60% magnetite and ilmenite evenly distributed. Mafic to ultramafic serpentized horizons have been observed. The magmatic layering is oriented at 45° to the core axis. The hole was stopped at 113.0 m m within well layered gabbro. Compositied assay results returned **0.15% V (0.26% V₂O₅ equivalent), 3.80% TiO₂ and 23.42% Fe (total) over 16.50 m (estimated true width 11.67 m); and 0.19% V (0.34% V₂O₅ equivalent), 4.90% TiO₂ and 38.96%Fe (total) over 22.70 m (estimated true width 16.05 m).**

Analytical results from drill hole L-1-82-1 indicate that vanadium is associated with lower iron concentrations than those found during earlier work by Noranda. These variations can be explained by either different analytical methods, or geological differences, such as a vanadium-rich horizon with unusually low magnetite content. Unfortunately, it is not possible to distinguish between either possibility based on available data. However, geochemical data from the ore zones generally show a positive correlation between the abundance of Fe and V.

Item 14: Sampling Method & Approach

Grab samples of representative mineralization were collected on the Iron-T Vanadium-Titanium-Iron property during field visit by the author. Vanadiferous oxide mineralization on Trench A was sampled and megascopically described in the field. Geological description includes rock type, color, texture, mineralization. The sampling sites were localised using a hand-held Garmin (model 12XL) GPS (Global Positioning System) in Universal Transverse Mercator (UTM) metric coordinates using the North American Datum 1983 (NAD83). A non destructible tag bearing the sample number was placed in each sample bag. All samples locations were reported on a GIS using MapInfo V.7. Grab samples taken from Trench A on the Iron-T Vanadium-Titanium-Iron property were bagged directly in the field by the author of the present report and stored in **Apella's** core shack facilities at Chibougamau until shipment by **Apella's** personnel to a certified laboratory.

All samples collected by **Apella's** personnel during the channel sampling on Trench A were cut with a diamond saw. Channel samples were properly tagged and sealed before to be sent to the ALS-Chemex laboratory in Val d'Or. One blank sample was inserted in the batch of samples sent.

There is little information in the assessment files regarding diamond drilling conducted in 1962 by Juma Mining & Exploration Ltd. The main interest was directed toward base metals mineralization and diamond drilling failed to identify significant sulphides mineralization. There is no assay results available in the diamond drill logs. However, diamond drill logs indicate that significant oxide mineralization with variable magnetite contents was intersected in both holes. Few structural data were collected. The true width of oxide horizons has been estimated based on structural data available in other drill logs.

Hole L-1-82-1 had been completed using BQ size drill core in 1982 by SDBJ. Thirty-three consecutive samples were collected from hole L-1-82-1. Samples were collected from 7.80 m to 91.44 m with length varying from 0.06 m to 4.27 m. The average length is 2.31 m. Noranda completed two NQ drillholes in 1998. A total of 86 samples were collected from the two holes. The length of the samples varies from 0.15 m to 3.10 m and the average length is 1.06 m. True width of the vanadiferous mineralized horizons intersected has been estimated based on structural information provided in the diamond drill logs. Nineteen channel samples were collected on Trenches A and B excavated by Noranda in 1998. Channel samples were cut perpendicular to strike of magmatic layering and oxide mineralization. Most of the channel samples have been cut to a length of 1.5 m.

Item 15: Sample Preparation, Analyses & Security

Rock samples collected by the author and **Apella's** personnel in August 2008 during channel sampling on Trench A were sent to ALS-Chemex, a commercial laboratory with ISO 9001:2000 certification, in Val d'Or, Quebec. Samples were prepared using standard preparation procedures used by ALS-Chemex. Entire samples were crushed to better than 70% -200 mesh, split off up to 250 g, pulverize split to better than 85% - 200 mesh and homogenized. All samples were assayed for total iron, titanium dioxide and vanadium content as well as 21 additional major and minor elements. Assays were performed by lithium metaborate fusion to dissolve resistive minerals followed by X-Ray fluorescence spectrometry (ME-XRF11 package) for the characterization of iron ores. Conversion from vanadium to vanadium pentoxide (V_2O_5) as used by the industry, we have to multiply the assay result for vanadium by a factor of 1.785.

There is no information regarding the sample preparation methods, quality control, analytical procedures or security measures provided in the SDDJ and Noranda assessment files. All SDBJ's core samples were sent to and assayed by Metriclab (1980) in Ste-Marthe sur le Lac, Quebec. All channel and core samples collected by Noranda were sent to Chimitec Laboratories in Val d'Or, Quebec and assayed using appropriate methods. Major elements were assayed using lithium meborate fusion and X-Ray fluorescence spectrometry; minor elements were assayed using four acid digestion and inductively coupled plasma with atomic emission spectroscopy (ICP-AES); and precious metals by fire assay with directly coupled plasma (DCP) emission spectrometer finish. There is no certificate of assays provided by Noranda in the assessment file.

Item 16: Data Verification

Along with a review of all available technical data and geoscientific literature, the geological setting and mineralization of the Iron-T Vanadium-Titanium-Iron property are confirmed by the author based on his own mining exploration experience. The author has verified also the location of mineralization and collected grab samples on the Trench A of the Iron-T Vanadium-Titanium-Iron property on August 4th, 2008. During the author visit, two samples were taken from the vanadiferous oxide mineralization on the Trench A. Rock samples consist of magnetite-rich (>90%) pluricentimetric to pluridecimetric scale horizons oriented along magmatic layering. Grab samples (No 224925) (Fig. 11) yielded **0.33% V (0.59% V₂O₅ equivalent), 9.96% TiO₂ and 39.60% Fe (total)**. A 1.22 m linear chip sample (No 224926) returned **0.37% V (0.66% V₂O₅ equivalent), 11.45% TiO₂ and 43.3% Fe (total)**. Mineralization observed and values returned by the author's samples are consistent with those reported from previous exploration work. Certificate of assays are provided in Appendix III.



Figure 12 Samples collected from Trench A – Vanadiferous massive oxide mineralization

Item 17: Adjacent Properties

The discussion below is based on public information available as of the date of the report. The author has not verified the information unless otherwise stated.

The zone of potential vanadium mineralization extends beyond the limits of the Iron-T Vanadium-Titanium-Iron property. There is actually no information on the vanadium mineralization of the immediately adjacent properties. However, public assessment files indicate significant vanadium mineralization associated to the Upper zone of the Bell River Complex. This vanadium occurrence is located west of Matagami, in the Isle Dieu Twp, some 11 km WNW of the central portion of the Iron-T Vanadium-Titanium-Iron property. This mining property is part of the vast mining domain surrounding the mining installations owned by Xstata.

Item 18: Mineral Processing and Metallurgical testing

Mineralogical and petrographical description as well as a suggested flowchart for the ore beneficiation of the vanadium mineralization of the Lake Doré and the Bell River Complex are provided in *Taner et al. (1998)*. The author is not aware of any mineral processing or metallurgical testing specifically conducted on samples collected from the Iron-T Vanadium-Titanium-Iron property.

Item 19: Mineral Resource and Mineral Reserve Estimates

The Iron-T Vanadium-Titanium-Iron property is at the early stage of exploration and consequently there is no sufficient data to support a mineral resources or mineral reserve estimate.

Item 20: Other Relevant Data & Information

The Iron-T Vanadium-Titanium-Iron property is for the present time, without a known economical ore body. However, Abitibi Geophysics in its report on the magnetometer survey carried out on the property in 2007 evaluated a mineral resource of 250 Mt of iron oxides which are the cause of the 10 km long stratabound magnetic anomaly (GM 63124). This estimation is not compliant with NI 43-101.

The proposed program is an exploration program mainly oriented toward geological, geophysical and geochemical data acquisition which can lead to the discovery of economic vanadium deposit.

Item 21: Interpretation & Conclusions

The Iron-T Vanadium-Titanium-Iron property is situated within the Upper zone of the Bell River Complex in the Matagami mining camp. The Bell River Complex covers approximately an area of 1,300 km² mainly composed of gabbro, anorthosite, pyroxénite and less than 1% magnétite and dunité. The geological setting and mineralization encountered on the Iron-T Vanadium-Titanium-Iron property shows many similarities with typical world-class magmatic Fe-Ti-V oxide deposits hosted in layered intrusive complex such as the Bushveld Complex in South Africa, the Panzihua layered intrusion in China, the Windimurra Complex in Australia and the Lake Doré Complex in Chibougamau, Quebec. These deposits have been formed from an immiscible oxide-rich melts as a result of an extensive fractional crystallization in mafic-ultramafic magmas.

The Iron-T Vanadium-Titanium-Iron property hosts the Lake Olga Fe-Ti-V occurrence situated at 1.8 km NE of Lake Shallow. Composited assay results from channel sampling conducted by Noranda in 1997 returned **0.52% V₂O₅, 9.71% TiO₂ and 52.37% Fe₂O₃ over 10.50 m** on trench A; and **0.37% V₂O₅, 5.89% TiO₂ and 35.43% Fe₂O₃ over 15.0 m** on Trench B located some 50 m north. Similar results have been reported from two shallow diamond drill holes spaced 430 m apart and located at 300 NW and 200 NE of the southernmost trench. Hole LT98-01 returned **0.34% V₂O₅, 6.17% TiO₂ and 42.16% Fe (total) over an estimated true width of 25.77 m** and **0.32% V₂O₅, 4.84% TiO₂ and 30.04% Fe (total) over an estimated true width of 5.30 m**. Oxide mineralization intersected in hole LT98-02 yielded **0.26% V₂O₅, 3.80% TiO₂ and 23.42% Fe (total) over 16.50 m**; and **0.34% V₂O₅, 4.90% TiO₂ and 38.96 Fe (total) over 22.70 m**. Hole L-1-82-1 located at 85 m W of LT98-01 returned **0.34% V₂O₅ equivalent, 6.74% TiO₂ and 25.19% Fe (total) over an estimated true width of 39.87 m**.

Based on a very limited amount of drilling, assay results confirm continuous vanadium mineralization over a minimum strike length of 500 m. Prospective targets areas are characterized by high magnetic susceptibility. A ground magnetic survey conducted in 2007 indicated that previous drilling and trenching was conducted within an area characterized by strong magnetic anomalies trending WNW and ESE extending over 1 km and 150 to 225 m wide. The available ground magnetic data is considered adequate to assist geological mapping and delineate potential areas for diamond drilling.

Based on an examination of vanadium grade assays obtained from channel sampling on mineralized oxide zones by Apella, magnetite-bearing horizons with at least 33.6% Fe₂O₃ could return an average economical grade of 0.50% V₂O₅ which represents the typical grade of vanadium deposit.

Item 22: Recommendations

The author has concluded that similarities between the Iron-T Vanadium-Titanium-Iron property and typical world class vanadium deposits associated to layered mafic to ultramafic intrusions justifies an exploration program. The two-stage exploration program proposed is designed to further define prospective areas of vanadiferous mineralization within the Upper zone of the Bell River Complex. The Iron-T Vanadium-Titanium-Iron property is without a known economical vanadium deposit. Since the vanadium content is closely correlated with iron contents of the host rock, magnetic geophysical methods are considered to be the most effective and inexpensive approach to locate favourable horizons that may indicative of vanadiferous mineralizationé

The proposed program is oriented toward geological, geophysical and geochemical data acquisition which can lead to the discovery of economic vanadium deposit.

Phase I will focus to identify areas of higher grade mineralization and to determine the limits and the distribution of the vanadium mineralization as well as to assess a potential tonnage in the vicinity of the Audet Option. The prospective zone covers a broad (150-225 m) magnetic anomaly over a strike length of 1.6 km covering the Audet Option.

It is recommended to establish a grid with cut lines spaced at 100 m interval in order to carry out a detailed mapping and sampling program of the entire Audet Option. This program will permit to verify vanadiferous grade obtained by previous owners on mineralized outcrops and to identify areas where additional trenching and sampling are required. This work will be followed by an extensive diamond drilling program to define higher grade mineralization in this portion of the Upper zone of the Bell River Complex. A 3,000 m diamond drilling program is recommended to identify the limits and the distribution of the vanadium mineralization to a vertical depth of 100 m. In regard to the proposed diamond drilling program, it is recommended that the diamond drilling be conducted on HQ size core in order to obtain a good recovery and sufficient material to perform chemical analysis and future metallurgical beneficiation testing. Density information on representative lithological units will be collected in support to a future ore reserve/resource estimate. It is also recommended to conduct a strict QA/QC program including mineralized standards, blanks and duplicate for each batch of samples sent for assays.

Phase II will focus on the western portion of the Iron-T Vanadium-Titanium-Iron property. This area has been little explored and it is recommended to undertake geological mapping, surface sampling and ground

magnetic (total field and vertical gradient) surveys of the area covering the WNW extension of the Audet Option. A diamond drilling program totalling 1 500 m on this portion of the property will permit to establish the continuity of the vanadiferous mineralization along strike.

Cost Estimate

Phase I

Audet Option

Line cutting, 120 km @ \$450/km	\$54,000
Geological mapping and field supervision	\$27,500
Trenching and channel sampling	\$ 15,000
HQ Diamond drilling, 3 000m @\$152/m	\$456,000
Core logging and field supervision	\$46,200
Assays	\$80,500
Lodging and communications	\$24,600
Field equipment	\$5,000
Traveling	\$7,500
Final report	\$ 11,400
Contingencies (10%)	<u>\$72,770</u>
Total Phase I	\$800,470

Phase II

West portion of the Iron-T Vanadium-Titanium-Iron property

Line cutting, 60 km @ \$450/km	\$27,000
Geological mapping and field supervision	\$18,000
Ground geophysical survey	\$15,000
Trenching and channel sampling	\$ 15,000
HQ Diamond drilling, 1 500m @\$152/m	\$228,000
Core logging and field supervision	\$27,000
Assays	\$46,200
Lodging and communications	\$19,500
Traveling	\$4,500
Final report	\$9,000
Contingencies (10%)	<u>\$40,920</u>

Total	\$450,120
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Grand Total	\$1,250,590
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The author has reviewed the proposed program for the Iron-T Vanadium-Titanium-Iron property as recommended and is of the opinion that the properties have sufficient merit to justify the program and budget as proposed. Positive results obtained during Phases I and II will necessitate more exploration and development drilling which in turn will permit to calculate resources and bring the property to the pre-feasibility level.

Item 23: References

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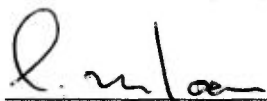
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Item 24: Author's Certificate & Signature Page

I, Roger Moar, do hereby certify that:

1. I am a consultant geologist with office at 583 De la Brise., Salaberry de Valleyfield, Quebec, J6T 6N2, Canada.
2. I graduated with a Bachelor of Science Degree in Geology from the University of Montreal in 1993.
3. I am a member in good standing with the *Ordre des Géologues du Québec* (No. 733).
4. I have worked as a geologist for a total of twelve years since my graduation from university.
5. I have read the definition of "qualified person" set out in National Instrument 43-101 ("NI 43-101) and certify that by reason of my education, affiliation with a professional association (as defined in NI 43-101) and past and relevant work experience, I fulfill the requirements to be a "qualified person" for the purposes of NI 43-101.
6. I am responsible for the preparation of the technical report titled "Technical Report, Iron-T Vanadium-Titanium-Iron property, Matagami Area, Quebec, Canada" and dated November 30th, 2008, and amended January 8th, 2009, (the "Technical Report"). The author visited the property on August 4th, 2008, in the course of the property evaluation.
7. I am not aware of any material fact or material change with respect to the subject matter of the Technical Report that is not reflected in the Technical Report, the omission to disclose which makes the Technical Report misleading.
8. I am independent from the issuer applying all of the tests in section 1.5 of National Instrument 43-101.
9. I have read National Instrument 43-101 and Form 43-101F1, and the Technical Report has been prepared in compliance with that instrument and form.
10. I consent to the filing of the Technical Report with any stock exchange and other regulatory authority and any publication by them for regulatory purposes, including electronic publication in the public company files on their websites accessible by the public, of the Technical Report.

Dated this January 8th, 2009



Signature of Qualified Person

Roger Moar, B.Sc., OGQ (No. 733)

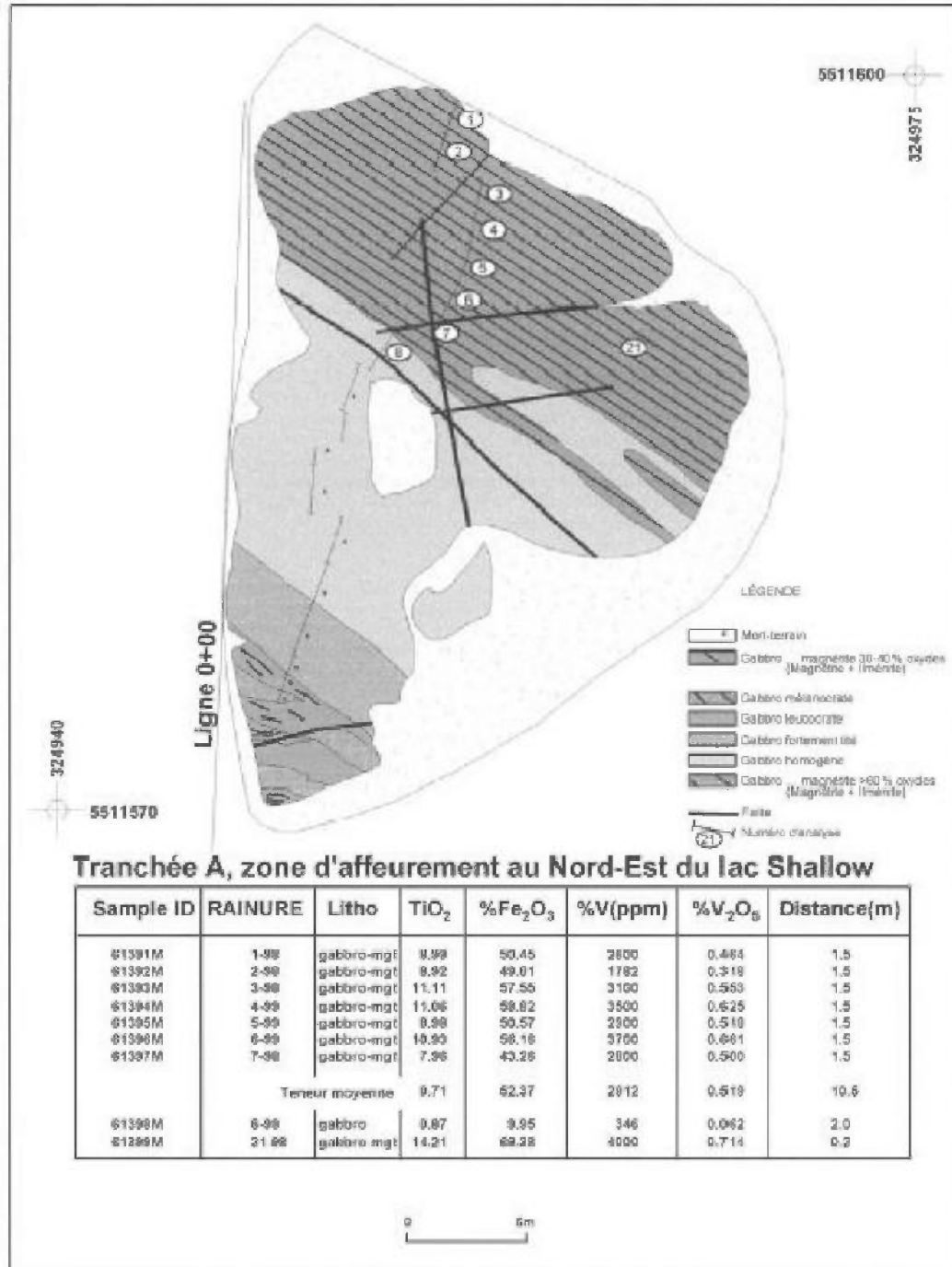


APPENDIX I List of claims

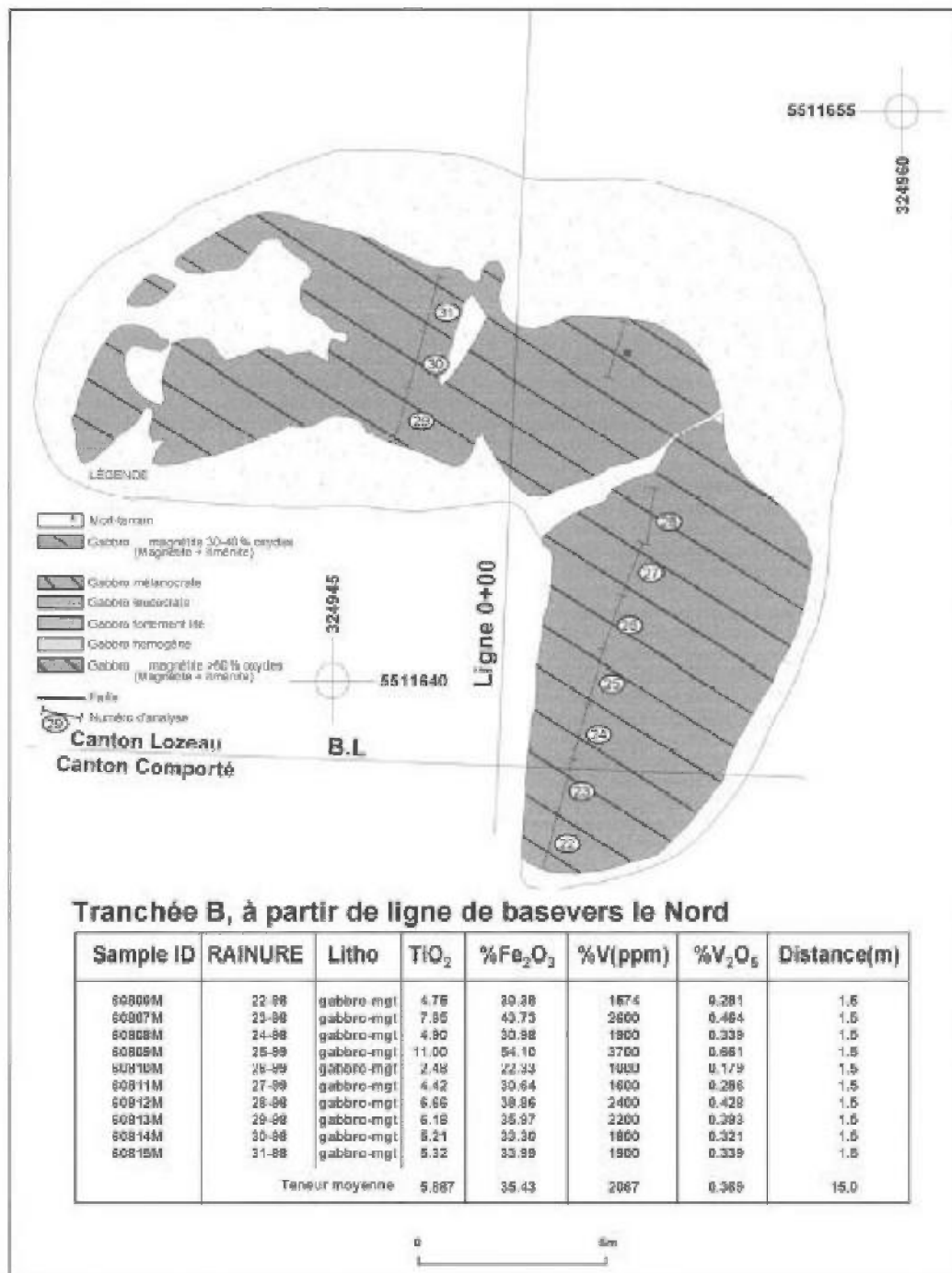
LIST OF MINING TITLES
As of September 23rd, 2008

FEUILLET	TYPE	CLAIM NU	STATUS	REGISTRATION DATE	EXPIRY DATE	CREDIT	AREA (Ha)	WORK REQUIRED	OWNER
32F11	CDC	2148868	ACTIVE	2008-05-07	2010-05-06	0.00 \$	55.00	1 200.00 \$	100% Apella Resources Inc.
32F11	CDC	2148869	ACTIVE	2008-05-07	2010-05-06	0.00 \$	55.00	1 200.00 \$	100% Apella Resources Inc.
32F11	CDC	2148870	ACTIVE	2008-05-07	2010-05-06	0.00 \$	55.00	1 200.00 \$	100% Apella Resources Inc.
32F11	CDC	2148871	ACTIVE	2008-05-07	2010-05-06	0.00 \$	55.00	1 200.00 \$	100% Apella Resources Inc.
32F11	CDC	2148872	ACTIVE	2008-05-07	2010-05-06	0.00 \$	55.00	1 200.00 \$	100% Apella Resources Inc.
32F11	CDC	2148873	ACTIVE	2008-05-07	2010-05-06	0.00 \$	55.00	1 200.00 \$	100% Apella Resources Inc.
32F11	CDC	2148874	ACTIVE	2008-05-07	2010-05-06	0.00 \$	55.00	1 200.00 \$	100% Apella Resources Inc.
32F11	CDC	2148875	ACTIVE	2008-05-07	2010-05-06	0.00 \$	55.00	1 200.00 \$	100% Apella Resources Inc.
32F11	CDC	2148876	ACTIVE	2008-05-07	2010-05-06	0.00 \$	55.00	1 200.00 \$	100% Apella Resources Inc.
32F11	CDC	2148877	ACTIVE	2008-05-07	2010-05-06	0.00 \$	55.00	1 200.00 \$	100% Apella Resources Inc.
32F11	CDC	109860	ACTIVE	2005-12-19	2009-12-18	328.00 \$	55.00	1 200.00 \$	100% Apella Resources Inc.
32F11	CDC	109861	ACTIVE	2005-12-19	2009-12-18	328.00 \$	55.00	1 200.00 \$	100% Apella Resources Inc.
32F11	CDC	109862	ACTIVE	2005-12-19	2009-12-18	328.00 \$	55.00	1 200.00 \$	100% Apella Resources Inc.
32F11	CDC	109863	ACTIVE	2005-12-19	2009-12-18	328.00 \$	55.00	1 200.00 \$	100% Apella Resources Inc.
32F11	CDC	109864	ACTIVE	2005-12-19	2009-12-18	328.00 \$	55.00	1 200.00 \$	100% Apella Resources Inc.
32F11	CDC	109865	ACTIVE	2005-12-19	2009-12-18	328.00 \$	55.00	1 200.00 \$	100% Apella Resources Inc.
32F11	CDC	109866	ACTIVE	2005-12-19	2009-12-18	328.00 \$	55.00	1 200.00 \$	100% Apella Resources Inc.
32F11	CDC	109867	ACTIVE	2005-12-19	2009-12-18	328.00 \$	55.00	1 200.00 \$	100% Apella Resources Inc.
32F11	CDC	109869	ACTIVE	2005-12-19	2009-12-18	328.00 \$	55.00	1 200.00 \$	100% Apella Resources Inc.
32F11	CDC	109870	ACTIVE	2005-12-19	2009-12-18	328.00 \$	55.00	1 200.00 \$	100% Apella Resources Inc.
32F11	CDC	109871	ACTIVE	2005-12-19	2009-12-18	328.00 \$	55.00	1 200.00 \$	100% Apella Resources Inc.
32F11	CDC	109872	ACTIVE	2005-12-19	2009-12-18	328.00 \$	55.00	1 200.00 \$	100% Apella Resources Inc.
32F11	CDC	109873	ACTIVE	2005-12-19	2009-12-18	328.00 \$	55.00	1 200.00 \$	100% Apella Resources Inc.
32F11	CDC	109874	ACTIVE	2005-12-19	2009-12-18	328.00 \$	55.00	1 200.00 \$	100% Apella Resources Inc.
32F11	CDC	109875	ACTIVE	2005-12-19	2009-12-18	328.00 \$	55.00	1 200.00 \$	100% Apella Resources Inc.
32F11	CDC	109876	ACTIVE	2005-12-19	2009-12-18	328.00 \$	55.00	1 200.00 \$	100% Apella Resources Inc.
32F11	CDC	109877	ACTIVE	2005-12-19	2009-12-18	328.00 \$	55.00	1 200.00 \$	100% Apella Resources Inc.

APPENDIX II Historical channel sampling – Trenches A and B



Plan of Surface Trench A (Osborne, 2008)
Source: GM56292 - Noranda



Plan of Surface Trench B (Osborne, 2008)

Source: GM56292 - Noranda

APPENDIX III Certificates of Assays



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SUITE 1600
543 GRANVILLE STREET
VANCOUVER BC V6C 1X8

Page: 1
Finalisée date: 23-OCT-2008
Compte: PET

CERTIFICAT VO08112048

Projet: Iron Tee

Bon de commande #:

Ce rapport s'applique aux 2 échantillons de roche soumis à notre laboratoire de Val d'Or, QC, Canada le 11-AOUT-2008.

Les résultats sont transmis à:

CHRISTIAN DEROSIER

APELLA RESOURCES INC.

PRÉPARATION ÉCHANTILLONS

CODE ALS	DESCRIPTION
WEI-21	Poids échantillon reçu
LOG-22	Entrée échantillon - Reçu sans code barre
CRU-31	Granulation - 70 % <2 mm
SPL-21	Échant. fractionné - div. riffles
PUL-31	Pulvérisé à 85 % <75 um

PROCÉDURES ANALYTIQUES

CODE ALS	DESCRIPTION	INSTRUMENT
ME-XRF11		XRF
OA-GRA05t	LOI de multi-température	TGA

À: APELLA RESOURCES INC.
ATTN: CHRISTIAN DEROSIER
1957 MONTEE HARWOOD
SAINT-LAZARE QC J7T 2N3

Ce rapport est final et remplace tout autre rapport préliminaire portant ce numéro de certificat. Les résultats s'appliquent aux échantillons soumis. Toutes les pages de ce rapport ont été vérifiées et approuvées avant publication.

Signature: 

Wayne Abbott, Operations Manager, Western Australia



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Page: 2 - A

Nombre total de pages: 2 (A - B)

Finalisée date: 23-OCT-2008

Compte: PET

Projet: Iron Tee

CERTIFICAT D'ANALYSE VO08112048

Description échantillon	Méthode élément unités L.D.	WEI-21	ME-XRF11	ME-XRF11	ME-XRF11	ME-XRF11	ME-XRF11	ME-XRF11	ME-XRF11	ME-XRF11	ME-XRF11	ME-XRF11	ME-XRF11	ME-XRF11	ME-XRF11	ME-XRF11
		Poids reçu kg	SiO2 %	Al2O3 %	As %	Ba %	CaO %	Cl %	Co %	Cr %	Cu %	Fe %	K2O %	MgO %	Mn %	Na2O %
224925		3.25	18.00	2.90	<0.001	0.001	4.36	0.056	0.019	0.027	0.089	39.6	0.002	7.21	0.254	0.04
224926		3.03	14.80	3.00	<0.001	0.003	3.53	0.030	0.013	0.019	0.063	43.3	<0.001	5.50	0.253	0.01



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Page: 2 - B

Nombre total de pages: 2 (A - B)

Finalisée date: 23-OCT-2008

Compte: PET

Projet: Iron Tee

CERTIFICAT D'ANALYSE VO08112048

Description échantillon	Méthode élément unités L.D.	ME-XRF11	ME-XRF11	ME-XRF11	ME-XRF11	ME-XRF11	ME-XRF11	ME-XRF11	ME-XRF11	ME-XRF11	
		Ni	P	Pb	S	Sn	Sr	TiO2	V	Zn	Zr
		%	%	%	%	%	%	%	%	%	%
		0.001	0.001	0.001	0.001	0.001	0.001	0.01	0.001	0.001	0.001
224925		0.047	<0.001	0.002	0.581	0.003	0.003	9.96	0.330	0.028	<0.001
224926		0.020	<0.001	0.004	0.198	0.002	0.003	11.45	0.370	0.031	0.001



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Page: 1
Finalisée date: 23-OCT-2008
Compte: PET

CERTIFICAT VO08115251

Projet: Iron Tee

Bon de commande #:

Ce rapport s'applique aux 26 échantillons de carotte forage soumis à notre laboratoire de Val d'Or, QC, Canada le 14-AOUT-2008.

Les résultats sont transmis à:

CHRISTIAN DEROSIER

DON FORAN

ROGER MOAR

PRÉPARATION ÉCHANTILLONS

CODE ALS	DESCRIPTION
WEI-21	Poids échantillon reçu
LOG-22	Entrée échantillon - Reçu sans code barre
CRU-31	Granulation - 70 % <2 mm
SPL-21	Échant. fractionné - div. riffles
PUL-31	Pulvérisé à 85 % <75 um
CRU-QC	Test concassage QC

PROCÉDURES ANALYTIQUES

CODE ALS	DESCRIPTION	INSTRUMENT
ME-XRF11		XRF
OA-GRA05t	LOI de multi-température	TGA

À: APELLA RESOURCES INC.
ATTN: CHRISTIAN DEROSIER
1957 MONTEE HARWOOD
SAINT-LAZARE QC J7T 2N3

Ce rapport est final et remplace tout autre rapport préliminaire portant ce numéro de certificat. Les résultats s'appliquent aux échantillons soumis. Toutes les pages de ce rapport ont été vérifiées et approuvées avant publication.

Signature: 

Wayne Abbott, Operations Manager, Western Australia



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Page: 2 - A

Nombre total de pages: 2 (A - B)

Finalisée date: 23-OCT-2008

Compte: PET

Projet: Iron Tee

CERTIFICAT D'ANALYSE VO08115251

Description échantillon	Méthode élément unités L.D.	WEI-21	ME-XRF11	ME-XRF11	ME-XRF11	ME-XRF11	ME-XRF11	ME-XRF11	ME-XRF11	ME-XRF11	ME-XRF11	ME-XRF11	ME-XRF11	ME-XRF11	ME-XRF11	
		Poids reçu kg	SiO2 %	Al2O3 %	As %	Ba %	CaO %	Cl %	Co %	Cr %	Cu %	Fe %	K2O %	MgO %	Mn %	Na2O %
		0.02	0.01	0.01	0.001	0.001	0.01	0.001	0.001	0.001	0.001	0.001	0.01	0.001	0.01	0.001
825401		2.54	44.0	16.25	<0.001	0.004	>10.0	0.029	0.007	0.016	0.058	11.45	0.167	5.64	0.136	2.05
825402		2.30	46.9	19.65	<0.001	<0.001	>10.0	0.002	0.004	0.012	0.045	8.87	0.188	4.01	0.106	2.71
825403		3.06	32.5	9.27	<0.001	0.005	8.04	0.005	0.014	0.018	0.104	24.7	0.042	6.96	0.208	0.93
825404		3.19	18.30	4.47	<0.001	0.005	4.92	0.021	0.018	0.017	0.040	39.0	0.008	6.18	0.246	0.23
825405		3.21	31.7	4.97	<0.001	0.001	8.59	0.011	0.014	0.016	0.092	27.1	0.010	8.95	0.248	0.40
825406		1.73	25.9	2.71	<0.001	0.002	6.92	0.019	0.016	0.016	0.081	32.8	0.005	9.25	0.266	0.10
825407		3.53	20.1	3.26	<0.001	0.004	5.38	0.046	0.018	0.021	0.072	37.6	0.001	7.48	0.258	0.11
825408		5.97	18.55	2.83	<0.001	0.002	4.78	0.088	0.018	0.017	0.082	39.2	0.005	7.19	0.265	0.08
825409		5.29	25.6	2.61	<0.001	0.005	6.00	0.091	0.019	0.012	0.127	31.9	0.008	9.10	0.256	0.09
825410		2.16	34.8	9.72	<0.001	<0.001	8.66	0.052	0.010	0.017	0.064	22.3	0.064	7.25	0.202	1.06
825411		2.09	24.8	5.46	<0.001	0.003	6.83	0.055	0.014	0.016	0.109	32.7	0.021	6.90	0.230	0.44
825412		2.58	21.7	4.80	<0.001	0.004	5.91	0.053	0.015	0.018	0.051	36.1	0.009	6.54	0.246	0.34
825413		3.10	21.6	3.36	<0.001	0.004	6.00	0.086	0.018	0.021	0.150	36.0	0.003	7.42	0.254	0.15
825414		3.19	19.65	3.37	<0.001	<0.001	4.81	0.100	0.017	0.024	0.085	38.2	0.011	7.26	0.255	0.15
825415		4.49	16.15	2.90	<0.001	0.002	3.85	0.060	0.019	0.021	0.075	41.2	<0.001	6.91	0.256	0.02
825416		4.37	13.80	3.07	<0.001	0.003	3.41	0.067	0.019	0.023	0.065	43.6	0.002	5.66	0.260	0.04
825417		4.02	26.0	2.54	<0.001	0.001	6.43	0.056	0.015	0.015	0.089	32.3	0.003	9.02	0.269	0.08
825418		4.34	30.5	8.13	<0.001	0.001	7.95	0.026	0.011	0.017	0.035	27.2	0.037	6.94	0.216	0.83
825419		4.48	9.49	3.31	<0.001	0.002	2.47	0.019	0.020	0.024	0.052	47.1	<0.001	4.59	0.260	<0.01
825420		5.33	31.7	5.67	<0.001	0.002	8.99	0.022	0.013	0.015	0.042	26.7	0.026	8.61	0.240	0.51
825421		3.98	21.4	3.11	<0.001	0.002	5.57	0.017	0.016	0.023	0.103	35.9	0.010	7.21	0.249	0.15
825422		4.89	18.50	2.82	<0.001	0.005	4.35	0.044	0.020	0.031	0.088	39.4	0.002	7.65	0.260	0.05
825423		3.71	11.75	3.09	<0.001	0.005	2.79	0.063	0.021	0.024	0.063	45.3	<0.001	5.23	0.258	0.04
825424		4.72	20.3	2.83	<0.001	0.004	5.51	0.053	0.018	0.021	0.079	37.8	0.003	7.33	0.263	0.08
825425		5.32	21.9	2.59	<0.001	0.001	5.13	0.052	0.017	0.025	0.091	35.6	0.003	7.98	0.266	0.08
825426		0.36	65.8	24.7	<0.001	0.248	0.30	0.013	<0.001	0.017	0.002	2.00	2.67	0.69	0.016	0.27



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Page: 2 - B

Nombre total de pages: 2 (A - B)

Finalisée date: 23-OCT-2008

Compte: PET

Projet: Iron Tee

CERTIFICAT D'ANALYSE VO08115251

Description échantillon	Méthode élément unités L.D.	ME-XRF11	ME-XRF11	ME-XRF11	ME-XRF11	ME-XRF11	ME-XRF11	ME-XRF11	ME-XRF11	ME-XRF11	
		Ni	P	Pb	S	Sn	Sr	TiO2	V	Zn	Zr
		%	%	%	%	%	%	%	%	%	%
		0.001	0.001	0.001	0.001	0.001	0.001	0.01	0.001	0.001	0.001
825401		0.020	0.007	0.007	0.425	0.007	0.015	1.86	0.077	0.012	0.004
825402		0.023	0.012	0.005	0.287	0.007	0.016	1.39	0.053	0.010	0.003
825403		0.041	<0.001	0.010	0.626	0.006	0.010	5.50	0.203	0.021	0.004
825404		0.034	<0.001	0.007	0.245	0.005	0.005	10.15	0.378	0.029	0.001
825405		0.033	0.001	0.007	0.511	0.007	0.006	5.75	0.208	0.022	0.003
825406		0.038	<0.001	0.007	0.503	0.005	0.004	7.42	0.251	0.026	0.003
825407		0.036	<0.001	0.004	0.525	0.003	0.003	9.30	0.300	0.028	0.001
825408		0.035	<0.001	0.004	0.572	0.004	0.003	9.79	0.317	0.029	0.001
825409		0.046	0.001	0.008	0.941	0.006	0.004	7.01	0.222	0.025	0.003
825410		0.024	0.001	0.003	0.309	0.006	0.009	4.93	0.180	0.018	0.001
825411		0.034	<0.001	0.007	0.432	0.005	0.006	8.15	0.290	0.025	0.002
825412		0.026	<0.001	0.007	0.183	0.005	0.005	9.24	0.331	0.027	0.001
825413		0.047	<0.001	0.009	0.716	0.005	0.005	8.65	0.309	0.027	0.002
825414		0.043	0.002	0.001	0.595	0.005	0.002	9.36	0.323	0.028	<0.001
825415		0.042	<0.001	0.001	0.566	0.003	0.002	10.65	0.340	0.029	<0.001
825416		0.038	<0.001	0.003	0.392	0.002	0.003	11.50	0.365	0.030	<0.001
825417		0.037	0.001	0.001	0.544	0.005	0.002	7.40	0.241	0.023	<0.001
825418		0.021	<0.001	0.007	0.127	0.006	0.008	6.76	0.239	0.021	0.002
825419		0.041	<0.001	0.006	0.279	0.003	0.004	12.90	0.459	0.033	0.001
825420		0.030	<0.001	0.010	0.250	0.007	0.007	6.00	0.221	0.021	0.004
825421		0.042	<0.001	0.003	0.552	0.005	0.003	8.70	0.310	0.026	<0.001
825422		0.048	<0.001	0.011	0.608	0.004	0.005	9.48	0.329	0.030	0.004
825423		0.042	<0.001	0.009	0.399	0.004	0.004	12.20	0.380	0.033	0.001
825424		0.042	<0.001	0.009	0.462	0.004	0.004	9.40	0.305	0.029	0.003
825425		0.046	<0.001	0.002	0.524	0.003	0.003	8.65	0.270	0.026	<0.001
825426		0.009	0.016	0.005	0.016	0.002	0.013	1.58	0.018	0.006	0.035