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MBMI Resources Inc.

Report on Field Investigation – Alpha Project, Palawan Province – Republic of the Philippines – September 2007

Geological Assessment and Technical Evaluation of the Alpha Project on Behalf of MBMI Resources Inc. for the Period 27th to 29th September 2007

(NI43-101F1 Compliant Format).

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2.0 Table of Contents

3.0 Summary

MBMI Resources Inc. ("MBMI"; the "Company") is a publicly listed Canadian company, headquartered in Vancouver Canada. The Company has for several years been working toward its objective of identifying and developing a lateritic nickel-cobalt direct shipping ore ("DSO") project in the Republic of the Philippines. To this end, MBMI have previously acquired several projects on offer from vendor counterparties with a view to generating sufficient contained high-grade nickel resources to initiate commercial mining operations in the Province. The current target is to generate in excess of eight (8) million tonnes of blended direct shipping ore ("DSO") as: (i) saprolite material grading 2.0 % nickel or better for sale to Japanese purchasers as ferro-nickel process feed, or (ii) ferralite material grading 1.5% Ni or better for shipment to China to be processed as pig-iron.

The most advanced project in the Company's portfolio is the Alpha Project ("Alpha; "the Property") in the central eastern region of the island Province of Palawan; approximately 660km southwest of the Philippine capital of Manila. Through its wholly-owned local subsidiary, MBMI is currently trial mining and stockpiling mineralised laterite preparatory to sale and shipment of this material to selected third parties. To date the Company has not compiled an NI43-101 compliant resource for the Property.

In September 2007, MBMI commissioned geologist Steven Goertz of Cedarwood Investments Pty. Ltd. to undertake an updated examination of the Alpha Project. The Property is currently 100% owned by *Narra Nickel Mining & Development Corporation* ("NNMDC"), a locally incorporated entity in which MBMI hold a 60.4% effective interest, comprising 40% direct and 20.4% indirect equity, via a two-tier corporate structure. Under this structure, NNMDC is respectively owned 60% : 40% by MBMI and *Patricia Louise Mining and Development Corp* ("PLMDC"); with the latter being in turn 66% : 34% respectively owned by (Filipino company) *Palawan Alpha South Resource Development Corporation* ("PASRDC") and MBMI.

In May 2005, prior to the formation of NNMDC in September that year, MBMI entered into a joint venture agreement with PASDRC to explore and develop the Alpha project for lateritic nickel DSO. As part of this agreement, PLMDC was incorporated as a holding company prior to the formation of NNMDC and subsequent transfer of the Property to the latter. Since acquiring Alpha in 2005, MBMI have completed a substantial exploration and development programme that has brought Alpha to the trial production stage. Work

completed has included; 7,700 metres of grid-controlled drilling, establishment of a local operations base, ROM (*"Run of Mine"*) pad, shipping pier, access road and trial pit. The project currently employs approximately 400 personnel.

The purpose of this report is to provide an evaluation of the current status of the Alpha project, an assessment of the efficacy of works completed since September 2005, and to determine any remedial and forward technical management requirements necessary to effectively advance the project to full production status.

The project was assessed during the last week of September 2007. MBMI representatives accompanied the writer during the various stages of the review and provided valuable assistance in sourcing required information and materials necessary to compile an assessment of the current status of the Project. These data, in conjunction with a site visit on the 27th September 2007, form the basis of the evaluation and recommendations in this report.

The Alpha prospect is located within Barangay Calategas, Municipality of Narra, and centered approximately 19-km southwest of the township of Narra. Access is via community feeder road off the National Highway at a point 16-km south of Narra. It comprises a single Applied Production Sharing Area ("APSA") of 3,277Ha total area. The Property surrounds the (excised 1,000 ha) Toronto MPSA, recently operated by Filipino-controlled interests as a DSO nickel laterite and chromite project.

Prior geological and geomorphologic evaluation of the Alpha prospect by the writer had inferred strong prospectivity for substantial lateritic nickel – cobalt mineralisation development in both the ferralite (local term 'laterite') and garnierite ('saprolite') regolith horizons. Additionally, historical work by Filipino companies had yielded an empirical in-situ mineralisation estimate (NB: that is not NI43-101 compliant in accordance with CIM classification and should not be relied upon, although it is significant from an exploration point of view) of 6.3 million tonnes of ferralite material averaging 1.5% Ni / 26.5%Fe (1.0% Ni lcg) and 0.55 million tonnes of saprolite material averaging 2.4% Ni / 19.2% Fe (2.0% Ni lcg). Although an NI43-101 compliant mineral resource inventory has yet to be prepared, MBMI drilling programmes have confirmed the presence of substantial and spatially consistent quantities of nickel-bearing laterite and saprolite.

Development work has focused on the 'C' and 'C1' blocks in the southwestern areas of the Alpha project. Three (3) Small Scale Mining Permits ("SSMP" – *Narra Nickel*, *Patricia Louise* and *Palawan Alpha*) were granted over this area in September 2006 and

are now the subject of trial mining operations. To date approximately 30,000 wet tonnes of nickeliferous material averaging approximately 1.8% Ni (20-25% Fe) have been extracted from the Patricia Louise SSMP and stockpiled at the MBMI stockyard on the coast nearby.

Previously classified (i.e. in September 2005) as an *Advanced Exploration Area* (VALMIN Code, 2005), the current stage of advancement for Alpha is predominantly concurrent with that for a *Development Project*. However, the absence of a current (NI43-101 compliant) mineral resource inventory for Alpha precludes formal assignment to that category for reporting purposes and therefore the Project remains as an *Advanced Exploration Area*.

The recommended forward programme for Alpha must incorporate the establishment of systematic QAQC assaying protocols and completion of measured SG determinations on various DSO materials; prior to the preparation and publication of a NI43-101 compliant mineral resource at appropriate cutoff grades for both ferralite and saprolite materials. This latter recommendation remains outstanding from the initial 43-101 technical report completed by Cedarwood in September 2005 (Goertz, 2005).

Estimated completed costs for recommended forward programmes totals **C$93,000** to **C$106,000**, comprising:

1. Establishment of a collated project technical database for all MBMI projects in the Philippines; ensuring consistency in naming conventions and data collection procedures;
2. Uploading of geological data from drill logs into the electronic dataset;
3. Determination of the Specific Gravity (**"SG"**) values of the various mineralized materials at Alpha by a qualified laboratory; & completion of 'desktop' metallurgical evaluation of ferralite and saprolite DSO materials;
4. Completion of additional QAQC verification assaying of available pulps & residues or resamples of drill cores as appropriate; to be completed by an ISO-accredited laboratory external to the Philippines;
5. Calculation & publication of a NI43-101 compliant mineral resource inventory for the Project;
6. Full inventory, collation and establishment of proper storage protocols & procedures for existing and future pulps and residues in conjunction with a functional cataloguing system for the digital assaying dataset;
7. Upgrade & renovation of the existing site analytical facility;
8. Establishment of an independent geological (QP) technical oversight regimen with immediate effect.

4.0 Introduction & Terms of Reference

MBMI Resources Inc. (hereafter 'MBMI') is a publicly listed Canadian company, headquartered in Vancouver Canada. The Company has for several years been pursuing development of a lateritic nickel-cobalt project in southern Palawan province – Republic of the Philippines. The project is ultimately intended to be operated on a direct shipping ore basis. To this end, MBMI have recently acquired several properties in central and southern Palawan with a view to generating sufficient contained high-grade nickel resources to initiate commercial mining operations in the Province. The current target is to generate in excess of eight (8) million tonnes of blended direct shipping ore ("DSO") as: (i) saprolite material grading 2.0 % nickel or better for sale to as ferro-nickel process feed to Japanese purchasers, or (ii) ferralite material grading 1.5% Ni or better for shipment to China to be processed as pig-iron.

The Alpha project comprises a key asset towards the achievement of MBMI objectives in this regard and has been in (trial) production since July 2007; extracting and stockpiling approximately 30,000 wet tonnes of nickel-bearing (direct-shipping) laterite at an average grade of 1.8 % Ni in that time.

MBMI commissioned geologist Steven Goertz of Cedarwood Investments Pty. Ltd. to examine the Alpha prospect to ascertain its prospectivity and evaluate the best option to forward progress it to production. The project was visited during September 2007. The author participated directly in the whole of the assessment exercise.

MBMI and NNMDC representatives have provided varying quantities of geological technical data to Cedarwood. These data, in conjunction with field assessments, form the basis of the evaluation and recommendations in this report. References cited are listed at Section 23 of this report.

5.0 Reliance on Other Experts

In the preparation of this report the author has relied in part on information provided by MBMI and their affiliates NNMDC, as well as published historical information obtained through the Manila offices of the Department of Environment and Natural Resources (hereafter 'DENR'), and its daughter agency, the Mines and Geosciences Bureau (hereafter 'MGB').

In general terms, the datasets can be classified as 'historical' (pre-MBMI-NNMDC) and 'recent' (MBMI-NNMDC) programmes. A detailed overview of the various historical data is contained in Section 8.0 of this report. The reader should note that due to the vintage of these (historical) data, it has not been possible for the author to validate the information contained therein; however the authors personal examination of the Project combined with validation work of the recent dataset (refer below) support the substantive qualitative inferences of the historical dataset as an indication of prospectivity of the Alpha Project.

Initial verification of the recent exploration dataset has been undertaken by the author via the collection of a selected suite of check assays on 27th September (i.e. in relation to recent grid-controlled drilling completed by NNMDC within the Alpha Project). This exercise is discussed at Section 16.0 of this report, and is seen as a first step in properly validating the Alpha Project dataset.

Additionally, quoted direct extraction costs discussed in Section 12.2 of this report were supplied by MBMI representatives on the 27th and 28th of September 2007, based on actual invoiced costs and internal NNMDC accounts. The author has verified these data.

The various data are summarised and discussed as appropriate in relevant sections below. References cited are listed alphabetically by author at Section 23.0 of this report.

6.0 Property Description & Location

6.1 Alpha Project

Alpha is located within Barangays of San Isidro and Calategas, Municipality of Narra, Province of Palawan, and centered approximately 19 km southwest of the township of Narra at 118º 17' E; 09º 14' N (refer Figure 1). In a regional context, the Project area lies some 660km southwest of the Philippine capital of Manila.

Access to the Project is via community feeder road off the National Highway at a point 16 km south of Narra. It comprises a single tenement, APSA-IVB-12, covering 3,277 hectares, and applied for by *Patricia Louise Mining & Development Corp.* on 4th July 2005. PLMDC subsequently transferred its interest in the Property to NNMDC on February 7, 2006.

On May 19, 2005, MBMI entered into an agreement with *Palawan Alpha South Resource Development Corporation* ("PASRDC") (the "Property Agreement") with respect to the property. Under the terms of the Property Agreement PASRDC would transfer the

property to a newly formed holding company. This company, *Patricia Louise Mining & Development Corp.* ("PLMDC") was incorporated on June 20, 2005 to accept the property which was transferred by Deed of Assignment dated May 25, 2005 which was accepted for registration by the MGB for APSA-IVB-12, over an area of 3,277Ha (the "Tenement") on July 5, 2005. Pursuant to Property Agreement, PLMDC was to transfer the Tenement to a development company *Narra Nickel Mining & Development Corporation* ("NNMDC") which was incorporated on September 6, 2005. PLMDC transferred the Tenement to NNMDC on February 7, 2006.

PLMDC is 66% owned by PASRDC and 34% by MBMI. NNMDC is 60% owned by PLMDC and 40% by MBMI. Directly and indirectly MBMI through its shareholdings in PLMDC and NNMDC owns 60.4% of the Tenement. Pursuant to the Property Agreement MBMI has the right to convert PASRDC's remaining 39.6% interest in the Tenement to a royalty provided that such conversion would not breach any Republic of the Philippines law.

NNMDC and its associated companies, PLMDC and PASRDC have each obtained a single 20 Ha Small Scale Mining Permit ("SSMP") within the Tenement. Under Philippine law an SSMP allows for the mining and shipping of 50,000 dry tonnes of processed ore per year. An SSMP is granted for a two (2) - year term renewable once for an additional two years. There are three (3) contiguous SSMP's current in respect of the Alpha project; collectively covering the eastern and southern extremities of the 'C' & 'C[1]' Blocks in the southwest of the Property (refer Figure 2):

- Narra Nickel (held by NNMDC)
- Palawan Alpha (held by PASRDC)
- Patricia Louise (held by PLMDC)

Small-scale mining law restricts the number of SSMP titles owned by a single entity within any given municipality to one (1).

The history of the Tenement title and current permit status is somewhat complex and accordingly a summary follows:

- January 6th, 1972 – Alpha Resources Development Corporation lodges an application for PMPSA-IV-(1)-12 ('Alpha') covering an area of 3,288ha.
- April 14th, 1999 – PMPSA-IV-(1)-12 is assigned to Ami Alagag Mining, Inc.

- April 2nd, 2005 – Ami Alagag transfers title in the tenement to PASRDC.

- May 25th, 2005 – PASRDC transfers title to PLMDC.

- July 4th, 2005 – DENR / MGB registers said transfer and PLMDC applies for APSA-IVB-12, over an area of 3,277Ha, in its own right.

- February 7th, 20065 – PLMDC transfers title for APSA-IVB-12 to NNMDC

- April 21st, 2006 – Strategic Environmental Plan ("SEP") Clearance for Small Scale Mining Permit received from the Palawan Council for Sustainable Development (PCSD) for 20 hectare portions of the 3,277 Ha tenement for each of NNMDC, PASRDC, and PLMDC

- August 18th, 2006 - Environmental Compliance Certificate ("ECC") approval for the Small Scale Nickel Ore Mining Project of PLMDC granted by the DENR-Environmental Management Bureau after complying with the Environmental Impact Assessment ("EIA").

- August 28th, 2006 – ECC approval for the Small Scale Nickel Ore Mining Project of NNMDC and PASRDC granted by the DENR-Environmental Management Bureau after complying with the EIA.

- September 6th, 2006 –SSMP to mine and ship under small scale mining law and regulations up to 50,000 dry tonnes per year for a period of two years renewable for a further two years granted by the Office of the Governor of Provincial Government of Palawan for NNMDC and PASRDC.

- September 21st, 2006 – SSMP to mine and ship under small scale mining law and regulations up to 50,000 dry tonnes per year for a period of two years renewable for a further two years granted by the Office of the Governor of Provincial Government of Palawan for PLMDC.

- September 29th, 2006 - PCSD approval for the Construction of Access/Hauling Road, Rock Causeway, and Ore Stockyard granted to PLMDC for the three SSMP's granted by the DENR.

- December 5th, 2006 – ECC approval for the construction, development, operation and maintenance of an Access and/Hauling Road for use by the three SSMP's granted to PLMDC by the DENR-Environmental Management Bureau after complying with the Environmental Impact Assessment (EIA).

- December 15th, 2006 - SEP Clearance for Timber-Cutting Permit – to cut trees for SSMP of NNMDC, PASRDC, and PLMDC granted by PCSD.

- December 21st, 2006 – ECC approval for the construction, development, operation and maintenance of the Ore Stockyard Project and Causeway Jettison Project for use by the three SSMP's granted to PLMDC by the DENR-Environmental Management Bureau after complying with the Environmental Impact Assessment (EIA).

- December 22nd, 2006 - Special Land Use Permit (Road-Right-of-Way) granted to NNMDC, PASRDC, and PLMDC for Road-Right-of-Way by DENR.

- April 13th, 2007 - Timber-Cutting Permit for the cutting of trees within the SSMP's of NNMDC, PASRDC, and PLMDC granted by the DENR.

- April 24th, 2007 - Timber-Cutting Permit for Road-Right-of-Ways granted to NNMDC and PLMDC by the DENR.

- April 25th, 2007 - Foreshore Lease Permit for the temporary occupation and provisional use for pier, causeway on a parcel of foreshore land situated in Barangay San Isidro, Narra, Palawan granted to PLMDC by the DENR for use by the three SSMP's.

- May 29th, 2007 - Timber-Cutting Permit for Road-Right-of-Ways granted to PASRDC by DENR

- An application for the granting of an FTAA on the Tenement was made by NNMDC on March 30, 2006. The receipt of an FTAA will allow full scale mining pursuant to its terms and conditions.

Other than those the subject of the current Issuer agreement, the writer is unaware of any residual royalties, payment or other encumbrances outstanding on the property. Enquiries by the writer with MBMI representatives indicated that the following environmental liabilities are applicable to Alpha under the terms specified in the EIA submitted in respect of ECC requirements:

- Road and stockyard rehabilitation or their transfer to the local municipalities

- Slope stability of excavated areas including redeposit of any stored material in the area of the excavated regions.

- Replanting of excavated areas with trees

- Topsoil reclamation of disturbed areas

- Regeneration of vegetation of disturbed areas

7.0 Physiographic, Climate, Access & Infrastructure

7.1 General Information

The island province of Palawan is centered approximately 5500km south-southeast of Manila in the Republic of the Philippines (refer Figure 1). It comprises the westernmost portion of the Philippines and belongs to administrative Region IVB.

Palawan lies within the “Western Pacific Monsoon Climatic Zone”, with alternating dry and wet seasons stretching respectively from December to May and June to November. Annual precipitation varies from 2,000mm to 2,200mm. Average temperatures are in the range of 27°C, with subequatorial humidity levels.

Palawan is located in the western part of the Philippine Archipelago and belongs to the Palawan Physiographic Province, comprising a tectonically stable region of crustal uplift. Comprising over 14,000 square kilometres, Palawan is the third largest of the Philippine islands (refer Figure 1). It is long and narrow, consisting mainly of steep mountain ranges whose highest point is 6,840 feet (2,085 m). Created as the result of tectonic plate movement, the region is marked by volcanic rocks and karst landscapes. Vegetation types on Palawan are diverse and include beach forests, tropical lowland evergreen dipterocarp rain forests, lowland semi-deciduous forests, montane forests, and limestone forests.

The Provincial capital is Puerto Princessa, a city of some 160,000 inhabitants located approximately half way along the east coast of the Island. This represents around 20% of a total provincial population currently estimated at 800,000. Small landowner farming, primarily rice, coconut and banana (with minor corn) is the dominant subsistence activity, with the rural population concentrated along the eastern coastal plains.

The Province is culturally complex and is a highly sought after destination for tourists, primarily in the north. This has resulted in a degree of wealth disparity and infrastructure development between the regions north and south of the Provincial capital. The relative poverty and poor infrastructure in the south have resulted in a more pragmatic view of local inhabitants towards potential mining projects – namely as potential sources of improvements to existing infrastructure.

7.2 Alpha Project

Alpha is located 110km southwest of Puerto Princessa City (refer Figure 1). Puerto Princessa is serviced by two daily flights from Manila.

The prospect lies on the East Coast of Palawan Island, centered on 118º 17' E and 9º 14' N. From the national highway, primary access to the area is seven (7) kilometres by haul road that intersects the National Highway at a point 16 km south of Narra. The haul road accesses the 'C' Block area covered by the various SSMP's in the southwest of the Property (refer Figure 2). Additional access is provided by the haul road to the (excised) Toronto project (Figure 2), which intersects the National Highway at a point approximately 9 km south of Narra, and thence 8 km west to the central Toronto area. This links into a network of historical exploration roads that cover much of the Alpha area, though these have fallen onto disrepair and do not support vehicular traffic.

The prospect overlies an area of moderate topographic relief varying from 300 to 600 metres. Vegetal cover primarily comprises dipterocarp rainforest and secondary growth hardwoods. There is a marked decrease in general topographic gradient and drainage dissection going form east to west within the project area.

The nearest town is Narra, a population center of approximately 10,000 people that serves as a local administrative, commercial and support centre for the central eastern Palawan region. There are numerous equipment and other retailers represented in the town, as well as a Fire Service and (broadband) internet / IT facilities.

There are currently three (3) piers in the Narra area; one operated by (OMDC-affiliated) Citinickel (Toronto Project – Figure 2) for dispatch of their DSO material, a disused and unserviceable public unit, and one recently constructed by MBMI Resources for the Alpha project(see below). Additionally, a local (Philippines) independent consulting laboratory, Ostrea Mineral Laboratories, have constructed a 100+ sample/day capacity assaying facility within Narra Township.

MBMI have constructed a 265 metre pier complete with 30 metre turnaround area directly across from the mining area. The pier is serviced by an extension of the haul road which also traverses the ore stock yard and shipping ROM pad located adjacent to the coast. Additionally, the company has constructed an operations base in a compound immediately adjacent to the haul road-National highway intersection. This facility incorporates site offices, logistical support, limited staff accommodation, a contract site

laboratory (Ostrea) and a nursery for EIA ("Environmental Impact Assessment") reclamation purposes.

8.0 History

8.1 Alpha Project

Historical exploration within the Alpha project area was completed in the early to mid 1970s by OMDC as an integral part of what is now the excised Toronto project. This work comprised a detailed (100m x 100m) test pitting and "vibro drilling" programme, the latter technique comprising a patented dry coring technique developed by then JV partner Pacific Metal Company ('PAMCO') of Japan.

The JV programme successfully defined several areas of mineralisation within the project area; designated Blocks 'A' to 'D'; inclusive of sub-Block 'C[1]' (refer Figure 2). These areas are discussed in more detail in Section 11.0 of this report.

Other than sporadic chromite exploration, the project area remained dormant until 2001 when QNI ("*Queensland Nickel Inc.*", the nickel subsidiary of BHP Billiton) conducted a detailed scoping study of the Toronto area, an exercise that resulted in the current mining operation at that project. Further information in respect of this operation is located in Sub-Section 17.1 of this report.

No follow-up sampling or data validation of the historical exploration within Areas 'C' and 'D' has been completed. A summary of the exploration and development history of the project area follows:

1969	Formation of OMDC
1969/71	Acquisition of varrious project areas within the Philippines, including Alpha.
1971 – 1976	OMDC explores Alpha area under auspices of Santa Monica Exploration Corp. & Toronto Exploration Corp. – collectively termed 'Toronto Project'.
	JV with PAMCO ofJapan – detailed test pitting and 'vibro' drilling to 100m x 100m density delineates four (4) mineralised zones: 'A' & 'B' (present-day Toronto project) and 'C/C[1]' & 'D'. Global resource estimate of 4.6 Mt grading 1.50% Ni & 0.07% Co utilisng a 1.00% Ni lcg produced for project (NB: which is not CIMM compliant within the definition of NI 43-101 and should not be relied upon, but is significant from an exploration point of view).
1976 – 1979	OMDC exploration for chromite in western central are of project. Approximately 60 tonnes of disseminated metallurgical chromite material stockpiled in 'C' Block area.
(1977)	Trial mining of Blocks 'A' & 'B' by OMDC / PAMCO JV – 6,000 tonnes grading 2.5% Ni & 1.86% Co stockpiled but not shipped for treatment.
1989	2,000 tonnes of chromite material stockpiled by OMDC for local interests.

1996	OMDC personnel recalculate resource within Blocks 'C' & 'C[1]' utilising historical assay data – yielding a figure of 6.3Mt grading 1.50% Ni & 26.5% Fe (Ferralite) and 0.5Mt grading 2.35% Ni & 19.2% Fe (Saprolite) – SG not specified. (NB: this figure is not CIMM compliant within the definition of NI 43-101 and should not be relied upon but is significant from an exploration point of view).
2001/02	QNI completes a scoping study on the Toronto area (Blocks 'A' & 'B') yielding a combined resource estimate (NB: which is not CIMM compliant within the definition of NI 43-101 and should not be relied upon, but is significant from an exploration point of view) of 3.06Mt grading 1.92% Ni ,0.063% Co & 21% Fe (weighted avg. SG – 1.31).
2004/05	PASRDC offers the Property to MBMI for consideration. MOA signed in May 2005, with JV agreement executed in May 2005.
2005	PGMC (OMDC partner) commences mining operations within Toronto in May 2005, extracting DSO ferralite and saprolite for shipping to Australia and Japan respectively.
	MBMI enters into a JVA with PASRDC to explore and develop the Alpha project.'s
2005-07	MBMI (through NNMDC) completes extensive drilling of Alpha and commences mining under SSMP's in July 2007. 30KT mined and stockpiled by September 2007.

NB: the author has relied for these historical data on various private and public data sources which, due to their vintage, have not been amenable to independent verification. In accordance with NI 43-101 therefore, these (historical) results should not be relied upon

Previously classified (i.e. in September 2005) as an *Advanced Exploration Area* (VALMIN Code, 2005), the current stage of advancement for Alpha is concurrent with that for a *Development Project*. However, the absence of a current (NI43-101 compliant) mineral resource inventory for the Property precludes formal assignment to that category for reporting purposes. Accordingly the Property remains as an *Advanced Exploration Area*.

9.0 Geological Setting

9.1 General Overview

Palawan is located in the western extremity of the Philippine Archipelago and belongs to the Palawan Physiographic Province, comprising a tectonically stable region of crustal uplift. It comprises an assemblage of Mesozoic to recent sedimentary and igneous rocks together with an intermediate phase of overthrusting by oceanic crust.

Geologically, the province is divided into distinctly differing northern and southern regions, bounded by the Sabang Thrust, which laterally bisects the island at a low angle north of Puerto Princessa. Northern Palawan comprises pre-Cretaceous, variably metamorphosed sedimentary sequences, whilst the southern portion of the Province has

experienced extensive over thrusting of these units by post-Cretaceous ophiolitic mafic – ultramafic crustal units ('Palawan Ophiolite' – refer Figure 3). Subsequent erosion has exposed the underlying Mesozoic crystalline and sedimentary assemblages. Overlying the basement and ophiolitic rocks are variably metamorphosed clastic and chemical sedimentary units, covering approximately 40% of the southern portion of the Province. Geological interpretation for southern Palawan is summarised on Figure 4.

The Palawan Ophiolite is comprised of the "Mt. Beaufort Ultramafics" ('Ebu'-**light blue** on Figure 3) and the Stavely Range Gabbro, a suite composed of intercalated massive and layered gabbroic units ('Esg'-**purple** on Figure 4). They occur in massifs of varying size throughout southern and central Palawan, diminishing in areal extent towards the southern tip of the Province.

The Mt. Beaufort Ultramafics comprise a variably serpentinised sequence of olivine cumulates of predominantly harzburgite composition with irregular patches and lenses of dunite. Local disseminations and lenses of chrome spinel are common. It is this unit that hosts the lateritic nickel- cobalt mineralisation in southern Palawan. The ultramafics are believed to be of Eocene age (Okubo, 1989).

The Stavely Range Gabbro, together with the Mt. Beaufort Ultramafics, was overthrusted onto Eocene – Oligocene clastic sediments during the mid-Tertiary.

9.2 Alpha Project

The Alpha project overlies a sequence of variably serpentinised cumulates of peridotite to dunite composition, within the central massif of the Palawan Ophiolite. The southern and eastern margins of the project overlie gabbroic units.

Residual lateritic regolith is well developed over the ultramafic portions of the Property; covering approximately 60% of the prospective ultramafic cumulates.

10.0 Deposit Type(s)

The targeted deposit type for all projects is tropical (wet) lateritic nickel and cobalt. Particular emphasis is being placed on the definition of reasonable thicknesses (i.e. >4m) of (garnieritic) saprolite. The immediate objective is to delineate a minimum of eight (8) million tonnes of combined garnierite averaging at or above 2.0% nickel and ferralite averaging at or above 1.5% nickel to be exploited as direct shipping ore ('DSO').

This style of mineralisation is best developed in areas of moderate topographic gradient over olivine-rich ultramafic cumulates; particularly in areas of relatively higher bedrock fracture density. Regional lineaments interpreted from Landsat imagery are summarised on Figure 5. Further details of formational controls and processes are described in Section 11.0 below. The reader should note that at this point the issuer has not defined a mineral resource within the Property and that that it is uncertain if further evaluation will result in the target being delineated as a mineral resource.

11.0 Mineralisation

11.1 General Overview

Lateritic nickel – cobalt mineralisation is developed in the residual regolith overlying serpentinised cumulates of the Mt. Beaufort Ultramafics. Weathering processes acting upon these rocks produce the residual regolith profile in which the nickel concentration is increased from 0.20% to 0.25% bedrock concentration to in excess of 0.5% to 3% Ni.

Areas of moderate topographic relief, where residual regolith profiles are best developed (i.e. thickest), provide the most prospective target areas for nickeliferous laterite deposits (Santo-Yñigo & Esguerra, 1961). Additionally, since vertical percolation of meteoric water is a primary formational mechanism of this style of mineralisation, regions of comparatively higher density faulting / fracturing of the bedrock are generally more prospective.

Vertical zonation within nickeliferous laterite is distinct, with nickel content generally increasing with depth. Garnierite, the principal saprolite nickel host mineral, is a variety of serpentine, a silicate mineral developed below base of total oxidation in the weathering profile. Overprinted on the saprolite is an iron oxide zone of massive, microscopic scale goethite (limonite) needles termed “ferralite”. This zone is characterized by higher iron and manganese and lower magnesium content than the saprolite (garnierite) horizon. The presence of higher proportions of manganese oxides (“asbolite”) can frequently result in bonanza grades of cobalt (up to 3% locally), which readily incorporates into the asbolite crystal structure. Nickel content is generally lower than in the saprolite. A typical example of this vertical zonation is pictorially represented in Figure 6 (taken of the northern wall of the Patricia Louise SSMO - “*Small-Scale Mining Operation*”; within the Alpha project area – refer Figure 2).

The uppermost portion of the profile is characterised by hematite replacing limonite/goethite in a higher oxidation environment. Where indurated, this zone is termed the "carapace". The comparatively rigid crystal structure of hematite precludes the incorporation of larger metal cations such as nickel and cobalt and as such the carapace is notably deficient in these elements.

Locally, the carapace and ferralite zones are commonly referred to by the collective term 'Laterite', whilst that portion of the profile below base of total oxidation is termed 'Saprolite'.

Aside from anomalous chromite related to the lateritic nickel – cobalt mineralisation, the author is not currently aware of any other mineralisation occurrences within the reported projects. MBMI is currently focused solely on delineating deposits of nickel-bearing laterite.

11.2 Alpha Project

The bulk of known lateritic nickel / cobalt mineralisation within the Alpha project is located within the western portion of the tenement (refer Figure 2). Exploration completed by OMDC and its affiliates in the 1970s generated an in-situ resource (NB: that is not NI43-101 compliant) from a detailed test pitting and "vibro-drilling" programme. Details of this programme are summarised in Section 8.0 of this report. Figure 7 shows a typical sequence of bench faces within the Patricia Louise SSMP mining area; clearly showing the vertical zonation of the lateritic regolith as well as the (irregular) distribution of garnierite (boulders) and ferralite zones.

In addition to Blocks 'C' and 'C[1]', there was an additional block 'D' outlined to the north and well as a third mineralised zone (untested and unnamed) located in the northeastern portion of the APSA, immediately north of the (excised) Toronto project (refer Figure 2).

To date, although extensive exploration and grade control drilling programmes have been completed within Block 'C', MBMI have not compiled an NI43-101 compliant mineral resource inventory for the Property. This is due primarily to the lack of measured SG values for the garnierite and ferralite materials; following from the decision of the company that the nature of a DSO operation, being assay controlled, did not necessitate an ore reserve calculation and associated pre-production measures (i.e. metallurgical testing, feasibility studies etc.).

Historical (non-NI43-101 compliant) resource figures for the Alpha project were generated as part of the OMDC / PAMCO Toronto exploration programmes of the 1970s. The following data were reported by Goertz (2005) as part of the initial assessment of the Alpha project. For continuity they are summarised again below:

An initial figure of 4.6 Mt grading 1.50% Ni & 0.07% Co, utilising a 1.00% Ni lower cut-off (SG value unknown) Later (1996) work by OMDC produced a recalculated resource within Blocks 'C' & 'C_1' utilising historical assay data – yielding a figure (NB: that is not NI43-101 compliant) of 6.3million tonnes grading 1.50% Ni & 26.5% Fe in ferralite (lower cut-off 1.0% Ni – SG not specified) and 0.5million tonnes grading 2.35% Ni & 19.2% Fe in saprolite (lower cut-off 2.0% Ni - SG not specified). These calculations (NB: which are not NI 43-101 compliant and should not be relied upon, but are significant from an exploration point of view), are summarised below (source, Zafra, 2005):

Ferralite Material (1.0% Ni lower cut-off)

Block ID	%Ni	%Fe	DMT
Block C	1.50	32.07	2,104,750
Block C_1	1.50	23.61	4,159,200
Sub-Total	1.50	26.45	6,263,950

Saprolite Material (2.0% Ni lower cut-off)

Block ID	%Ni	%Fe	DMT
Block C	2.40	20.92	295,000
Block C_1	2.30	17.17	252,500
Sub-Total	2.35	19.19	547,500
Total	1.57	25.87	6,811,450

NB: The resource categories used in the above (historical) estimations are unknown and therefore cannot be compared to current NI43-101 categories. To the best of the author's knowledge, (i) no Qualified Person has verified the historical resource estimate, (ii) there are no other recent estimates or data available, and (iii) the original sampling on which this work was based are not reliably available for a determination of their accuracy by a Qualified Person.

MBMI should therefore not treat the historical resource as a current mineral resource and readers are cautioned that the estimate should not be relied upon. MBMI should also

note that the lack of systematic QAQC check assay control, measured / calculated SG values or sample point survey control data preclude assignment of any calculated resource figures to a recognized resource classification category (refer to Section 19.0). In the writers view however, there exists sufficient data to infer a high level prospectivity for the Alpha project overall, with significant upside to expanding mineralisation within Block 'C' (e.g. Blocks 'D' & the northeast area). It is therefore of the utmost importance that MBMI rectify the current lack of a (NI43-101 compliant) minerals resource inventory for the Alpha project.

12.0 Exploration

Field exploration completed by MBMI (through NNMDC) since September 2005 has primarily comprised extensive core drilling (preparatory to 'grade-control' infill drilling), with limited surface geological mapping also reported. The extent and density of drilling is detailed in Section 13.0 below. Enquiries with MBMI management by the writer indicated that no geological map has been presented by NNMDC personnel; therefore these works cannot be confirmed.

13.0 Drilling

Commencing late 2005, MBMI (through NNMDC) have completed extensive drilling programmes within the Block 'C' area currently covered by three (3) SSMP's. All drill holes were diamond core of BQ gauge. Total drilling completed was 628 holes for 7,678 metres/samples. A breakdown of the various programmes follows:

2005-06	Holes	Metres	Samples
Exploration	298	4,378	4,378
Grade Control	Nil	Nil	Nil
Total	298	4,378	4,378

2007	Holes	Metres	Samples
Exploration	Nil	Nil	Nil
Grade Control	330	3,300	3,300
Total	330	3,300	3,300

Grade control holes averaged ten (10) metres termination depth on a 10m x 10m collar density, whilst exploration holes were drilled to an average of 14.7 metres on 100m x

100m (initial) and 50m x 50m (infill) collar densities. Exploration and 'grade control' (infill) drill collars are plotted respectively on Figures 7 and 8.

13.1 Drilling Data Management

Drill cores are stored in site-constructed wooden boxes holding approximately five (5) linear metres each. A plywood cover nailed to the top covers and protects the core during transport and storage. Cores are transported to base camp prior to geological logging, which is done on 'ticket-style' pro-forma sheets. These were observed to have very limited provision for recording of actual geological information, rather most of the space on the sheets related to sampling and assaying data.

No geological information appears to have been uploaded into the electronic files. This will necessitate remedial data entry to enable inclusion of basic geological information on plotted cross sections; this being an essential component of any resource calculation exercise.

Drilling data records obtained during the visit of 27th September were comprised of separate Excel spreadsheets for exploration and grade control series holes. The hole collar naming conventions utilised are manifestly inadequate as they are an extension of a complex alpha-numeric local grid coordinate system that incorporates decimals and negative coordinates. The observed result was a confusing array of collar labels that had no chronological consistency and frequently identical hole collar ID's, differing only in the (positive or negative) sign convention.

It was clear from observations at site that the technical management aspects of the project have suffered materially as a result of a lack of competent geological oversight. In the opinion of the writer, the Issuer will need to place an immediate and ongoing priority on the implementation of sound geological management and supervision at site.

14.0 Sampling Method & Approach

With limited exception, all holes were sampled every metre via manual split of core into halves. Cores are stored in locally manufactured wooden boxes of solid construction. These were observed to be racked in a sheltered annex to the laboratory building in multi-tiered racks of solid construction.

Sampling procedures employed since January 2007 are detailed in Section 20.3 of this report, as part of an overall assessment of the Ostrea assay facility within the NNMDC compound at Narra.

Sample labeling procedures were determined to be deficient as they comprised a complex alpha-numeric convention related to the hole-collar numbering system; resulting in an unwieldy and inconsistent nomenclature that was neither readily readable nor comprehensible; a situation resulting in an inherently higher probability of error.

15.0 Sample Preparation, Analysis & Security

Current sample preparation and assaying procedures are discussed in detail as part of an overall assessment of the Ostrea site laboratory facility within the NNMDC compound at Narra. This review is detailed in Section 20.3 of this report.

Average assay results for the recent (2005 - 2007) drilling programmes were:

- 1.24% Ni / 12.56% Fe (100% of samples)
- 1.56% Ni / 13.78% Fe (1.00% Ni lower cut – 67% of samples)
- 1.82% Ni / 14.82% Fe (1.25% Ni lower cut – 52% of samples)

It is the opinion of the writer that the current procedures employed by the on site Ostrea laboratory facility are adequate for the purposes of NI43-101, subject to the recommendations contained in Sections 20.3 and 22.2.3 of this report.

Prior to 2007, sample preparation was undertaken by NNMDC personnel on site. The basic procedure involved:

- ½ split of (BQ) core after logging by site geologist.
- Drying of assay split fraction in an aluminum tray over open fire (poor temperature & humidity control) for an unspecified time.
- Manual grind of dried sample to minus 20 Mesh (864µ) followed by hand rolling on rubber mats to homogenize and allocate to 75%:25% split
- Assay (25%) split sent to either Ostrea Mineral Laboratory or McPhar Geoservices, both located in Manila, for final pulverizing and assay for Ni / Co & Fe via three (3) – acid digest and AAS.

- The 75% residue fraction was retained at site for backup purposes.

In the opinion of the writer, these procedures were manifestly inadequate as sample integrity is substantially and irretrievably compromised downstream from the initial site handling of the samples. This is for two (2) reasons: (i) actual procedures are technically deficient (open-fire roasting & hand-split assay sample reduction), and (ii) Issuer handling of the samples compromises the overall integrity of the assay result. Consequently, any check samples from drilling undertaken pre-2007 will need to be collected from stored drill cores as the integrity of the residues is compromised due to the abovementioned site preparation procedures.

16.0 Data Verification

Outside of a single batch of 533 samples sent to Ultratrace Laboratory ("UTL") in Perth Australia in May 2007, no QAQC check assaying protocol is in place in respect of the Alpha project. The UTL samples were analysed via XRF for Ni / Co / Cu / Cr / Mg / Mn / Fe / Al / Ca / Zn & As; with results comparing very favourably with equivalent original assays. An X-Y scatter plot, showing excellent 1:1 correlation is appended as Figure 9 at the back of this report. The observed linear slope slightly greater than 1:1 is indicative of the relative under-reporting of elemental values utilising Aqua Regia – AAS (Ostrea) as compared to XRF analysis.

Additionally, 61 samples were analysed locally by Ostrea Mineral Laboratory for nickel utilising three (3)-acid (i.e. $HCl/HNO_3/H_2ClO_4$) versus four (4)-acid (i.e. $HCl/HNO_3/H_2ClO_4/HF$) digest methods. Results of this exercise showed an excellent 1:1 correlation (refer Figure 10) and provided justification for utilising three (3)-acid digest protocol going forward; simultaneously resulting in both cost saving and reduction in materials handling hazards (Hydrofluoric acid - 'HF' - is extremely toxic).

MBMI have recently prepared three (3) sample standards of 0.90% Ni, 1.60% Ni and 2.00% Ni tenor. These have not yet been commissioned into service though plans are reportedly in place to have the standards in service within one (1) month.

As part of the recent site assessment, Cedarwood, with the assistance of MBMI and Ostrea personnel, selected and extracted a total of 26 pulps and residues from site storage and dispatched these to UTL Perth for analysis via multi-acid digest and ICP-OES analysis for Ni / Co / Cu / Cr / Mg / Mn / Fe / Al / Ca / Zn / Si / P & As.

Results of this exercise have demonstrated a consistent response variance for all (comparatively assayed) elements; with UTL assays consistently higher than original (MBMI - NNMDC) assays; as would be expected from the comparatively more sophisticated assaying regimen employed by UTL.

The table below summarizes the comparative response for key elements of interest for the Project (NB: UTL results used as baseline value for comparison purposes):

Element / Item (Avg)	MBMI Result	UTL Result	% (MBMI) Variation	Comment
% Ni	2.13	2.22	-4.1%	Original assays under-reporting on Ni
% Fe	11.91	12.86	-7.4%	Original assays under-reporting on Fe
ppm P	N/A	60	N/A	Required <80ppm
MgO:SiO_2	0.42	0.62	32%	Required =0.60 nominal
ppm Cr	2963	6772	-56%	UTL MAD v Fusion: -23% indicating high chromite

Results confirm average tenor of nickel values above 2%; and magnesia – silica ratios & phosphorus levels within tolerance. Occurrence of chromium as free chromite (spinel) is inferred from the 23% under-report of chrome utilising MAD/ICP-OES vs. Fusion (i.e. total) digest, as chrome spinels are relatively resistant to acid attack in the digest stage.

A full list of samples is included in Appendix 1 at the back of this report, with original (%Ni) assay results correlated with UTL (%Ni) check assays in Figure 16. The correlation between the two %Ni datasets in Figure 16 exhibits a strong linear relationship; thereby demonstrating consistency in the variation between the two (2) methods. This in turn confirms the original (Aqua-Regia > AAS) assaying methodology to be acceptably precise albeit slightly inaccurate (i.e. bias towards modest under-reporting).

17.0 Adjacent Properties

The information contained within this Section is based upon data compiled from published DENR, Japan International Co-operation Agency (JICA) and Issuer related - party reports and communications. **(NB: The author is unable to conclusively ascertain the veracity of these data, nor are these data indicative of specific mineralisation**

potential within the actual reported properties. In accordance with NI 43-101 therefore these results should not be relied upon.)

17.1 Toronto Project

The most significant and proximal project to Alpha is the Toronto project. It comprises a 1,000 Ha excised block in the southeast quadrant of the Alpha tenement and is currently the subject of a disputed option agreement between Filipino stakeholders (refer Figure 2).

Between May 2005 and December 2006, Toronto was operated under the auspices of two (2) SSMP's by *Platinum Group Metals Corporation* ("PGMC"). MBMI personnel advised Cedarwood that, in the 18 months to December 2006, the operation produced 400,000 wet tonnes combined ferralite/saprolite DSO material at a rate of 750 tonnes per day; for shipment to a Japanese partner company (saprolite), and QNI Limited for refining in Australia (ferralite).

Due to various regulatory violations (including extraction tonnages well in excess of the combined tonnage allowance of 200,000 tonnes over the first two years – PGMC produced 400,000 tones in 18 months), the project was shut down in December 2006 by the DENR and remains in suspension at time of writing. The abovementioned option agreement is currently the subject of a civil proceeding between the (Filipino) stakeholders. Other projects in the Alpha Project area are summarised below:

Prospect Name	Location	Notes (Source JICA-1989; DENR/OMDC-2004/5)
Bethlehem	118º 19' E _09º18' N	Central Massif. Area: 3.4km^2. Evaluated between 1970 and 1990. Estimated (1990) 7.4MT avg. 2.21% Ni & 0.05% Co (NB: which is not NI 43-101 compliant and should not be relied upon, but is significant from an exploration point of view). Currently under exploration by MBMI.
Bethlehem West	118º 16' E _09º 18' N	Central Massif. Area: 3km^2. Thickness: <5m. Average NiO: 1.66%.
Santa Monica	118º 16' E _09º 13' N	Central Massif. Average NiO: 1.64%.
Toronto	118º 17' E _09º 14' N	Central Massif. Evaluated 1977 and 2001. (1977) 6kT test mining avg. 2.5% Ni / 1.86% Co stockpiled but not processed. (2001) QNI estimates 3.1MT resource (NB: which is not NI 43-101 compliant and should not be relied upon, but is significant from an exploration point of view) averaging. 1.92% Ni / 0.063% Co (Caballero, 2002). PGMC produced 400kT between May '05 & Dec '06.
Laramie	118º 18' E _09º18' N	Central Massif. Evaluated between 1970 & 1990. Currently under exploration by China Nickel Mining

18.0 Mineral Processing & Metallurgical Testing

In the opinion of the Issuer, the reported project operating basis does not mandate these procedures. The Issuer has indicated that its main focus on the Property is to sell blended saprolite and ferralite ('laterite') ore from the properties on a DSO basis, a process which will not require any bulk materials assessment or processing beyond product grading (i.e. from control assaying) to meet contract specifications.

However, in the opinion of the writer, it is necessary to undertake at a minimum, a desktop evaluation of the overall characteristics of the ferralite and saprolite DSO materials in order to generate objective data on the suitability or otherwise of the shipping product. This information could prove invaluable to MBMI in the event of unforeseen problems arising with existing sale contracts, as well as being of significant benefit in discussions with current purchasers of DSO material from the Project.

19.0 Mineral Resource & Mineral Reserve Estimates

No NI 43-101 compliant mineral resource estimates are currently in existence for the reported project. The resource calculation completed by OMDC personnel in 1996 (refer to Sub-Section 11.2) relied entirely on historical data from 1970s-vintage exploration programmes.

Although MBMI have since 2005 completed a substantial amount of systematic drilling of the 'C' & 'C1' areas covered by the three (3) SSMP's (refer Section 13.0 above, and Figures 7 & 8), no mineral resource inventory has been compiled. The primary obstacles to completing this process are the lack of measured SG values for the various mineralized materials or systematic QAQC verification sampling within the active area of the Alpha project. Accordingly it is recommended that these deficiencies be rectified under the supervision of an independent QP geologist at the earliest opportunity.

20.0 Other Relevant Data & Information

20.1 Environmental Law

Environmental consciousness among local inhabitants and NGO's is high in Palawan. A special law governing sustainable development guidelines in Palawan Province was promulgated in 1993. Managed by the offices of the Palawan Council for Sustainable

Development ('PCSD'), Republic Act No. 7611, termed the Strategic Environmental Plan for Palawan ('SEP'), delineates land utilisation regulations within the Province. Under the rules, land areas are categorised into three (3) zones under the Environmentally Critical Areas Network ('ECAN'). Areas of interest to mineral exploration lie almost entirely within the "Terrestrial Component" which comprises a "Terrestrial Core Zone" ('TCZ' - areas above 1000m elevation) and a "Buffer Zone" ('BZ' - areas between 100m and 1000m elevation). Within the BZ are three (3) sub-zones that define permitted and prohibited activities:

- **Restricted Use Area ['RUA']** – no consumptive or disruptive activity – 500m to 1000m elevation.
- **Controlled Use Area ['CUA']** – resource exploitation under permit – 300m to 500m elevation.
- **Multiple/Manipulative Use Area ['MUA']** – resource exploitation under less rigorous controls – 100m to 300m elevation.

Recent changes to this structure have allowed for extension of CUA mining rules through the RUA elevation levels (i.e. to 1000m AMSL), effectively removing the prohibition of mining within the RUA zone, provided that there is no disturbance or adverse impact upon (i) indigenous resident community(ies), (ii) first-growth timber or (iii) watershed areas. None of these factors is applicable to the Alpha project area.

Outside of the provisions of RA 7611, environmental legislation as pertaining to resource development activities is covered under various provisions and regulations of the Philippines Mining Act (refer sec. 20.2.3 below). Tenement holders must propose and complete an approved Environmental Work Programme (EWP) as part of their duties and obligations under the tenement title. These are reported by the Licence holder to the DENR on a biennial basis.

Prior to commencing mining operations, tenement holders must prepare and lodge and Environmental Impact Assessment ('EIA') under the Philippine Environmental Impact Assessment System ('PEIAS'), and obtain an Environmental Clearance Certificate ('ECC'). Additionally, a trust-funded rehabilitation plan is to be proposed and lodged for approval prior to commencement of mining operations, incorporating inter alia, a reforestation plan as necessary.

Tenement holders must also comply as necessary with the terms of Community-Based Forest management agreements (CBFM) if present. These latter are designed to assign

a degree of local resident control to the forests in their area-generally limiting timber cutting to local domestic (i.e. non-commercial) use. CBFM holders can veto specific exploration programme activity if deemed in conflict with local interests. In practice, however, it is uncommon for CBFM-based moratoriums on exploration activity to be imposed.

20.2 Mining Law

The Philippine Mining Act (Republic Act No. 7942 – hereafter "PMA") was enacted in March 1995. It is administered under the auspices of the *Department of Environment and Natural Resources* ('DENR') and its daughter agency, the *Mines and Geosciences Bureau* ('MGB'). Subsequent to the implementation of the PMA, the DENR has been systematically working to 'debottleneck' the mineral tenement system in the Philippines (Lyday, 2001). This has incorporated, *inter-alia*, the proclamation of Executive Order No.270 January, 2004, the *National Policy Agenda on Revitalizing Mining in the Philippines*.

Additionally, further amendments to the PMA, pursuant to Administrative Order No. 2005-15, were proclaimed in August 2005 with a view to further streamlining tenement title administration in the country.

The PMA provides for three (3) forms of mining rights – Exploration Permits (EP's), Mineral Agreements (incorporating Mineral Production Sharing Agreement [MPSA], Co-Production Agreement [CPA] & Joint Venture Agreement [JVA]), and Financial and Technical Assistance Agreements (FTAA's).

20.2.1 Exploration Permits

An Exploration Permit (hereafter 'EP') can be granted to individuals and foreign-owned corporations and gives the holder the right to conduct mineral exploration activities. Unlike a Mineral Agreement, which require a direct 60% Filipino ownership (refer ss20.2.2 below), EP's can be held by Filipino-incorporated entities in which "less than 50% of the capital is owned by Filipino citizens" (current DENR/MGB published information). This is the same definition construction as applied to FTAA's, which allow up to 100% foreign equity participation (refer ss20.2.3 below).

With processing and approval generally taking between six (6) and 12 month's, EP's are valid for two (2) years, renewable in two (2) year allotments to a maximum of eight (6) years, and constitute a primary mode of entry for foreign entities into the Philippines.

Area-based acquisition limitations apply to EP's; being 1,620Ha / Province and 3,240Ha for the whole country for individuals and 16,200Ha and 32,400Ha respectively for corporations and partnerships.

Recent changes to the PMA allow for granting of exclusive rights to EP holders of either an MPSA or FTAA upon declaration by the title holder of 'mining project feasibility' within the term of an EP. This renders redundant and therefore replaces, the previous regime that allowed direct 'conversion' of an EP to MPSA / FTAA. Further planned changes to the EP grant process will include streamlining and reduction of posting and objection periods for applications and the removal of the current requirement for approval of (EP) applications by the National Commission on Indigenous Persons ("NCIP").

Additionally, holders of an EP application (EPA) can undertake pre-grant programmes in partnership with MGB personnel if there is a need for an "immediate technical study". This allows low-intensity exploration activities (essentially geological mapping & geochemistry/shallow auger drilling) to commence immediately post-application, prior to actual grant of the EP Licence.

20.2.2 Mineral Agreements

Mineral Agreements (hereafter 'MA') are designed to allow exploitation of defined mineral resources within the granted area. They are valid for an initial term of 25 years, renewable for a further 25 year period, of which the exploration period is not to exceed 4 x 2 years (i.e. 8 years) of the total life of the MA. Maximum allowable areas for individuals and corporations respectively are 810Ha & 8,100Ha / province – 1,620Ha & 16,200Ha for the whole country. Mandatory relinquishment provisions apply over the life of the tenement down to a maximum final area of 5,000Ha. MA's are subject to formal Environmental Work Programmes (EWP's) that are supervised by the DENR. There are three (3) modes of MA that define the contractual relationship between the tenement operator and the Government:

- **Mineral Production Sharing Agreement [MPSA]** – the Government grants the right to mine but not title over the ground and shares in the production whether in kind or in value as the owner of the minerals therein. The operator provides the necessary financing, technology, management and personnel to facilitate the operation.

- **Co-Production Agreement [CPA]** – where the Government provides inputs to the mining operations other than the mineral resources

- **Joint Venture Agreement [JVA]** – an arrangement whereby the Government and the operator form a joint venture over the mineral property, with each party having equity shares.

Of the three, MPSA's are by far the most commonly utilised form of advanced mining tenure. All forms of MA allow a maximum 40% foreign ownership, with the remainder comprising Filipino ownership. This differs from both EP's and FTAA's which can allow up to 100% foreign ownership.

An additional form of mineral tenure exists that allows for limited entry into production on a greatly simplifies basis. Termed Small Scale Mining Permits ("SSMP"), these tenements are designed to suit private miners and trial mining projects, and have been in force since 1992 pursuant to RA7076. Key features of SSMP's include:

- Maximum area of 20 hectares
- Term of two (2) years with (non-guaranteed – subject to performance review) option for an additional two (2) years
- One (1) SSMP per holder per municipality
- Production limit of 50,000 tonnes per annum per SSMP

20.2.3 Financial & Technical Assistance Agreements

Financial and Technical Assistance Agreements, or FTAA's, are mining contracts for large-scale exploration, development and exploitation, and which allow up to 100% foreign equity participation / ownership. Exploration, pre-feasibility and full feasibility studies are respectively allocated two (2) year blocks each for the first six (6) years of the FTAA term.

FTAA's are available only for metallic minerals (i.e. non-metallic, construction aggregates and fossil fuels are excluded from eligibility), with maximum area limits of 81,000Ha for the whole country, progressively reducible to 5,000Ha, and have (1 x renewable) terms of 25 years. FTAA's have progressive annual expenditure requirements per hectare from USD2.00 initially to USD23.00 by year six (6). Further to their purpose of serving large-scale operations, they have minimum capitalisation and infrastructure development requirements of USD4.0M and USD50M respectively, and like MP's are subject to formal EWP provisions.

The political status of FTAA's was previously rendered uncertain after the Supreme Court ruled in January 2004 that they were unconstitutional to the extent that they permitted

direct foreign participation in Philippine mining projects. This decision was overturned in December 2004, subsequent to the lodgment of an appeal by the National Government. The National Government position remains that the Philippine Constitution mandates the prerogative of the National Government of the Philippines to enter into partnerships with foreign entities for the purposes of generating investment in the Philippines.

Politically, the current (GMA) Government remains strongly supportive of fostering a vibrant minerals sector within the Philippines and continues to actively facilitate foreign investment in the domestic industry. The PMA provides statutory protection to mining operators and tenement holders from expropriation, requisition and interference with profit repatriation. Additionally, the Act provides for and defines statutory rights of mining operators in respect of timber and water as pertaining to their operations.

20.3 Assessment of Contract Site Laboratory Facility at NNMDC-Narra

At the end of 2006, NNMDC entered into a contract with *Ostrea Mineral Laboratory Inc.* ("Ostrea") under which the former would construct and operate an assay laboratory within the NNMDC compound at Narra on an independent basis. This facility has been in operation since January 2007. It is under the supervision of an employee of Ostrea.

As part of the assessment process, the writer toured this facility to determine the quality and reliability of data output. A summary of findings and observations follows:

- Whilst clean, well presented and competently staffed (refer Figure 12), the facility suffers from a poor floor plan layout that precludes efficient 'flow-through' processing of incoming samples. This, combined with limitations in sample preparation infrastructure, limits sample throughput to 260 sample units per 24-hour period.

- After logging by site geologists, (BQ) drill cores are manually (half) split, with 50% submitted for assay (remaining 1/2-core retained for reference/resample purposes).

- Incoming samples (average 2kg) are oven-dried for 16 hours at +105 degrees centigrade followed by (whole sample) crushing to minus ¼".

- Resultant product is passed through two (2) – stage riffle-split to produce a 300g – 500g sample for two (2) – stage pulverizing to minus 447 µ & minus 75µ (200M). Final grind is accomplished with a second-hand 'Bico-Braun' disc pulveriser utilising an average five (5) minute residence time. No barren flush is employed as part of the pulveriser cleaning process; the grind case is simply blown out with compressed air, as shown in Figure 12.

- Interim re-drying of pulp-assay fraction for one (1) hour at >105 degrees centigrade prior to weighing of (0.25g) digestion charge.

- Digestion via single stage, three (3) - acid digest for two (2) hours at 200 degrees centigrade (refer Figure 11).

- Analysis by AAS (Hitachi Z2300) for Ni and Fe (Figure 13).

- Internal QAQC involves digest & analysis of: 1 blank per 30-sample batch and 1 duplicate every 10th sample.

In addition to the abovementioned floor plan and sample preparation equipment issues, several items of note were identified in respect of the laboratory:

- The sample preparation area does not have operating dust extraction equipment. These were observed to be in the process of installation.

- The final grind pulveriser unit is outdated and designed for a smaller sample size (100 to 200gms) than is currently being presented to the machine. This issue is partly ameliorated by the intermediate grind regimen that 'pre-grinds' the ¼" material to minus 35M (447µ) prior to final grind. MBMI is aware of the problem and has sought advice on possible alternatives.

- Current pulverizing capacity does not allow for any 'surge' in sample capacity past 100 metres per day drilling in excess of operations requirements. This is not a current problem but could easily become a restriction upon recommencement of exploration / resource definition programmes.

- Storage of sample pulps and residues/rejects is not conducive to effective tracking and recovery for reassay purposes. This problem was highlighted during the writers' site visit and appropriate rectification measures advised.

- Whilst a large batch of sample pulps was dispatched in April 2007 to Ultratrace laboratory in Perth Australia for comparative check assay (NB: with favourably comparative results returned), no systematic protocol is currently in place for QAQC on assay results.

20.4 Development Programmes

Development work has focused on the 'C' and 'C1' blocks in the southwestern areas of the Alpha project. Three (3) Small Scale Mining Permits ("SSMP"); *Narra Nickel*, *Patricia Louise* and *Palawan Alpha*; were granted over this area in September 2006, with the Patricia Louise SSMP currently in production since July 2007 on a trial-mining basis (NB;

termed a '*Small Scale Mining Operation*' – "SSMO"). To date approximately 30,000 wet tonnes of nickeliferous material, at a weighted average grade of approximately 1.8% Ni (20-25% Fe); have been extracted from the Patricia Louise SSMP and stockpiled at the MBMI stockyard on the coast nearby.

A maximum shipment of 50,000 tonnes of mineralized material shipments per year is allowed for an SSMO. As per the terms of the underlying SSMP, each SSMO is for a two-year period which may be renewed for a further two-year period. (**NB:** To date no independent feasibility study has been conducted on the trial mining operations of the Issuer. It is therefore uncertain whether the material excavated under this SSMO will be economic or not).

Due to the lack of a current NI43-101 compliant resource inventory for the Project, a feasibility study has yet to be completed. The Project has therefore not yet formally achieved the development and production stage, although trial extraction operations are currently underway. Details of these operations are discussed below:

20.4.1 Trial Mining

NNMDC are currently undertaking trial mining within the Patricia Louise SSMP. Details of the actual operations currently underway were provided to Cedarwood by MBMI and NNMDC representatives on the 27th September 2007.

Trial extraction commenced in July 2007 from within the Patricia Louise SSMP, within the area where the 'grade control' (infill) drilling was completed. The operation comprises the excavation of laterite and saprolite using open pit techniques. These operations utilise a backhoe with a nominal one (1) cubic metre bucket loading ten (10) tonne trucks. Each truck load is eight (8) bucket loads of an estimated 1.2 wet tonnes each; hauling directly to the stockyard, some seven (7) kilometers by road to the east.

The mineralized material is excavated from the mineralized zone on 3 metre by 3 metre basis along the length of the bench, using the infill 'grade control' drill results as a guide to mineral grade. Consequently, as the mineralized zone is exposed down a hillside there is effectively no waste material being excavated. The benches are retreat-mined into the hillside. Additional grade control for excavation is provided by the analysis of vertical face-channel samples taken from each bench after an excavation pass. The channel samples are (laterally) spaced five (5) metres apart and samples are taken from each metre of the three (3) metre bench height. These samples average two (2) kilograms and are submitted individually to the site laboratory for Ni and Fe analysis.

Average mineralised grade is determined via collection of an approximately one to two kilogram hand-auger sample from each truck load upon exiting the test mining area; with a ten-truckload composite (approximately 10 to 20 kilogram) sample being homogenized and reduced (to approximately 3kg) via 'roll & quartering' method at the extraction site, prior to the submission (of the 3kg sample) to the onsite laboratory for Ni and Fe analysis

After hauling to the stockyard the mineralized material is beneficiated via screen-sizing to accurately segregate the mineralized material by nickel grade for shipping and sale. The trucked material is sized using a dual-screen stationary grizzly (Figure 14). The screens divide the material into (i) plus-8"; (ii) minus-8" / plus-3"; and (iii) minus-3" size fractions. Each split of the processed ore is grab-sampled. Each size fraction is handled as follows:

- Visually barren rocks are first removed from the plus 8" material prior to reprocessing. The remaining material is transported via front-end loader to a secondary stockpile for manual crushing by crews of 30 to 100 men using sledgehammers to break the boulders into minus-3" size fragments.

- The minus-8" / plus-3" material is kept segregated by split from the grizzly. This oversize is manually crushed and reprocessed over the stationary grizzly until all material is less than three inches in size.

- The minus 3" material is transported direct to a final stockpile ready for shipping by front-end loader, with a one (1)-kilogram grab-sample collected from each bucket for QAQC purposes and submitted as ten-sample composites to the onsite laboratory for Ni and Fe analysis.

The finished material in the stockyard is stockpiled adjacent to the NNMDC pier and is segregated by grade and type so that it can be blended during the loading phase of the shipping process. Tarps are used to minimize rehydration of the DSO material during the wet season, as shown in Figure 15.

It is important to note the increased risks inherent with proceeding to what is in effect the trial mining stage without having first compiled a (NI43-101 compliant) mineral resource inventory and subsequently completed a full feasibility study, in order to generate a mineral reserve inventory (i.e. that is NI43-101 compliant). Whilst the characteristics and properties of the (lateritic nickel-cobalt) mineralisation within the Property are currently defined to a reasonable degree of confidence, the possibility remains that the (NI43-101 compliant) resource compilation and feasibility processes may ultimately yield a mineral reserve that is sub-economic.

20.4.2 Direct Extraction Costs

Based on information supplied to Cedarwood by MBMI, combined direct extraction and haulage costs to the stockyard are $5.55 (PHP250 @ PHP45:CAD) per DMT ("dry metric tonne")/m^3; comprised (on a per DMT basis) of (i) loading - PHP60/CAD1.33; (ii) haulage – PHP140/CAD3.11; and Sampling & Ancillaries – PHP50/CAD1.11. Handling & processing costs at the stockyard (i.e. sizing, crushing, QAQC sampling and rehauling to shipping area), have not been precisely determined, however MBMI representatives provided Cedarwood with an indicative costing of PHP100 (CAD2.22) per DMT; allocated evenly between (i) crushing and sizing and (ii) QAQC sampling and rehauling to shipping stockpiles.

Using the above figures, current direct production costs equate to $7.77 per DMT extracted. The reader should note that indirect costs related to capital and infrastructure expenditure, reclamation and other indirect costs are not included in this figure and these (indirect costs) were not detailed to Cedarwood at the time of the assessment.

20.5 Markets

The (stockpiled) finished product from the trial extraction and processing operations will be subsequently loaded onto (1,000 to 4,000 tonne) barges for transshipment to ocean going ships anchored approximately three (3) kilometres offshore.

The (higher-grade) saprolite-rich product averages at or above 2% nickel and less than 15% iron; and is destined for sale to (primarily) Japanese ferro-nickel processing facilities. MBMI representatives have pointed out that there have also been expressions of interest from Chinese and Philippine processing plants for this type of material.

The ferralite product will be sold to blast furnace processors mainly in China, for the production of nickel-rich pig iron. This product will have a grade of 1.5% to 1.8% nickel with a combined nickel – iron - manganese - chromium grade of 25%.

20.6 Contracts

All sales will be FOB the ocean-going ships and the price will be based as a percentage of the London Metal Exchange ("LME") quoted price for nickel (i.e. the higher the nickel grade the higher the percentage of the LME price received).

MBMI representatives have made available to Cedarwood two (2) executed DSO sale agreements related to ferralite material under which NNMDC is to supply a minimum of

50,000 wet metric tonnes per contract over the next year to Chinese and Korean buyers. For confidentiality reasons Cedarwood is unable to disclose the specific commercial terms of the contracts, however their existence can be confirmed.

MBMI representatives have further informed Cedarwood that two additional buyers (i.e. Australian and Japanese) have issued firm quantified proposals to NNMDC in respect of ferralite and saprolite material. The writer has not viewed these draft contracts at time of writing.

20.7 Environmental Considerations

Enquiries by the writer with MBMI representatives indicated that the following environmental liabilities are applicable to Alpha under the terms specified in the EIA submitted in respect of ECC requirements:

- Road and stockyard rehabilitation or their transfer to the local municipalities
- Slope stability of excavated areas including redeposit of any stored material in the area of the excavated regions.
- Replanting of excavated areas with trees
- Topsoil reclamation of disturbed areas
- Regeneration of vegetation of disturbed areas

NNMDC are currently stockpiling topsoil and cut underbrush to be utilised as the basis for vegetative regeneration (i.e. resoiling and replanting with native flora). This has been undertaken in conjunction with the establishment of a native-flora nursery adjacent to the company's operations compound. The nursery now contains a comprehensive suite of local flora in sufficient numbers per species to undertake effective regenerative planting of exhausted mining areas.

21.0 Interpretation & Conclusions

Assessment of the Alpha project has been successful in evaluating of the current status of the Alpha project, assessing of the efficacy of works completed since September 2005, and determining remedial and forward technical management requirements necessary to effectively advance the project to full production status.

- The Alpha project is effectively at the Development Stage (VALMIN Code), with significant exploration upside. However, since it lacks a NI43-101 compliant mineral resource inventory, it must remain classified as an Advanced Exploration Area.

- Significant improvements in sample handling procedures have been implemented since the beginning of 2007; particularly with the establishment of a contract site assay facility at NNMDC - Narra.

- The contract site laboratory requires upgrade to both the sample preparation area and the general floor layout to improve efficiency and reduce potential for handling errors.

- There are numerous deficiencies in the area of technical management and data control, with a common denominator in lack of independent geological QP supervision. The solution to this is the engagement, with immediate effect, of appropriate personnel to rectify this deficiency.

- Current site QAQC verification procedures are inadequate, as are storage procedures for sample pulps and residues. MBMI have prepared sample standards and these should be commissioned into service at the earliest opportunity.

- Results of initial QAQC measures undertaken as part of the recent site assessment have both demonstrated consistency and confirmed an under-reporting bias in the original dataset.

- The Alpha project requires the preparation of an NI43-101 compliant mineral resource inventory. Determination of measured SG for DSO materials and further QAQC check assaying of recent drilling will be a necessary precursor to resource compilation.

- It is further recommended that MBMI undertake independent metallurgical testing of one or more bulk samples from the current SSMP operations area. This will provide MBMI with hard data on the actual content and processing characteristics of their DSO material; something currently lacking.

22.0 Recommendations

22.1 General Recommendations

Since 2005, the Alpha project has been progressed from an *Advanced Exploration Area* to the *Development* and production stage without the compilation of a systematic resource inventory or the preparation of interim Technical Reports. Additionally, numerous issues have been highlighted from the recent site inspection, that have a common denominator in a lack of appropriate QP oversight during project advancement.

Accordingly, it is recommended that MBMI should undertake the following remedial forward programme as soon as practicable (NB: all costings are in $CAD unless otherwise indicated):

22.2 Forward Programme – Alpha Project

The recommended forward programme for the Alpha project comprises two (2) main aspects: (i) resource compilation and (DSO) material evaluation, and (ii) repair and upgrading of systems and procedures relating to technical management of project sampling, data, assaying and QAQC.

22.2.1 Mineral Resource Compilation

Initial technical assessment of the Alpha project on September 2005 by Cedarwood Investments (Goertz, 2005) determined that the project had reasonable potential to host eight (8) million tonnes of combined saprolite/ferralite mineralisation grading above 1.5% nickel from the 'C' – 'C'' zone in the southwest.

Extensive drilling from late 2005 to present of portions of this zone by MBMI and NNMDC, have generated a sufficient density of data points to allow the calculation of an NI43-101 compliant mineral resource inventory. In order to successfully complete this exercise it will be necessary to: (i) complete sufficient QAQC on existing sample assay dataset, (ii) generate measured SG values for the various resource materials and (ii) repair and integrate the drilling database into a format suitable to extract and plot drill hole cross sections (inclusive of entering geological drilling data).

Proposed QAQC comprises check-assaying of 10% of the total drill assay population by an accredited ex-Filipino consulting laboratory. This exercise can be streamlined via incorporation of current and previous check assays into the overall check assay

population (i.e. utilising the 26 check samples collected by Cedarwood on the 27th September 2007 as well as prior comparative assaying commissioned through (Perth-based) Ultra Trace Laboratory (refer Section 16.0 'Data Verification' above). As the actual number of existing check assays suitable for incorporation into the QAQC dataset is unknown, the indicative costing is based on the full 10% subset being check assayed.

An additional requirement preparatory to mineral resource compilation will be generation of measured SG values for both the ferralite and saprolite materials. At a minimum, it is recommended that two (2) representative samples each of ferralite and saprolite material (i.e. 4 samples total) be collected and submitted to an accredited ex-Filipino laboratory for analysis.

The total cost for this programme is **$30,548** as detailed below:

Item	Detail		Cost (CAD)
Check assaying of 10% of drill samples	760 Samples@ C$18ea	$	13,435
SG Determination	4 Samples @ C$44ea	$	177
Database repair and reformatting	30hrs @ C$150/hr	$	4,508
Cross-section extraction & polygon interpretation	30hrs @ C$150/hr	$	4,508
Compilation of Mineral Resource Schedule	20hrs @ C$71/hr	$	1,414
Geological QP oversight	2 Days @ C$707/day	$	1,414
Sub-Total		$	25,457
Contingency @ 20%		$	5,091
Total		**$**	**30,548**

Upon conclusion of the above programme, MBMI will have an NI43-101-compliant resource inventory over the lateritic nickel mineralisation within the three (3) SSMP areas in Zone 'C' (refer Figures 2 & 8). Additionally, the existing database will have been revised and upgraded to a format constituent with current industry best-practices and be better positioned to mange its technical dataset going forward.

22.2.2 Metallurgical Testing of DSO Materials

As a necessary complement to preparation of a mineral resource inventory, it is recommended that MBMI undertake limited metallurgical assessment of DSO materials currently being extracted from the Patricia Louise SSMP. The current system relies entirely on a positive recommendation from a local third-party individual whose technical authority stems from a long-standing operational experience of the area and commodity type and a resultant strong relationship with Japanese refiners/end-users of the DSO

shipping product. The weakness of this system lies in its inherent dependency on personal relationships, subjective judgment of one (albeit highly competent) individual, and the lack of verifiable independent data.

The writer is of the opinion that this structure leaves MBMI unnecessarily vulnerable to any unforeseeable event(s) that may occur in the marketing process. The generation of independent data regarding the metallurgical characteristics of the Alpha DSO materials will resolve this issue. Enquiries with SGS – Lakefield Oretest in Perth indicate that a satisfactory basic assessment would comprise completion of a 'desktop' evaluation of multi-element data from representative sampling of both ferro-nickel (saprolite) and pig-nickel (ferralite) material. Whilst this may involve additional sampling from the NNMDC stockpile, the results from the 26 check sample assays recently completed by Ultra Trace would provide a useful stating point. The cost of this exercise would be in the range of **C$5,600 to C$8,800** depending on the extent of additional sampling required.

Upon completion of this programme MBMI will have acquired verifiable data on the suitability of its DSO products in respect of intended end-users from an accredited, independent facility.

22.2.3 Upgrade of NNMDC (Ostrea) Site Laboratory

As detailed in Section 20.3 above, the existing site laboratory operated by Ostrea requires a number of changes to improve operational efficiency and sample integrity. The key areas that require attention are:

- Floor plan layout – currently not conducive to efficient 'flow-through' processing of incoming samples. The cost of rectifying this problem has not been formally quantified as it requires significant building renovations to complete. However, based on current local building costs it is estimated that **$30,000** to **$40,000** would suffice for the required works.

- Sample pulverizing – the existing 'Bico-Braun' unit is outdated and too small / slow for anticipated project requirements. Two (2) x 'ESSA' LM2P units at **$13,300** per unit (i.e. total **$26,600**) would be more suitable.

- Current storage of sample pulps/residues does not facilitate sample retrieval for QAQC purposes. It is very difficult to locate and access requisitioned samples for check assay. A proper system of standard cardboard storage boxes for pulps and labeled racks for residues is required to facilitate location and extraction of requisitioned check samples. It is envisaged

that this step would be incorporated in the overall laboratory renovation discussed above.

22.2.4 Implementing Appropriate QP Oversight Protocol

Although the underlying project fundamentals are sound, there remain a number of significant deficiencies that have a common denominator in a lack of appropriate QP oversight and site supervision. As partial rectification of this problem, MBMI have recently engaged the services of an expatriate operations manager who will spend the bulk (i.e. approximately 75%) of his time at the NNMDC operations. However, it is apparent that a lack of geological QP oversight has proven materially detrimental to effective project advancement; a situation that will require immediate and ongoing rectification.

Under current recommendations, it is envisaged that sufficient geological (QP) supervision could be accomplished via a non fulltime consultative arrangement, operating in conjunction with the (site-based) Operations Manager. This approach, combined with periodic site visits, would be sufficient to ensure proper implementation of appropriate technical management protocols as necessary.

22.3 Summary

The combined cost of the above programmes totals **C$92,748** to **C$105,948** (**C$93K** to **C$105K**). In the opinion of the writer, (i) the above programme is necessary for the project to develop successfully and (ii) the project contains sufficient (empirical) resource potential to justify the above expenditure.

23.0 References

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VALMIN Committee (2005). *Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports (The VALMIN Code)*. Published by the Australasian Institute of Mining & Metallurgy.

Zafra, J.C. (2005). *Geologic Report: Alpha Nickel Project – Narra, Palawan, Philippines.* Unpublished Internal Report for MBMI Resources Inc.

24.0 Report Date, Certification & Signature

I, **STEVEN GOERTZ**, hereby certify that:

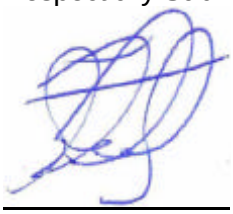
1. I am the principal of Cedarwood Investments Pty. Ltd. of 5 Sweeney Way, Padbury, Western Australia, Australia, 6025; and a consulting geologist.
2. I am a graduate of the University of British Columbia (Canada) with a Bachelor of Science degree, majoring in Geology.
3. I am a Member of the Australasian Institute of Mining and Metallurgy (AusIMM - 1989) and of the Australian Institute of Geoscientists (AIG - 1996).
4. I have practiced the geological profession for in excess of 22 years.
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 relevant work experience, I fulfill the requirements to be a "qualified person" for the purposes of NI 43-101. My relevant experience for the purposes of this report is:
    - 1995: Senior Geologist, Mt. Kersey Mining NL & Johnson's Well Mining NL – Cawse lateritic nickel-cobalt ("NiLT") - project and regional NiLT exploration – Goldfields – Western Australia ("WA")
    - 1996 – 1997: Senior Geologist – Weld Range Ni-Co-Cr-PGE project – Murchison Greenstone Belt of WA
    - 1997: Senior Geologist – Australian Nickel Resources NL – Ni-Co-Cu (NiLT & sulphide Ni) in North Eastern Goldfields ("NEG") WA
    - 1998 – 1999: Project Manager - Rimfire Noumea SARL – NiLT-Cr-PGE project in New Caledonia
    - 1999 – 2002: Chief Geologist – NiWest Ltd. – NiLT project and regional exploration / acquisition in NEG of WA.
    - 2002 – 2005: (i) private consulting – NiLT project acquisitions – NEG of WA; (ii) preparation of various (NI43-101F1) technical reports; (iii) Project Manager – Acoje NiLT & Ni-Cr-PGE (sulphide) Project in Luzon, Philippines.
    - 2006 – 2007: MD of Malagasy Minerals Ltd. – Ni-Cu-Co-PGE (sulphide and NiLT) focused (public) junior explorer in Madagascar.
6. I am responsible for the preparation of the technical report titled Report on Field Investigation – Alpha Project, Palawan Province – Republic of the Philippines – September 2007 and dated September 30, 2007 (the "Technical Report") related to the Alpha Project. I visited the Property on September 27, 2007.
7. My prior involvement with the properties that are the subject of the Technical Report comprises preparation of a Technical Report in September 2005 - *Report on Field Investigation – Alpha Project, Palawan Province – Republic of the Philippines – September 2005*.
8. I have made reasonable enquiry with the Issuer regarding validity of mineral tenure, inclusive of sighting of tenement title and/or application documents, and have found nothing to vitiate the validity of the Issuers beneficial title over the mineral tenements the subject of this report.

9. 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.

10 I am independent of the issuer applying all of the tests in section 1.5 of National Instrument 43-101.

11 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.

Respectfully Submitted,



Steven B. Goertz,
MAusIMM / MAIG
Consulting Geologist

30th September, 2007
Perth, WA, Australia

25.0 Additional Requirements – Development & Production

Due to the lack of a current NI43-101 compliant resource inventory for the Project, a feasibility study has yet to be completed. The Project has therefore not yet formally achieved the development and production stage, although trial extraction operations are currently underway. Details of these operations are discussed above at Section 20.4 of this report ("Development Programmes").

26.0 Illustrations

26.1 List of Illustrations

Figure1: Location Plan & Alpha Project Location

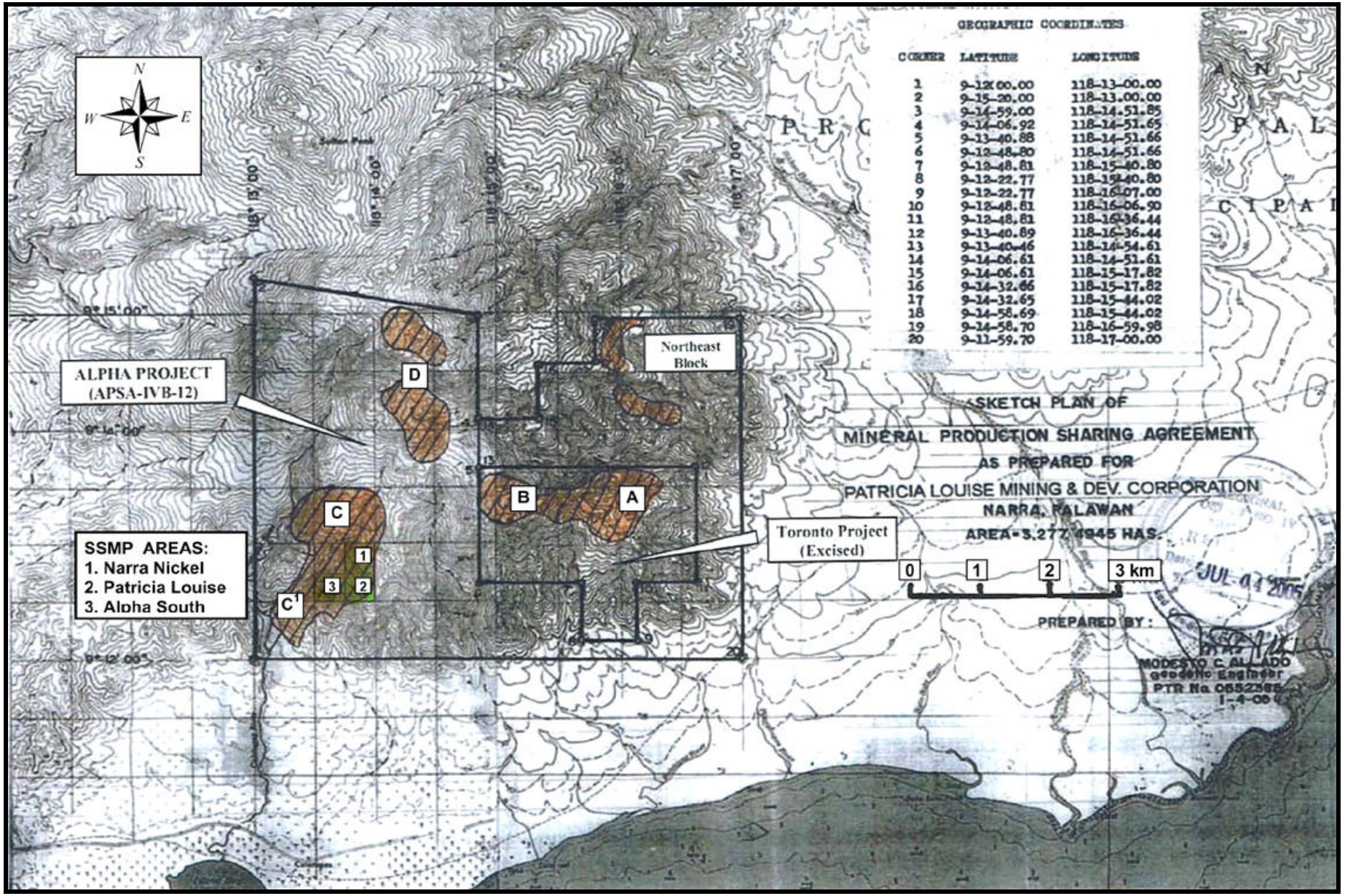


Figure 2: Alpha Project Showing Mineralised Areas & SSMP's

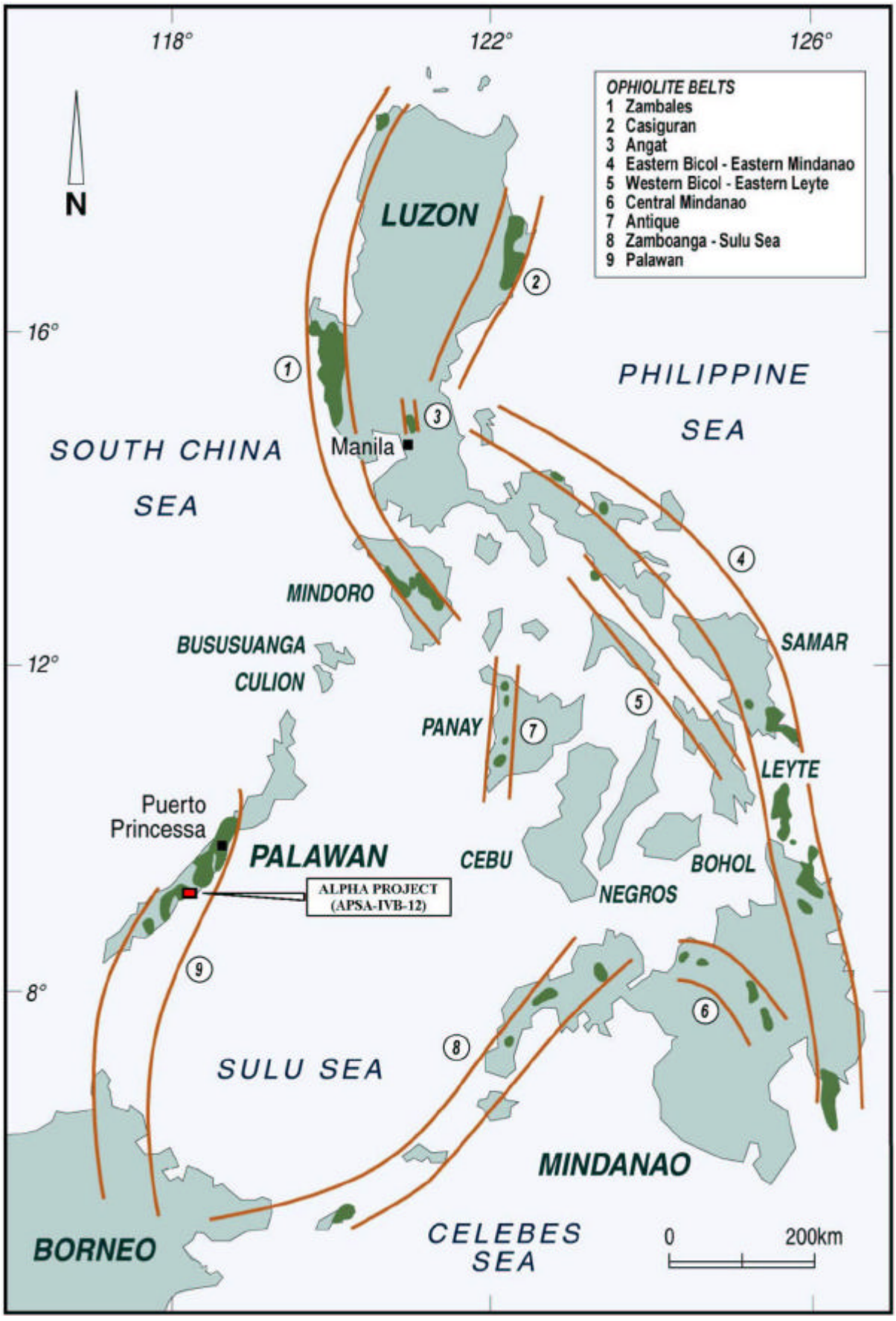


Figure 3: Ophiolite Belts of the Philippines

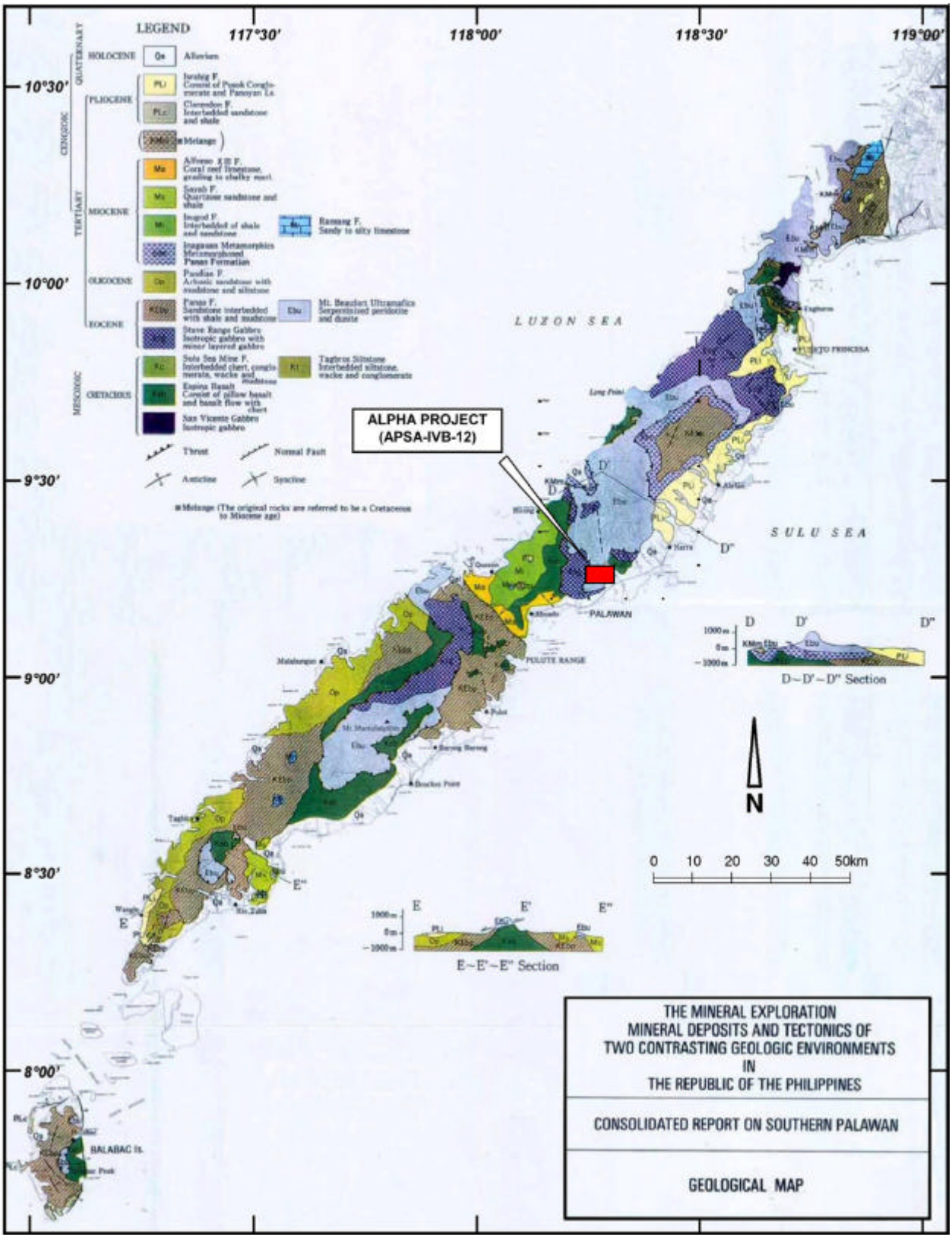


Figure 4: Geological Map of Southern Palawan (JICA, 1989)

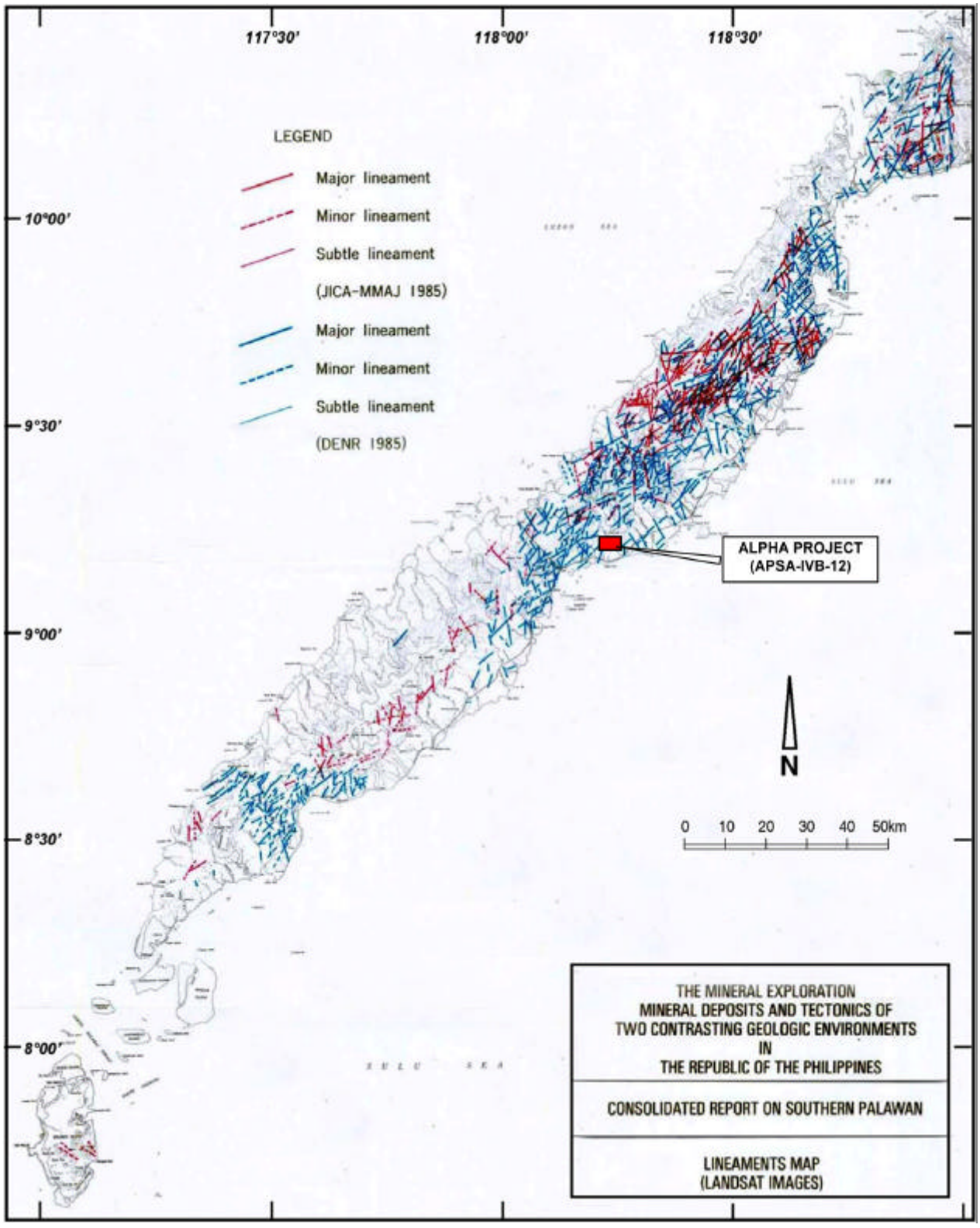


Figure 5: Lineaments from Landsat Interpretation – Southern Palawan (JICA, 1989)

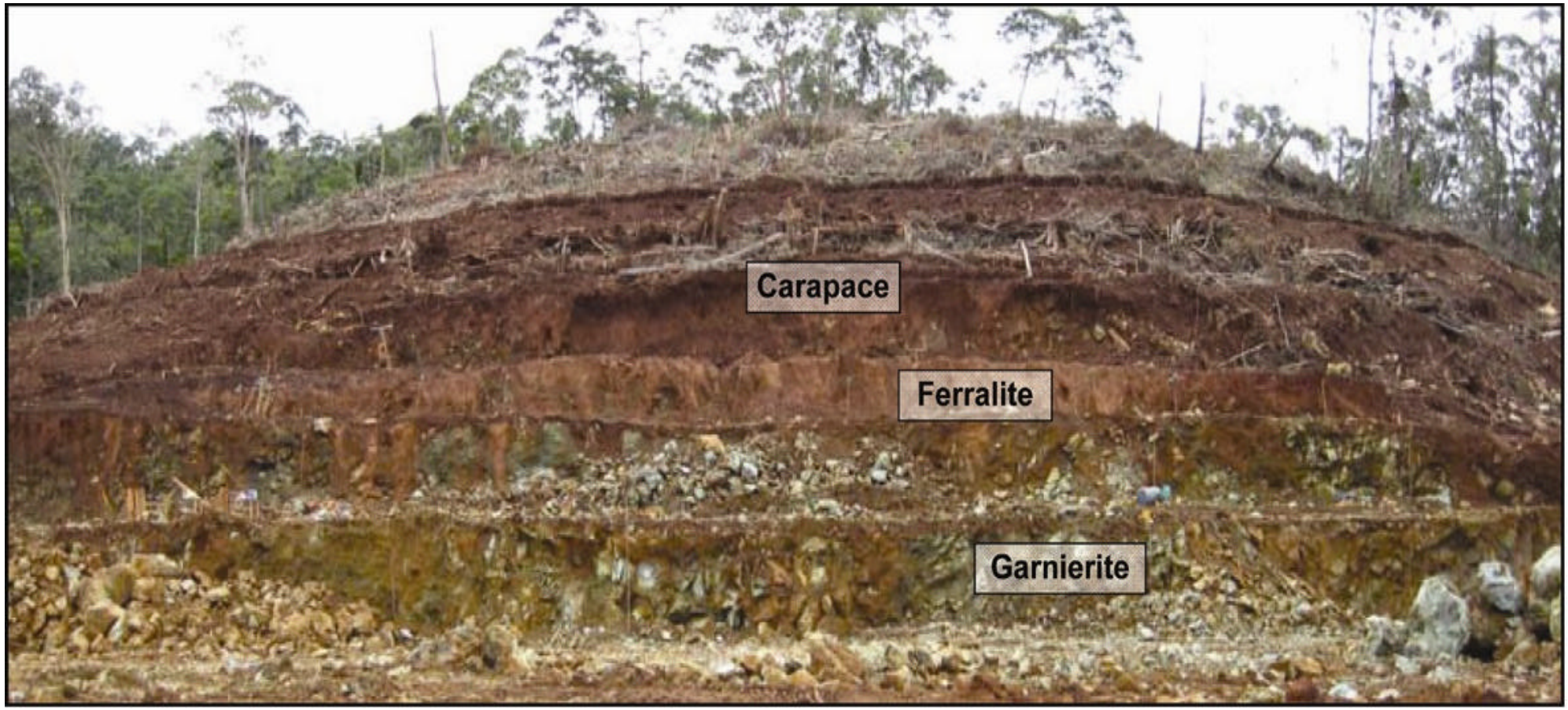


Figure 6: Vertical Zonation in PL-SSMO North Wall Showing Nickel-Bearing Horizons

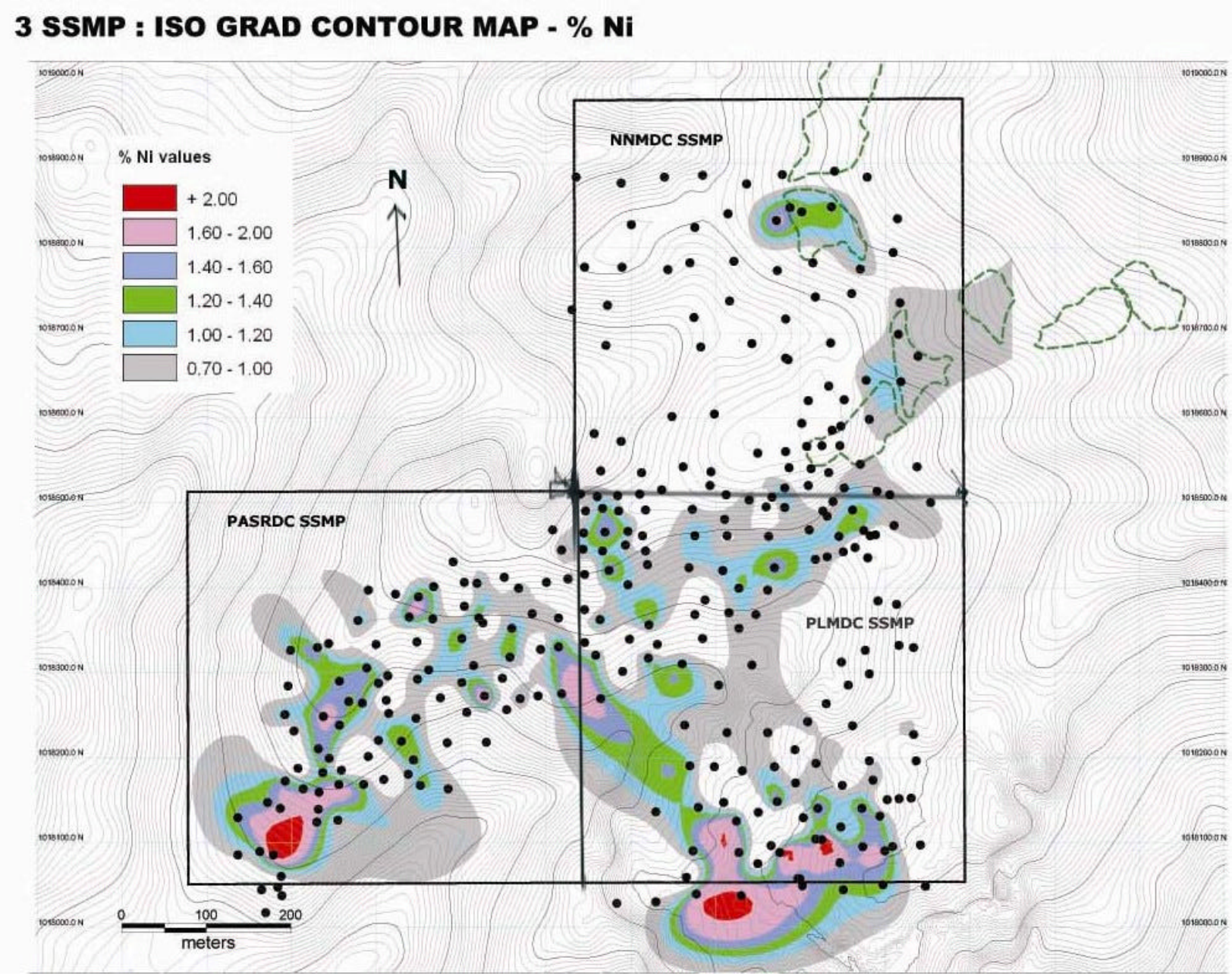


Figure 7: Exploration Drilling with % Ni Contours - Alpha Project 'C' & 'C1' Area

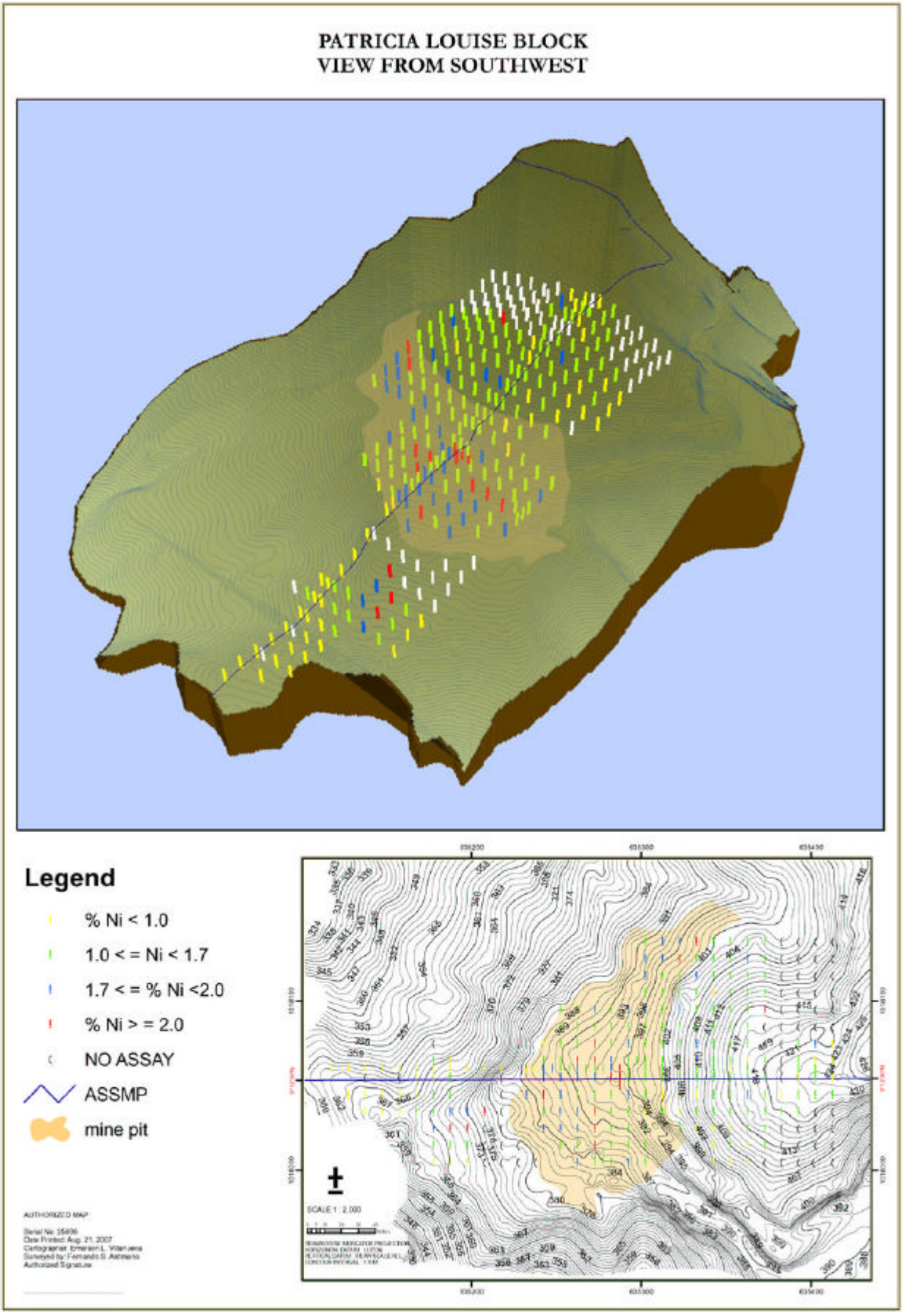


Figure 8: 3D Model of Infill Drilling Collars with Maximum % Ni – PL-SSMO

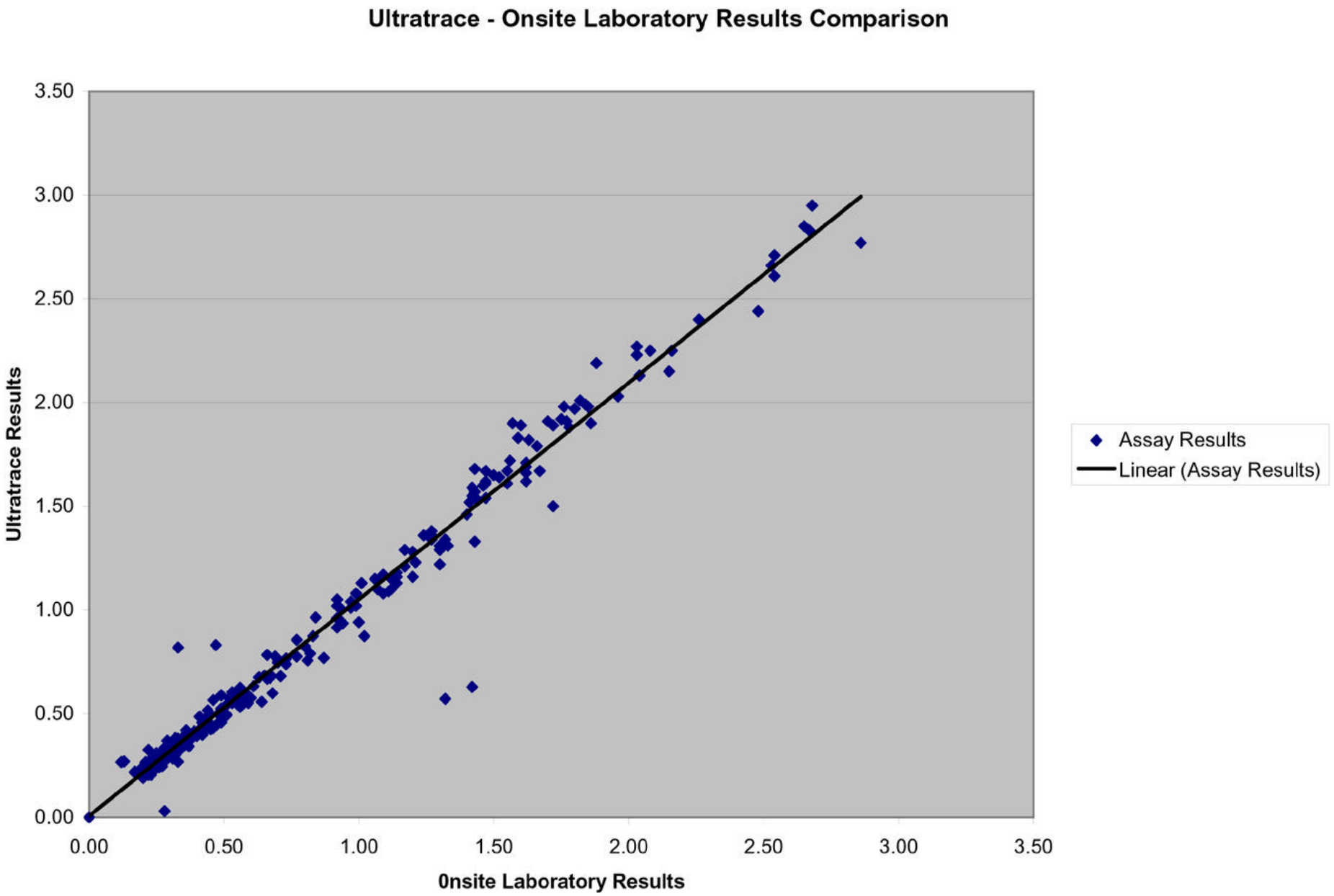


Figure 9: X-Y Scatter Plot Showing Comparative Assay Response between (UTL) XRF & (Ostrea) AAS Analytical Methods

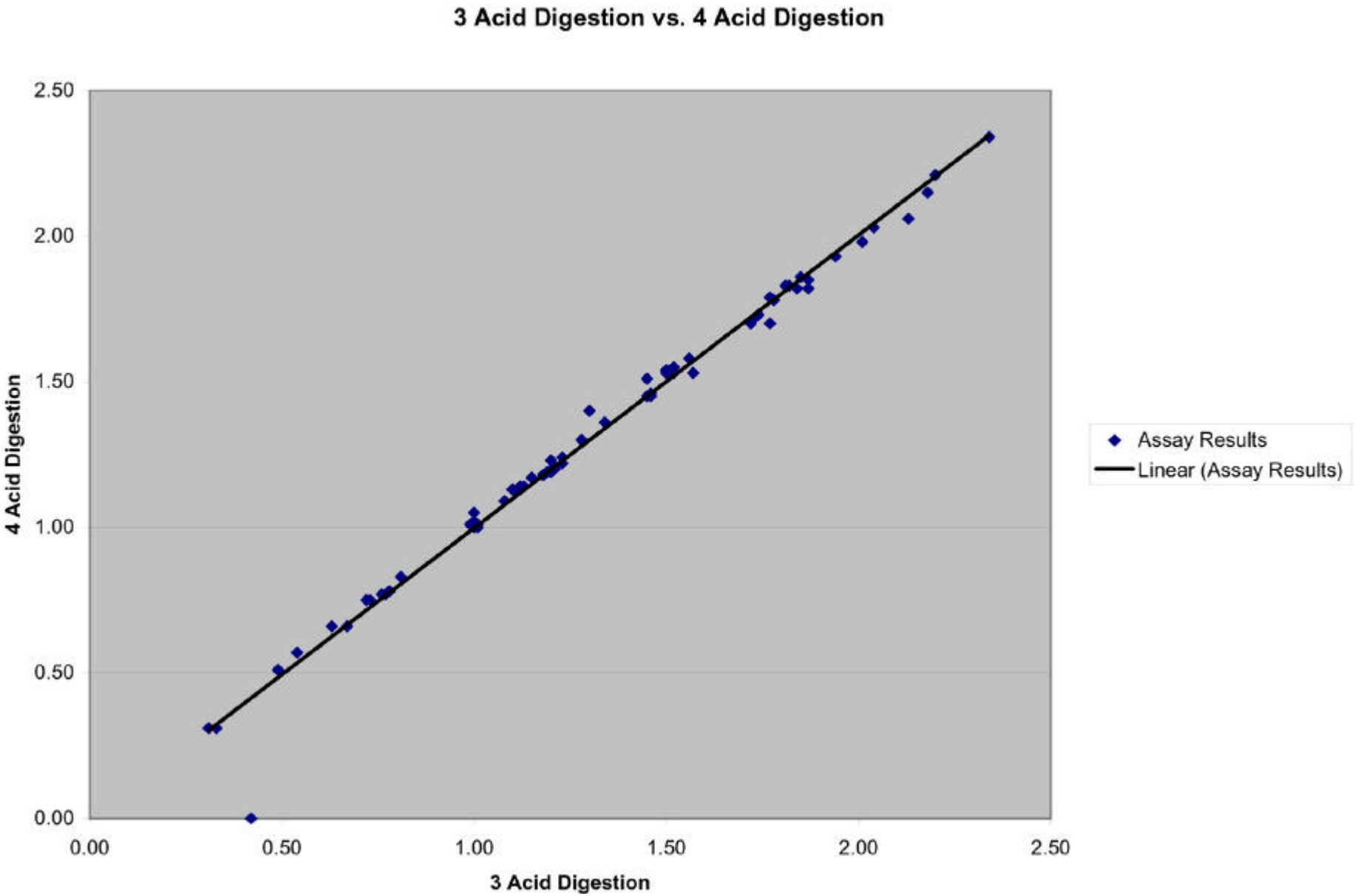


Figure 10: X-Y Scatter Plot Showing % Ni Correlation Utilising 3-Acid vs. 4-Acid Digest Technique

Figure 11: Digestion & West Chemical Area of Ostrea Site Laboratory in NNMDC Compound

Figure 12: 'Bico' Final-Stage Pulveriser Unit in Operation – Ostrea laboratory – NNMDC Compound

Figure 13: Hitachi AAS Unit in Ostrea Laboratory – NNMDC Compound

Figure 14: Grizzly in Operation at NNMDC Stockyard

Figure 15: View of NNMDC Stockyard Looking South – Tarps Covering Material Ready for Shipment

COMPARATIVE %Ni RESPONSE: NNMDC (Aqua Regia-AAS) v UTL (MAD-ICP)

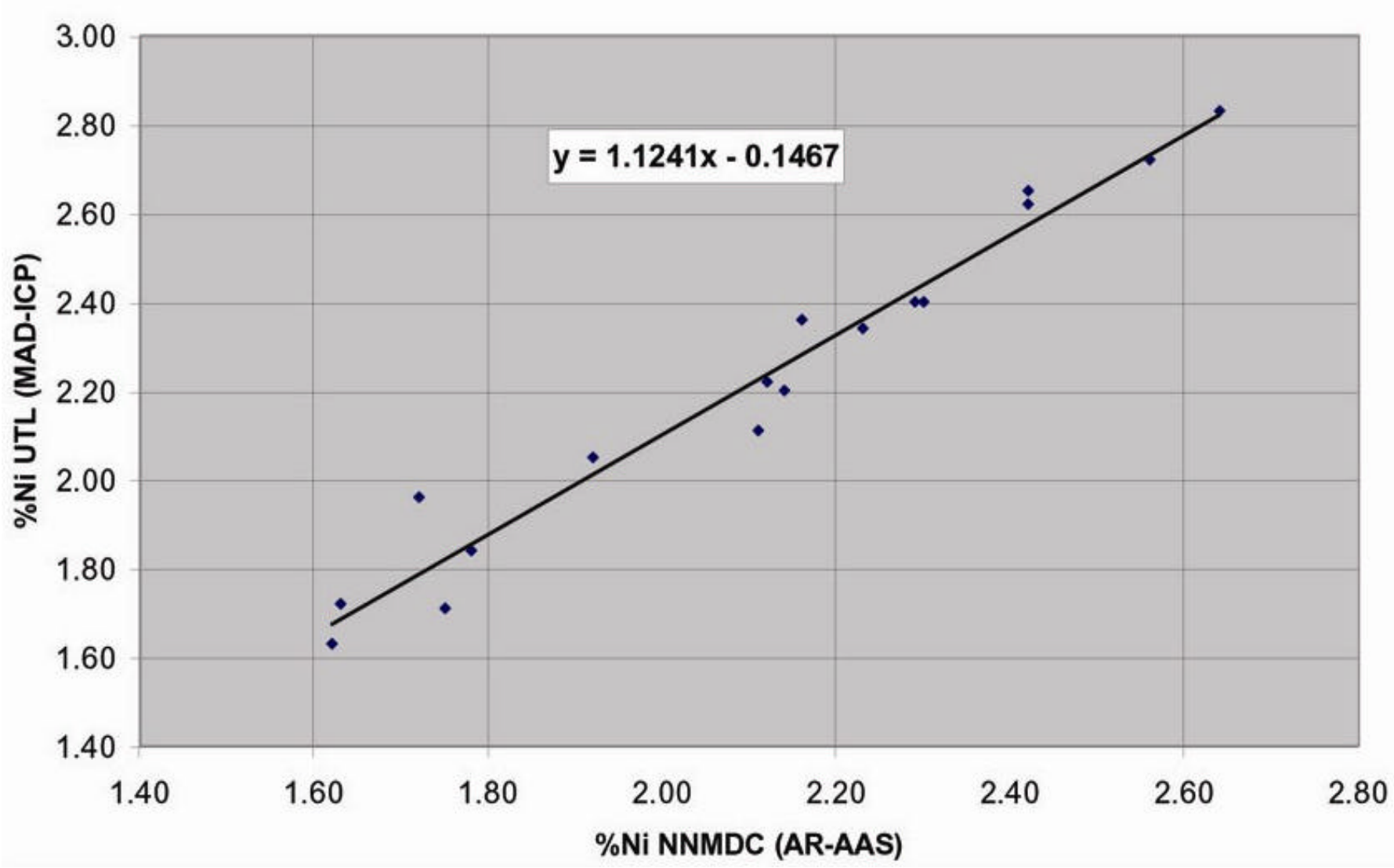


Figure 16: X-Y Scatter Plot of % Ni values from 26 QAQC Check Assays Collected by Cedarwood

APPENDIX 1 – LIST OF CHECK ASSAYS COLLECTED AT SITE ON 27TH SEPTEMBER 2007 BY CEDARWOOD INVESTMENTS PL

ASSAYING INSTRUCTIONS FOR CHECK SAMPLES AS AT 070927				
SAMPLE ID INFORMATION				
HOLE-ID	GRID LINE	SAMPLE NO	MATERIAL SIZE	INSTRUCTIONS
AS0007	3RD-54.5		20M/864µ	1. Dry & Grind whole sample to -75µ; 2. MAD & ICP-OES for: Ni/Co/Cu/Cr/Al/Mg/Mn/Ca/Fe/Zn/As/Si
AS0008	3RD-55		20M/864µ	1. Dry & Grind whole sample to -75µ; 2. MAD & ICP-OES for: Ni/Co/Cu/Cr/Al/Mg/Mn/Ca/Fe/Zn/As/Si
AS0056	5RH-51.5		20M/864µ	1. Dry & Grind whole sample to -75µ; 2. MAD & ICP-OES for: Ni/Co/Cu/Cr/Al/Mg/Mn/Ca/Fe/Zn/As/Si
AS0063	5RH-54.5		20M/864µ	1. Dry & Grind whole sample to -75µ; 2. MAD & ICP-OES for: Ni/Co/Cu/Cr/Al/Mg/Mn/Ca/Fe/Zn/As/Si
AS0064	5RH-55		20M/864µ	1. Dry & Grind whole sample to -75µ; 2. MAD & ICP-OES for: Ni/Co/Cu/Cr/Al/Mg/Mn/Ca/Fe/Zn/As/Si
PL0010	2RBC48.5	1538	200M/75µ	1. Grind check & report % passing 75µ; 2. MAD & ICP-OES for: Ni/Co/Cu/Cr/Al/Mg/Mn/Ca/Fe/Zn/As/Si
PL0011	2RBC49	1903	200M/75µ	1. Grind check & report % passing 75µ; 2. MAD & ICP-OES for: Ni/Co/Cu/Cr/Al/Mg/Mn/Ca/Fe/Zn/As/Si
PL0101	6RJK51	719	200M/75µ	1. Grind check & report % passing 75µ; 2. MAD & ICP-OES for: Ni/Co/Cu/Cr/Al/Mg/Mn/Ca/Fe/Zn/As/Si
PL0105	7RK48.25	73	200M/75µ	1. Grind check & report % passing 75µ; 2. MAD & ICP-OES for: Ni/Co/Cu/Cr/Al/Mg/Mn/Ca/Fe/Zn/As/Si
NN0003	7RKL48	914	200M/75µ	1. Grind check & report % passing 75µ; 2. MAD & ICP-OES for: Ni/Co/Cu/Cr/Al/Mg/Mn/Ca/Fe/Zn/As/Si
GN-0039		7549	200M/75µ	1. Grind check & report % passing 75µ; 2. MAD & ICP-OES for: Ni/Co/Cu/Cr/Al/Mg/Mn/Ca/Fe/Zn/As/Si
GN-0039		7549	1/4"	1. Grind whole sample to -75µ; 2. MAD & ICP-OES for: Ni/Co/Cu/Cr/Al/Mg/Mn/Ca/Fe/Zn/As/Si
GN0042		6438	200M/75µ	1. Grind check & report % passing 75µ; 2. MAD & ICP-OES for: Ni/Co/Cu/Cr/Al/Mg/Mn/Ca/Fe/Zn/As/Si
GN0042		6438	1/4"	1. Grind whole sample to -75µ; 2. MAD & ICP-OES for: Ni/Co/Cu/Cr/Al/Mg/Mn/Ca/Fe/Zn/As/Si
GN-0045		8427	200M/75µ	1. Grind check & report % passing 75µ; 2. MAD & ICP-OES for: Ni/Co/Cu/Cr/Al/Mg/Mn/Ca/Fe/Zn/As/Si
GN-0045		8427	1/4"	1. Grind whole sample to -75µ; 2. MAD & ICP-OES for: Ni/Co/Cu/Cr/Al/Mg/Mn/Ca/Fe/Zn/As/Si
GN0077		6995	200M/75µ	1. Grind check & report % passing 75µ; 2. MAD & ICP-OES for: Ni/Co/Cu/Cr/Al/Mg/Mn/Ca/Fe/Zn/As/Si
GN0077		6995	1/4"	1. Grind whole sample to -75µ; 2. MAD & ICP-OES for: Ni/Co/Cu/Cr/Al/Mg/Mn/Ca/Fe/Zn/As/Si
GN0081		6411	200M/75µ	1. Grind check & report % passing 75µ; 2. MAD & ICP-OES for: Ni/Co/Cu/Cr/Al/Mg/Mn/Ca/Fe/Zn/As/Si
GN0081		6411	1/4"	1. Grind whole sample to -75µ; 2. MAD & ICP-OES for: Ni/Co/Cu/Cr/Al/Mg/Mn/Ca/Fe/Zn/As/Si
GN0109		7619	200M/75µ	1. Grind check & report % passing 75µ; 2. MAD & ICP-OES for: Ni/Co/Cu/Cr/Al/Mg/Mn/Ca/Fe/Zn/As/Si
GN0109		7619	1/4"	1. Grind whole sample to -75µ; 2. MAD & ICP-OES for: Ni/Co/Cu/Cr/Al/Mg/Mn/Ca/Fe/Zn/As/Si
GN-0114		8942	200M/75µ	1. Grind check & report % passing 75µ; 2. MAD & ICP-OES for: Ni/Co/Cu/Cr/Al/Mg/Mn/Ca/Fe/Zn/As/Si
GN-0114		8942	1/4"	1. Grind whole sample to -75µ; 2. MAD & ICP-OES for: Ni/Co/Cu/Cr/Al/Mg/Mn/Ca/Fe/Zn/As/Si
GN0115		6484	200M/75µ	1. Grind check & report % passing 75µ; 2. MAD & ICP-OES for: Ni/Co/Cu/Cr/Al/Mg/Mn/Ca/Fe/Zn/As/Si
GN0115		6484	1/4"	1. Grind whole sample to -75µ; 2. MAD & ICP-OES for: Ni/Co/Cu/Cr/Al/Mg/Mn/Ca/Fe/Zn/As/Si

COLLATED SAMPLE & ASSAY DATA – COMPARATIVE ORIGINAL (AR-AAS) & CHECK ASSAY (MAD-ICP) RESPONSES

HOLE ID	AREA	YEAR DRILLED	SAMPLE NO	MATERIAL	MOISTURE	Grind % <75um	% NI	%Ni UTL	ppm CO	ppm Co UTL	ppm Cu UTL	%Ca UTL	ppm Zn UTL	ppm As UTL	% FE	% Fe UTL	% MG	% Mg UTL	%MgO (Calc)	ppm CR	ppm Cr UTL (MAD)	ppm Cr UTL (Fus)	% AL	% Al UTL	% MN	% Mn UTL	% SIO2	% SiO2 UTL	ppm P UTL
AS0007	AS	2005	3RD-54.5	MBMI Residue	NR		2.11	2.11	350	400	18	0.03	330	10	17.37	19.00	2.70	3.40	5.64	2700	7270		0.58	0.82	0.29	0.33	45.40	48.56	-100
AS0008	AS	2005	3RD-55	MBMI Residue	NR		2.49	1.08	220	410	24	0.09	338	10	5.75	19.20	14.02	11.60	19.24	5000	8860		0.60	1.12	0.16	0.34	35.16	36.80	100
AS0056	AS	2005	5RH-51.5	MBMI Residue	NR		2.29	2.40	320	325	12	0.17	242	10	15.02	16.30	5.68	8.53	14.15	3400	6400		0.34	0.57	0.23	0.26	42.80	46.21	-100
AS0063	AS	2005	5RH-54.5	MBMI Residue	NR		1.75	1.71	400	395	16	0.08	266	-10	18.03	18.00	14.59	13.20	21.89	4900	7630		0.66	0.91	0.32	0.30	31.44	34.23	100
AS0064	AS	2005	5RH-55	MBMI Residue	NR		1.63	1.72	170	180	28	0.07	142	-10	10.27	10.80	14.55	16.10	26.70	3300	4430		0.25	0.40	0.11	0.13	39.32	41.29	-100
PL0010	PL	2006	1538	Site Lab Pulp	NR	97.60	2.16	2.36	380	470	34	0.08	204	10	16.00	19.00		11.80	19.57		7770	9400		1.82		0.41		31.88	-100
PL0011	PL	2006	1903	Site Lab Pulp	NR	IS	2.42	2.62	180	220	10	0.01	104	-10	9.60	10.40		17.60	29.19		8520	9950		0.50		0.16		37.65	-100
PL0101	PL	2006	719	Site Lab Pulp	21.87	97.90	1.78	1.84	300	330	16	0.15	160	20	17.29	17.30	8.23	9.60	15.92	1400	7090	8200		0.78		0.27		39.79	-100
PL0105	PL	2006	73	Site Lab Pulp	29.63	99.10	1.62	1.63	260	270	10	0.13	114	10	12.15	13.20	8.74	9.85	16.33	3000	5850	7150		0.65		0.21		46.64	100
NN0003	PL	2006	914	Site Lab Pulp	16.41	98.90	1.72	1.96	180	240	16	0.07	96	20	11.66	12.40	0.00	12.70	21.06	0	3900	4900		0.58		0.20		43.21	-100
GN-0039	PL	2007	7549	Site Lab Pulp	21.41	95.40	2.42	2.65	360	415	60	0.08	188	10	15.86	17.70		13.20	21.89		7410	8600		1.13		0.34		33.37	-100
GN-0039	PL	2007	7549	Site Lab Residue	NR			2.64		425	30	0.08	190	-10		17.80		13.30	22.06		6710			1.14		0.34		32.73	100
GN0042	PL	2007	6438	Site Lab Pulp	25.26	99.20	2.64	2.83	190	230	8	0.03	84	-10	10.16	11.00		16.30	27.03		4460	5300		0.56		0.17		39.36	-100
GN0042	PL	2007	6438	Site Lab Residue	NR			2.80		240	8	0.03	80	10		10.70		16.60	27.53		4470			0.55		0.16		39.36	-100
GN-0045	PL	2007	8427	Site Lab Pulp	26.39	98.70	2.14	2.20	320	325	38	0.05	134	10	15.18	15.50		13.90	23.05		5670	6500		0.60		0.26		37.01	-100
GN-0045	PL	2007	8427	Site Lab Residue	NR			2.23		325	18	0.05	120	-10		15.50		14.20	23.55		5020			0.58		0.26		37.87	-100
GN0077	PL	2007	6995	Site Lab Pulp	13.52	99.40	2.23	2.34	110	165	22	0.07	74	-10	7.40	8.12		18.70	31.01		3000	4150		0.37		0.13		41.72	-100
GN0077	PL	2007	6995	Site Lab Residue	NR			2.33		170	20	0.06	66	-10		8.14		19.00	31.51		3230			0.39		0.13		40.43	-100
GN0081	PL	2007	6411	Site Lab Pulp	10.11	98.50	2.30	2.40	110	155	6	0.03	54	-10	6.96	7.25		19.10	31.67		2660	3750		0.35		0.12		39.58	-100
GN0081	PL	2007	6411	Site Lab Residue	NR			2.34		150	6	0.03	54	-10		7.28		19.60	32.50		2760			0.36		0.12		38.94	-100
GN0109	PL	2007	7619	Site Lab Pulp	26.46	97.30	2.12	2.22	190	220	32	0.36	90	-10	11.40	11.80		13.90	23.05		4130	5400		2.22		0.19		36.58	-100
GN0109	PL	2007	7619	Site Lab Residue	NR			2.22		225	36	0.33	90	-10		11.80		14.20	23.55		3980			2.19		0.19		37.01	-100
GN-0114	PL	2007	8942	Site Lab Pulp	20.89	97.10	1.92	2.05	0	165	10	0.04	62	10	7.12	7.91		18.10	30.01		3130	4250		0.39		0.13		41.93	-100
GN-0114	PL	2007	8942	Site Lab Residue	NR			2.06		165	14	0.04	60	-10		7.95		18.30	30.35		3140			0.39		0.13		41.29	-100
GN0115	PL	2007	6484	Site Lab Pulp	17.44	98.60	2.56	2.72	110	165	10	0.05	60	10	7.11	7.46		20.30	33.66		3020	3800		0.40		0.14		39.79	100
GN0115	PL	2007	6484	Site Lab Residue	NR			2.60		160	8	0.05	56	-10		7.16		20.00	33.17		2760			0.37		0.11		39.36	-100
Average Elemental Values						98.14	2.13	2.22	231	271	20	0.09	136	5	11.91	12.86	8.56	11.44	24.43	2963	6772		0.49	0.76	0.22	0.27	38.82	39.33	60
% Variation (NNMDC v UTL)							**-4.1%**		-15%						**-7.4%**		-25%			-56%			-36%		-17%		-1.3%		
																					Average Cr Values		4796	6258					
																					% Variation (MAD v Fusion)		-23%						

MgO : SiO2 Ratio (UTL): 0.62