# TECHNICAL REPORT ON THE

# EXPLORATION POTENTIAL

# OF THE

# ZLOT-BRESTOVAC MINERAL PROPERTY,

# SERBIA

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# TECHNICAL REPORT ON THE EXPLORATION POTENTIAL OF THE ZLOT-BRESTOVAC MINERAL PROPERTY, SERBIA

## EXECUTIVE SUMMARY

This summary and report have been prepared on behalf of Reservoir Capital Corp. (TSXV:REO.P) by Stanley Bartlett, PGeo, Managing Director and Jonathan Steedman, MAusIMM, Mineral Resource Geologist of Micon International Co Ltd (Micon) of Norwich in UK, and is in compliance with an agreed work programme for the evaluation of current exploration and comment on the proposed exploration budget on the Zlot-Brestovac project in Serbia, owned by Company for Mineral Resources SEE Ltd. Co. Belgrade (SEE) and an indirectly owned subsidiary of Eurasian Minerals Inc. (TSXV: EMX).

The key issues considered during the compilation of this report have included the following principal items of importance:

- Location and configuration of the property;
- Title ownership and relationship to the mineralised zones;
- Physiographic, climatic and infrastructural constraints upon working;
- Nature and favourability of the geology and mineralisation characteristics;
- Geological model for future investigations;
- History of previous mining activities and exploration work;
- Recommended exploration programme, schedule and budget.

The Zlot-Brestovac Exploration Permit was granted to SEE by the Serbian Ministry of Energy and Mines according to the 1995 Law on Geological Exploration (Gazette RS 44/95) on the 15th December 2004. The Permit was renewed on 1st February 2006 and is next due for renewal in February 2007, upon submission of an annual report and work programme for the following year.

The Zlot-Brestovac Exploration Permit is located in the Bor region of Serbia. The property comprises two separate areas, the Brestovac and Zlot sectors, which are held under the same Exploration Permit. The property is well situated to take advantage of the developed mining infrastructure from the Bor mining complex 5 km north of the project site. The region has, over the past few years, become a highly prospective area for porphyry copper and epithermal gold mineralisation, with Phelps Dodge Corp. and Dundee Precious Metals Inc. in active exploration on adjacent properties.

The Exploration Permit is situated within the central zone of the Timok Magmatic Complex which hosts the majority of the important porphyry copper and epithermal gold deposits in Serbia. The Timok Magmatic Complex is primarily composed of northerly striking volcanic and volcanoclastic rocks of mainly andesite composition, which developed in submarine conditions in the Timok rift basin during the late Cretaceous. Large scale north-south trending faults developed as a result of the rifting. Sub-volcanic intrusive rocks marked the end of volcanic activity which formed the Timok Magmatic Complex and resulted in large scale pervasive propyllitic and local argillic alteration of the andesitic volcanic rocks.

Initial desk studies and reconnaissance exploration work defined a highly prospective zone in the Brestovac area which has a history of small scale placer and underground gold mining and where high grade gold mineralisation had been intersected in a 1970's drilling programme conducted by the State owned copper producer RTB Bor. Since obtaining the exploration licence in December 2004, SEE has concentrated their exploration work on this prospective zone just outside the village of Brestovac.

In 2005 SEE completed a 296 m diamond drill hole BN-01 adjacent to the location of the RTB Bor mineralised drill hole. High grade gold mineralisation was intersected close to surface in diamond drill hole BN-01, and lower grade mineralisation was intersected in two other deeper intervals down the hole.

| Depth (meters) | | Interval | Au | Cu | Zn |
|---|---|---|---|---|---|
| From | To | (meters) | (g/t) | (%) | (%) |
| 9.10 | 31.50 | 22.40 | 4.51 | - | - |
| 66.00 | 73.50 | 7.50 | 0.43 | - | - |
| 164.30 | 172.20 | 7.90 | 0.54 | - | - |
| 56.70 | 61.00 | 4.30 | 0.40 | 0.11 | 2.07 |
| 288.00 | 291.00 | 3.00 | - | 0.13 | 4.67 |

Detailed petrological analysis of selected core samples from drill hole BN-01 has confirmed the presence of boiling textures and hydrothermal alteration suggestive of a low sulphidation epithermal system.

The positive results from drill hole BN-01 warranted follow-up exploration work including geochemical sampling and geophysical surveys since completed by SEE. Interpretation of results from exploration has been performed by independent consultants, and strongly suggests the presence of a low sulphidation epithermal system in the Brestovac area. The current exploration has not yet determined the continuity of the mineralisation underground however anomalous gold values and metal associations shown in the geochemical sampling suggest that a mineralised zone may be present for 250 m to 300 m along strike. This zone has been termed the "Corridor" and is supported by geophysical data with the area marked by low resistivity and subdued magnetic response, suggesting the presence of argillic alteration. The zone is cut off to the northeast by the Brestovac River drainage, which is believed to be the location of a major suture zone. The presence of a potential feeder zone was interpreted from magnetometer survey results to the west of the Corridor area. Two other favourable zones for deeper, potentially copper porphyry targets are highlighted by the geophysical survey results to the south of the Corridor. These zones were not coincident with geochemical anomalies.

Replacement zinc mineralisation in marls was intersected at a depth of 288 m to 291 m in drill hole BN-01, which may be the down-dip extension of the stratabound zinc-copper mineralisation that had been mined historically from the adit and shaft.

Surface geological mapping demonstrates that the southern extension of the Bor fault passes through the Brestovac Sector of the Exploration Permit. High grade copper mineralisation was discovered in a rock samples taken from a quarry outcrop south of Brestovac village. Strong anomalies of Cu with associated low gold values and without Zn were demonstrated in soil sampling and were contiguous with the mapped dacite south of Brestovac village and close to the quarry outcrops containing fragments of Bor-type mineralisation. These

geochemical signatures were interpreted as Bor-type Cu targets and may also have an association with a possible blind porphyry target.

It is considered that the targets and potential for discovery in the Brestovac sector of the Zlot-Brestovac Exploration Permit warrant a continuing prudent exploration programme with a significant component of geophysical surveys and drilling. The location of the targets, just outside the village of Brestovac causes a significant problem for further exploration by surface methods such as trenching; therefore drilling is the most suitable for follow-up exploration.

Due to the US$ 231,500 work commitments for the current year of the Zlot-Brestovac Exploration Permit, which expires in February 2007, there is an immediate requirement to follow up the geophysical surveys with further drilling. A five hole 550 m drilling programme is recommended to test the Corridor target that was defined by geochemical sampling and geophysical surveys that extends to the southwest from drill hole BN-01. In addition to this drilling, to ensure that the permit will be renewed in 2007, an induced polarisation (IP) survey and four deeper drill holes will be positioned to test for a potential Bor-type massive sulphide and possible associated blind porphyry target along the extensions of the Bor fault that run through the permit.

It is anticipated that during the next 15 months a budget of US$ 536,830 for exploration is reasonable.

# 1. INTRODUCTION

This report has been prepared on behalf of Reservoir Capital Corp. (TSXV: REO.P) by Micon International Co Limited (Micon), of Norwich, United Kingdom, and is in compliance with an agreed work programme for the evaluation of current exploration and comment on the proposed exploration budget on the Zlot-Brestovac Exploration Permit, Serbia.

Micon provides consulting services to the international mining industry, specialising in the areas of financial analysis, technical analysis, production feasibility studies, project monitoring, litigation support and environmental management. Micon is staffed by senior mining industry professionals who have extensive experience with mining companies, mining contractors and leading consultancy firms. Micon's head office is located in Toronto, Canada and it operates a subsidiary office at Norwich, UK.

Company for Mineral Resources "SEE" Ltd Co. Belgrade" (SEE) is a Serbian registered company that is owned by Southern European Exploration (BVI) Ltd., which is wholly owned by Southern European Exploration Limited (a Yukon company). Southern European Exploration Limited is a wholly owned subsidiary of Eurasian Minerals Inc. (TSXV: EMX).

In accordance with the study objectives, this report sets out the results of a technical assessment of the Zlot-Brestovac property including:

- The research and review of all available and pertinent information relating to the deposit. These data have included exploration results, geological, geophysical, and geochemical data.

- Review of the existing drill core in the SEE company offices and storage facility in Belgrade.

- A one day site visit to the Brestovac sector of the Zlot-Brestovac Exploration Permit, including collection of physiographic, infrastructural and environmental details and the familiarisation with other local mining industry programmes.

This report was prepared by Micon International Co Limited, particularly Mr. Stanley Bartlett, PGeo, Managing Director and Mr. Jonathan Steedman, MAusIMM, Mineral Resource Geologist. The site visit was performed by Mr. Steedman, MAusIMM between the 18$^{th}$ and 20$^{th}$ October 2006. The technical study and report were completed by Mr. Bartlett, PGeo and Mr. Steedman, MAusIMM. Mr. Steedman, MAusIMM accepts overall responsibility for the report. The conclusions and recommendations contained herein have been derived from the assessment of available data and represent the professional opinion of experienced industry geologists. They are designed to give guidance for the future conduct of the exploration of the property.

## 2. RELIANCE ON OTHER EXPERTS

Micon has relied upon information provided by SEE, which describes the individual legal agreements, exploration entitlements and concession dimensions of the Zlot-Brestovac property.

A legal review of agreements and mineral title pertaining to the project was beyond Micon's scope of work and Micon expresses no legal opinion herein. The reader is cautioned that this report does not in any form imply legal ownership.

Micon has also relied upon the descriptions of the history of the Zlot-Brestovac property, including its geological mapping, drilling and sampling, as provided in exploration reports prepared by Eurasian Minerals Inc. as supplied to Micon for the purpose of this report.

## 3. PROPERTY DESCRIPTION AND LOCATION

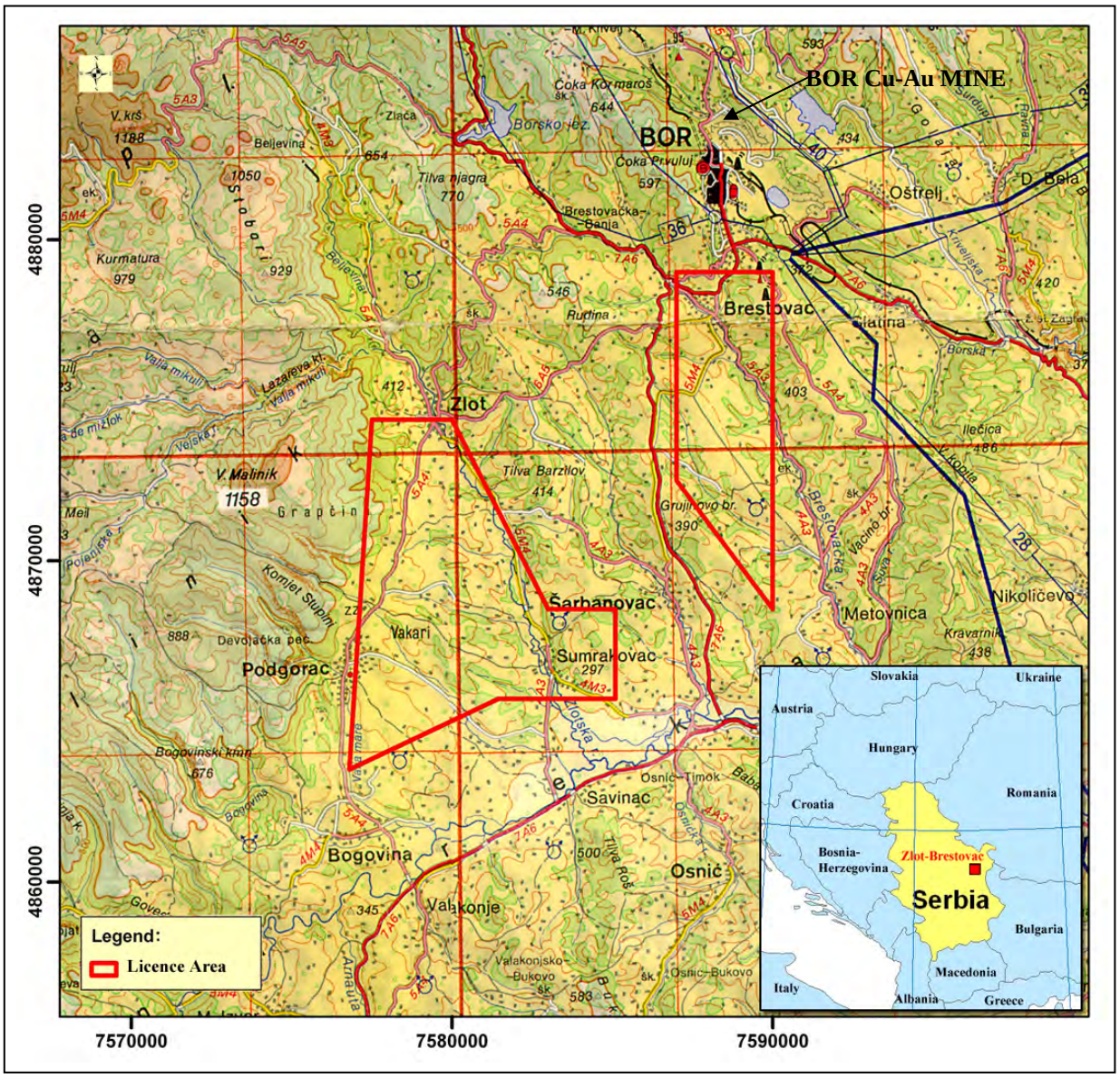
The Zlot-Brestovac Exploration Permit is situated in the Bor region of Serbia, 250 km southeast of the capital city of Belgrade. The property is located 5 km south of the regional centre of Bor, which is built around the site of the world class Bor porphyry copper deposit. The area is highly prospective with major exploration companies including Phelps Dodge Corp. and Dundee Precious Metals Inc. in active exploration on adjacent properties.

The Exploration Permit comprises two separate areas, the Zlot and Brestovac sectors, which are held under the same Permit, see Figure 3.1. The two sectors cover a total area of 77.5 $km^2$. The geographic location of the Exploration Permit sectors are defined by 11 corner points presented in Table 3.1.

**Table 3.1: Coordinates of Property Boundary Corner Points**

| | Easting | Northing |
|---|---|---|
| Brestovac | | |
| 1 | 7587000 | 4879000 |
| 2 | 7590000 | 4879000 |
| 3 | 7590000 | 4868500 |
| 4 | 7587000 | 4872500 |
| Zlot | | |
| 5 | 7580000 | 4874400 |
| 6 | 7585100 | 4868500 |
| 7 | 7585100 | 4868500 |
| 8 | 7585100 | 4865700 |
| 9 | 7581450 | 4865700 |
| 10 | 7576800 | 4863500 |
| 11 | 7577500 | 4874400 |

**Figure 3.1: Location Map of the Zlot-Brestovac Exploration Permit. 1:20,000**




The Zlot-Brestovac Exploration Permit was granted to SEE by the Serbian Ministry of Energy and Mines according to the 1995 Law on Geological Exploration (Gazette RS 44/95) on the 15th December 2004. The Permit was renewed on 1st February 2006. An Exploration Permit is valid for one year until 1st February 2007, but can be extended for a subsequent year on application with an annual report from the previous year and work programme. The Exploration Permit grants rights to explore for mineral deposits, but not to exploit a mineral deposit should a discovery be made. However, in case of a discovery under the terms of an Exploration Permit, the transfer of the ownership rights to an Exploitation License are regulated under paragraph 17 of the 2005 Act on the Amendments to the Mining Act of 1995.

Under the terms of the Permit, exploration work must commence within one month (30 days) of the date upon which it was granted. The results of the exploration activities must be reported to the Ministry of Energy and Mines within 60 days of the end of the Permit year.

The work programme submitted with the application for an extension of an Exploration Permit is regarded as a commitment for the Permit year. The expenditure commitment for the current Permit Year is approximately US$ 231,500.

The application procedures for an Exploration Permit include obtaining statements from the appropriate authorities for environmental protection and the protection of cultural monuments. These statements may contain conditions that must be observed during the work programme, and are integral to the Exploration Permit. SEE have respected these responsibilities with all exploration work which has been done so far.

The Zlot-Brestovac Exploration Permit is due for renewal in February 2007 upon the submission of an annual report and work programme for the following year. Since obtaining the Exploration Permit in 2004, SEE has concentrated their exploration work on an area of gold and copper mineralisation near the village of Brestovac.

## 4. ACCESSIBILITY, CLIMATE, LOCAL RESOURCES, INFRASTRUCTURE AND PHYSIOGRAPHY

The Zlot-Brestovac property is well situated to take advantage of the developed mining infrastructure from the Bor mining complex 5 km north of the project site. The region has access to the major national road network, the power transmission grid capable of supporting a mining operation, a plentiful supply of water and a skilled mining workforce. The infrastructure is a major positive aspect to the project.

### 4.1 Physiography and Climate

The topography of the area is typified by low rolling hills with moderate relief up to 500 m above mean sea level. The elevation of the project site is 330 m above mean sea level. The hillsides are mostly used as meadows and pastures, or remain forested with deciduous and coniferous trees. The terrain conditions do not cause any detrimental considerations to the future exploration and exploitation of the site.

The climate is a moderate continental one, with cold winters and warm summers. The year-round average temperature is 10.2 ºC, while the hottest month is July, with an average temperature of 22.1 °C. Most precipitation in winter is in the form of snow, with snow cover in mountain areas for around 60 days a year. Average annual precipitation for the region is around 688 mm. Apart from certain access difficulties in off-highway areas, these conditions do not prohibit year round working.

### 4.2 Transportation and Access Roads

Transportation links in the Bor region are well developed largely due to the operating Bor mine in the area. The region has a well maintained network of roads which are predominantly single carriageway roads with crawler lanes on hilly sections with high gradient. Bor is about a three hour drive from Belgrade, on a combination of toll motorway and single carriageway secondary roads. The toll motorway which passes to Belgrade is part of the major European highway which connects central and southeastern Europe.

Bor has rail access to Belgrade for both passengers and freight. The River Danube lies to the north and northeast of the Bor region and there are numerous ports along the river, and a major international port in Belgrade.

Belgrade is the nearest airport that is regularly served by flights from several European cities.

### 4.3 Power and Water Supplies

There are good power and water supplies in the area, capable of supporting a fully operating large scale mine.

### 4.4 Land Availability

The Bor region is Serbia's primary mining district and therefore mining is a major land use in the areas directly adjacent to the Bor mine. The Bor mine consists of several open pit mines and an underground mine, and the town of Bor is built very close to the open pit mines.

Aside from mining, the area is used for agriculture, with the low mountain lands often used as pasture. The majority of the land owners who live on the land in the concession area are farmers and use the land to grow crops or as pasture.

The population of the region is low, with a strong migration to nearby cities, due to the reduction of copper and gold mining from Bor towards the end of the 20$^{th}$ century. There are several villages within the Exploration Permit and permission to conduct exploration must be given by the land owners before any exploration work can commence on private land. It is the responsibility of the SEE to provide compensation to land owners for any exploration work on private land. Should a mineral deposit be discovered in the area, the mining company will submit a feasibility study on the basis of which the Ministry will grant the necessary permits.

### 4.5 Human Resources

There are numerous qualified personnel in the region. Skilled and unskilled labour is available from the local communities surrounding Brestovac, especially from Bor. Mining is the major industry in the Bor region and many people have a background in the mining industry. Bor also has a mining institute where students of mining and geology graduate each year.

## 5. HISTORY

There is evidence of a very long history of mining in the Bor region of Serbia. Relics of old workings found in the area date back to the middle ages. The discovery of the world class Bor copper deposit in the region in the early 20$^{th}$ century (1902) made it Serbia's principal mining region.

During the 1990's Serbia's mineral potential was largely neglected by the international exploration community due to restrictions on foreign investment in the former Yugoslavia. Now that foreign investment is being encouraged, international companies are conducting

exploration in the region. In recent times the Timok Magmatic Complex of the Bor region has again become the subject of detailed geological investigations, particularly as a target for epithermal style gold mineralisation and porphyry copper mineralisation.

## 5.1 Exploration History and Property Ownership

The first recorded exploration in the Zlot-Brestovac property in recent years dates back to the 1930's when English and French geologists from Beshina Gold Mines Ltd conducted exploration in the area around Brestovac village, 5.5 km south of Bor. The work conducted by Beshina in the Brestovac area was focused primarily on copper-zinc mineralisation similar to that found in the Bor deposit. The potential for epithermal style gold mineralisation was not understood or considered at that time.

Geological maps and cross-sections dating from the 1930's record small scale underground mining of stratabound Cu-Zn ores and surface placer gold workings in the area near Brestovac village. The hummocky topography in the area is the only remaining evidence for the surface placer mining. The Gencica adit was collared near to the main drainage in Brestovac village, at the foot of a small hill, and extended westwards for about 400 m. There were three working levels each separated by 25 m and accessed by an internal shaft from the adit. The 1930's documentation also report pre-existing surface placer mining for gold above the westernmost extent of the 400 m long underground workings.

Between 1960 and 1989, RTB Bor explored the Brestovac area with 29 diamond drill holes of which 15 were deep holes drilled to depths greater than 150 m.

In 2003 SEE targeted the Zlot-Brestovac area as being of interest, and was granted the Exploration Permit on the property on 15th December 2004.

## 5.2 Results of Previous Exploration Work

It is considered that the principle purpose of the RTB Bor exploration drilling between 1970 and 1989 was the exploration for the replacement style of copper-zinc mineralisation that had been exploited from the Gencica adit.

Drill hole B-1, drilled in 1970, is the most important with respect to SEE's exploration programme, and is the only hole for which SEE has obtained analytical data as well as a simple lithological log. The log of RTB Bor drill hole B-1, drilled above the location of the underground workings, reported anomalous gold values throughout the 300 m length of the hole, and low level lead and zinc values in the upper 60 m of the hole. This is discussed in more detail below.

Three drill sites are located on an approximately east-west profile 400 m south of drill hole B-1, and these are also important locations with respect to SEE's exploration programme at Brestovac. SEE does not have any lithological log or analytical data pertaining to these holes. Most of the drill sites (15 drill holes) were located on two east-west profiles in a small area of about 300 m by 100 m extending from over the Gencica adit eastwards across the Brestovac River. SEE has compiled simple lithological logs for three (B-11, B-12, B-13) of these holes, showing that the holes (deepest 297 m) intersected andesite and pyroclastic rocks, with propylitic and argillic alteration, occasional silicification, and some sphalerite

veins. No analytical data has been found. Four additional drill sites are located near Brestovac River extending to the north towards Brestovac village from the main target area for about 675 m.

In summary, from the location of most of the drill sites it can be assumed that the target was an easterly extension of the replacement zinc-copper mineralisation reported from the Gencica adit and shafts. It is not known how these holes were targeted, although it can be assumed some geophysical work (no records available to SEE) had been undertaken. The only hole to test the area of ancient placer gold workings (B-1) did intersect significant gold mineralisation. It must be emphasised that some of the drill sites shown on the maps may have only been proposed, and not actually drilled – there is no data available by which this can be verified. There is no recorded drilling to test the possible extensions from mapped copper occurrences south of Brestovac village, which are also the target of SEE exploration.

### 5.3 Previous Mineral Resource Estimates

There are no recorded resource evaluations on mineralisation in the Zlot-Brestovac property. Also, there are no records of the pre-1930 small scale mining of stratabound Cu-Zn replacement ores and surface placer gold workings which are evident from the Beshina exploration plans.

# 6. GEOLOGICAL SETTING

The Zlot-Brestovac property is located within the central zone of the Timok Magmatic Complex which hosts the majority of the important porphyry copper and epithermal gold deposits in Serbia. There is extensive literature available that discusses the genetic and metallogenic theories of the complex.

SEE has conducted a detailed review of the available literature. The SEE review provides the basis for the geological descriptions in this report.

## 6.1 Regional Geology

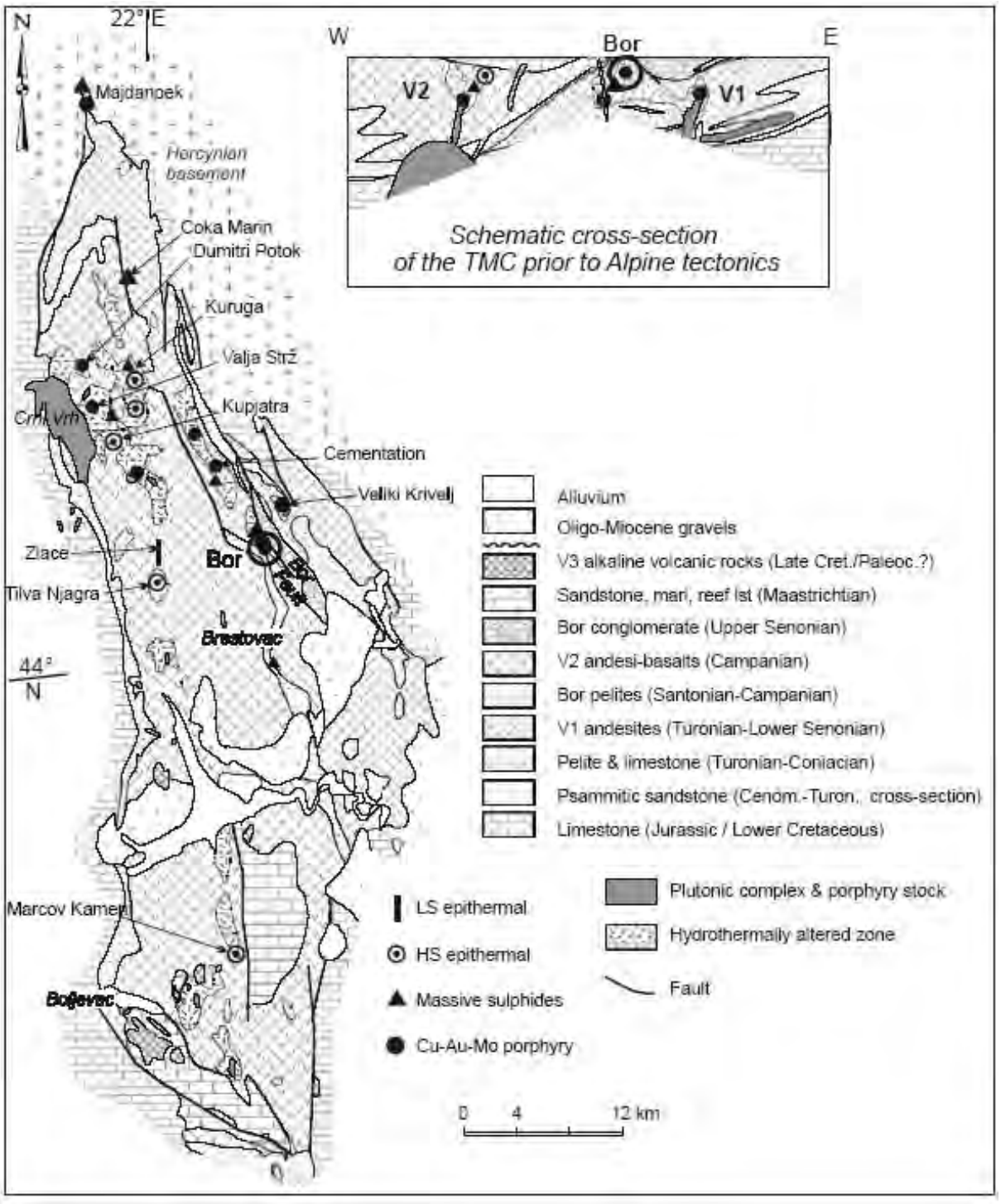
The Bor region lies in the central zone of the Timok Magmatic Complex of the Serbian sector of the Carpathian arc, which is a Late Cretaceous magmatic belt extending from Romania (Apuseni and Banat) to Srednogorie in Bulgaria. The Timok Magmatic Complex extends from the town of Madjanpek about 90 km south, through the towns of Bor and Zajecar. The total area of the Timok Magmatic complex in Serbia is around 1,130 km². The geology map of the Timok Magmatic Complex is presented in Figure 6.1.

The majority of the Timok Magmatic Complex is composed of northerly striking volcanic and volcanoclastic rocks of mainly andesite composition, which developed in submarine conditions in an extensional rift basin during the Late Cretaceous. Volcanoclastic rocks comprise over 90% of the volcanogenic products of the Timok Magmatic Complex. The volcanic activity started in the Turonian and lasted intermittently until the Palaeogene. The climax of igneous activity was in the period from 90 Ma to 70 Ma. According to the majority of scientific workers, there were two main breaks in the volcanic activity and three principal volcanic phases, each of them characterised by multiple lava flows, explosive eruptions with pyroclastic and subvolcanic intrusions.

In the first volcanic phase, during the Turonian, hornblende andesite formed from magmas rich in water, and the accumulation of thick lava flows progressively built up a sub-aerial volcanic arc. Hydrothermal activity associated with the first phase of volcanism is widely believed to be responsible for the majority of the porphyry and massive sulphide mineralisation in the region. The second volcanic phase began in the mid-Senonian and is represented by calc-alkaline pyroxene andesite and basalt which originated from almost dry magmas saturated with silica. During the second phase, explosive volcanism resulted in a dominance of pyroclastic rocks over lavas since the volcanism was distinctly explosive, however during the third volcanic phase lava and sub-volcanic intrusions become more dominant. The sub-volcanic intrusions are commonly associated with the last stage of igneous activity. The third phase is characterised by more potassic rocks. Contact metamorphism of the andesite is related to the intrusions.

Psammite, marl, sandstone and conglomerate were deposited during the relatively quiet phases of the volcanic activity and are often intercalated in the volcanoclastic rocks.

**Figure 6.1: Geology of the Timok Magmatic Complex**




The Timok Magmatic Complex is structurally controlled by the Late Cretaceous rifting of the Timok basin. There are a number of major north-south trending reverse faults, the most dominant being the Bor fault which forms the eastern barrier to the mineralisation in the Bor deposit. There are also a series of east-west trending ladder faults which cross-cut the major faults. A number of active hot springs occur in the area along these structures.

## 6.2 Geology of the Exploration Permit

Detailed geological mapping of the exploration target area outside Brestovac village was conducted by SEE in 2005. All the outcrops in the Permit area were mapped and data from the drill holes and the underground mining were also integrated into a geological map. The SEE geological map of the Brestovac area is presented in Figure 6.2.

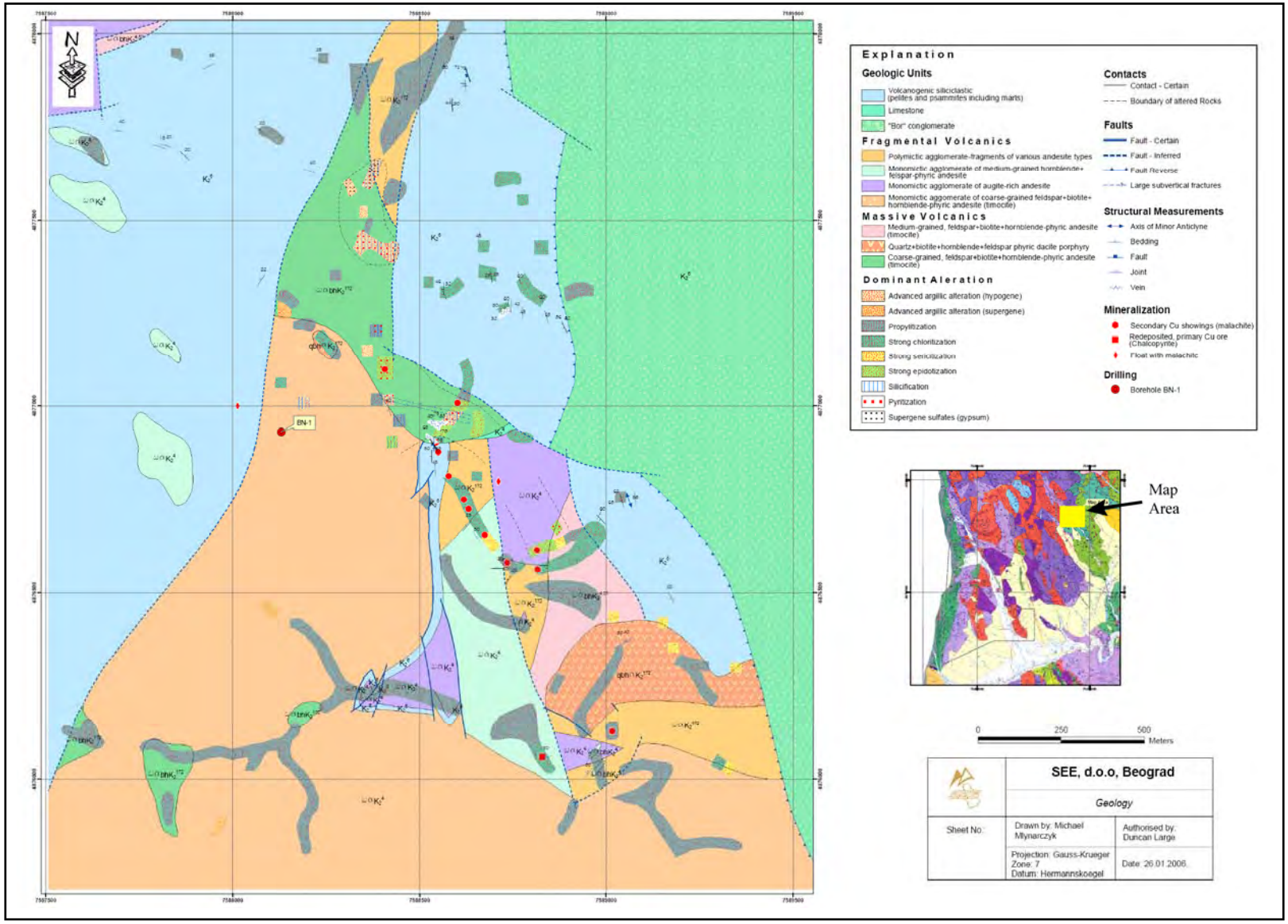
The geology of the Brestovac area is characterised by Turonian andesite volcanic rocks, volcanoclastic rocks and marly shale interpreted to belong to the first volcanic phase. The rocks generally young to the west and Senonian age volcanic rocks from the second volcanic phase are present in the westernmost area of the Brestovac Sector of the Exploration Permit. The southern extension of the Bor fault trends north to south through the east of the area. A second major structure, which trends northwest-southeast dissects the valleys and follows the Brestovac River valley and has been interpreted to be a suture zone between the eastern and western volcanic zones in the Timok Magmatic Complex. There are numerous smaller structures and fracture zones in the area that crosscut the major structures.

Most of the volcanic rocks in the area are agglomerates, typically comprised of well-rounded fragments greater than 60 mm in size. The agglomerates are polymictic, consisting of a variety of andesite types but primarily hornblende andesite. Volcanic breccias with angular fragments are less common. Agglomerate units are separated by 20 cm to 30 cm thick beds of volcanoclastic rocks and volcanogenic marlstones. A small stock of chloritised dacite porphyry outcrops to the south of Brestovac village. Volcanic sandstones and the Bor conglomerates occur in the east of the area, east of the interpreted extension of the Bor fault.

Nearly flat-lying Miocene sedimentary rocks, including sandstones and conglomerates, cover the Cretaceous volcanic rocks. In this location the Miocene is quite thin but does cover the target stratigraphy.

The andesitic volcanic rocks in the area are characterised by pervasive propyllitic and local argillic alteration. Pyritisation and silicification are largely structurally controlled and associated with the fracture zones and sub vertical faults, which are likely to have served as channels for hydrothermal fluids. Alteration zoning is poorly developed with quartz-sericite-pyrite alteration zones surrounded by wide zones of moderately epidotised rocks, which grade into zones of propylitic alteration. The alteration is terminated to the east by a north-south fault (interpreted to be the extension of the Bor fault). Iron staining is present on surface outcrops, probably due to the supergene destruction of pyrite. Large supergene gypsum crystals are also observed on the rock surfaces in cracks and fractures.

**Figure 6.2: Geology of the Brestovac Area**



## 7. DEPOSIT TYPES

The Brestovac sector of the Zlot-Brestovac Exploration Permit is located only 5 km south of the world class Bor copper-gold mining district, and within the metallogenic zone defined by the Timok Magmatic Complex. The mineralisation at Bor in particular, and within the Timok Magmatic Complex in general, will provide a guide to those that can be expected within the Brestovac sector of the Zlot-Brestovac Exploration Permit. The following description is summarised from a report by R.G. Blair, geological consultant to SEE in 2005.

*At the main Bor district, there are three principal mineralisation styles. The original deposits mined were very gold-rich, high grade massive sulphide bodies of enargite/luzonite, chalcopyrite, bornite and pyrite with hypogene chalcocite and minor sphalerite-galena-tetrahedrite and trace molybdenite. The massive sulphide mineralisation is surrounded by large zones of disseminated to semi-massive copper and iron sulfides hosted within QSP (quartz-silica-pyrite)-alunite alteration with >10% pyrite content. The envelopes of disseminated to semi massive Cu-Fe mineralisation, enclose the smaller, discrete and often tubular or cigar-shaped massive sulphide bodies; these have vertical ranges of 300-800 meters. The near surface massive sulphide and disseminated ores were overlain by thick, gold-rich, high silica or secondary quartzite silica caps with covellite and native sulfur. At depth, at least two major porphyry Cu-Au deposits are known beneath the massive sulphide zones. Furthermore, at least one, large, bedded, detrital deposit (composed of large clasts of proximal, re-sedimented explosion breccia fragments of very high-grade massive sulphide ore – Novo Okno orebody), is known to lie some 1.5 km from the in situ, historic massive sulphide. Within the main ore zone, numerous, in situ, clast-dominated hydrothermal breccias and post-massive sulphide diatremes containing abundant ore fragments are found cutting massive and semi-massive sulphide bodies.*

*It is clear from the literature, that the most significant high-sulphidation style, Cu-Au massive sulphide deposits in the Bor district are underlain by quartz-bearing and dacitic, slightly younger, large to very large, good grade porphyry Cu-Au deposits; the spatial and genetic association seems overwhelming. Recent Re-Os dating of molybdenite from such Bor and Majdanpek stockwork mineralisation gives ages of 85-84 Ma (V1 igneous cycle). The U/Pb dates on zircons from these and other more mafic mineralised intrusions give emplacement ages of 87-83 Ma, demonstrating the consanguinity in time and space between magmatism and mineralisation. Unfortunately, no Re-Os data is available for the mineralisation hosted in the Phase 2 volcanics at Brestovac.*

*The central core of massive sulphide and disseminated Cu-Au mineralisation in the Bor district trends N30W, is 500 x 2000 meters in size and extends to depths of >600 meters. The underlying porphyry style mineralisation starts at about 600 meters depth and extends vertically to >1500 meters depth. While the heart or core of the district is contained within a 1500 meter long strike interval, massive sulphide and disseminated mineralisation has been mined as much as 2000 meters to the N and 2000 meters S of the central core of the deposit. The present Bor open pit is some 2000 meters long and >1200 m wide.*

*Alteration types include high sulphidation, typical low sulphidation porphyry style alteration, minor skarn and minor epithermal vein style alteration. Mineralisation of significance is usually accompanied by 1) high sulphidation silica, 2) high sulphidisation massive sulfide, 3) porphyry style stockwork, and 4) disseminated high sulphidation (QSP or quartz-pyrite-sericite and alunite) mineralisation. These are important for either their associated 1) Au, 2) Cu-Au, 3) Cu + Au, and 4) Cu (Au) contents.*

Historic exploration and recent work has identified four styles of mineralisation of possible economic interest within the Brestovac sector of the Zlot-Brestovac Exploration Permit. These include in current order of importance a 1) low to intermediate sulphidation (LS) higher grade vein and disseminated gold, hosted in volcanic rocks, 2) stratabound Zn-Cu or Cu (Zn) replacement ores hosted in marly shale within younger volcanic rocks, 3) Bor-type massive sulphide Cu mineralisation found as pebbles and possibly in veins in volcanic rocks of indeterminate age, and 4) porphyry copper style and high sulphidation Cu-Au mineralisation hosted by the volcanic rocks and often found to be spatially associated with the Bor-type massive sulphide mineralisation.

Volcanic hosted high and low sulphidation epithermal deposits are related to late-Cretaceous calc-alkaline magmatic complexes in the Bor region. Epithermal mineralisation typically fills fault and fracture zones formed during the evolution of the system, with ore deposition taking place close to the end of the hydrothermal activity in the system. Both deposits types are associated with wide spread pyritisation and layered halos of argillic, sericitic, phyllic and propyllitic alteration.

In the Bor metallogenic district high sulphidation systems dominate and occur predominantly as Cu-Au orebodies. The orebodies occur within localised zones of vuggy silica around the fracture, and alteration progresses outwards into quartz-alunite, kaolinite rich to illite rich and finally into chlorite rich rock. Typically high sulphidation systems are associated with large areas of alteration. Mineralisation can occur as stockwork veins or lenses and gold is present as disseminated grains or locally increased concentrations. Examples of high sulphidation epithermal gold deposits include Bor, Choka Kuruga, Lipa, Choka Marin.

Low sulphidation epithermal systems are also associated with alteration but it tends to be more localised and less pervasive around the fractures or faults. Silica is precipitated as quartz, often sealing the fractures closed. Low sulphidation systems typically produce higher grade gold deposits than high sulphidation systems, however are less common in the Bor metallogenic district. Examples of low sulphidation epithermal deposits are Zlaće and Ogašu Rošu.

Stratabound base-metal mineralisation in the Bor area relates to localised high temperature replacement of limestone in close association with volcanic rocks and is characterised by a sphalerite-galena-pyrite-chalcopyrite sulphide assemblage.

## 8. MINERALISATION

A quarry outcrop south of Brestovac village exposes fragments of copper sulphide (bornite, chalcocite) mineralisation in coarse agglomerate of augite andesite. The outcropping mineralisation is similar to Bor-type mineralisation. Some of the large blocks of waste rock on the floor of the quarry contain 4 cm to 6 cm diameter, moderately well rounded, fragments of chalcopyrite-bornite accompanied by similar sized fragments of volcanic rock. Earlier workers considered the sulphide pebbles to have been transported from Bor-type mineralisation to their present location, comparable to the proposed origin of the Novo Okno deposit at Bor. However, SEE geologists have demonstrated that the sulphide fragments exhibit epigenetic relationships to the enclosing volcanic rocks, including alteration rims. Examination of portions of the 5 m high headwalls of the quarry show bedded, well indurated volcanic breccias, some with totally oxidised former sulphide fragments. Another outcrop of copper mineralisation, about 450 m west of the quarry, was mapped by earlier workers but has not been re-located in the field.

Otherwise, traces of mineralisation on surface are largely of a secondary nature and are exclusively of copper minerals. Malachite staining is present in volcanic marls close to the dacite intrusion.

Several copper occurrences, primarily malachite stains and spots in marls, were identified by SEE mapping along the paved highway in the Brestovac River valley, about 200 m to 400 m east of the adit.

The documentation of the 1930's French underground workings shows carbonate-hosted, stratabound copper-zinc mineralisation dipping at about 45º west and located at depths of up to 50 m below the adit level. According to Jankovic (1990) the copper-zinc sulphide mineralisation occurred as stratabound lenses up to 20 m thick. No grades are reported in the sections and plans, and the mineralisation has not been found outcropping on the surface. Jankovic in Ore Deposits of Serbia (1990) mentions an intersection at Brestovac (location unidentified) of 26 m assaying 1.3% copper and 7.2% zinc from a depth of 32 m. The 1930's surface plan shows that ancient placer gold workings are located about 400 m southwest from the stratabound copper-zinc mineralisation, and the adit was extended to this area at a depth of about 10 m to 20 m below the surface. A rock dump outside the mine adit shows strongly silicified and pyritised vuggy silica rich volcanic breccia that may have been recovered from the area underlying the placer gold workings.

The log of RTB Bor drill hole B-1, drilled above the location of the underground workings, reported anomalous gold values throughout the 300 m length of the hole, and low level lead and zinc values in the upper 60 m of the hole.

# 9. EXPLORATION

The geological exploration of epithermal mineralisation of precious metals and associated metallic mineralisation were taken during the period of 12 months, from the 15th of December 2004 to the 9th of April 2006. The nature and extent of exploration is described in chronological order below.

## 9.1 Desk Study

Prior to acquiring the license on the property, in 2003 SEE conducted a detailed analysis of all available literature and documentation on the Timok Magmatic Complex. From this desk study, SEE developed a strategy for exploration which was employed in the property selection. SEE prioritised the Brestovac sector of the Zlot-Brestovac Exploration Permit for preliminary exploration and decided to concentrate on the gold mineralisation reported in drill hole B-1, which was drilled in the 1970's by RTB Bor.

## 9.2 Reconnaissance Exploration

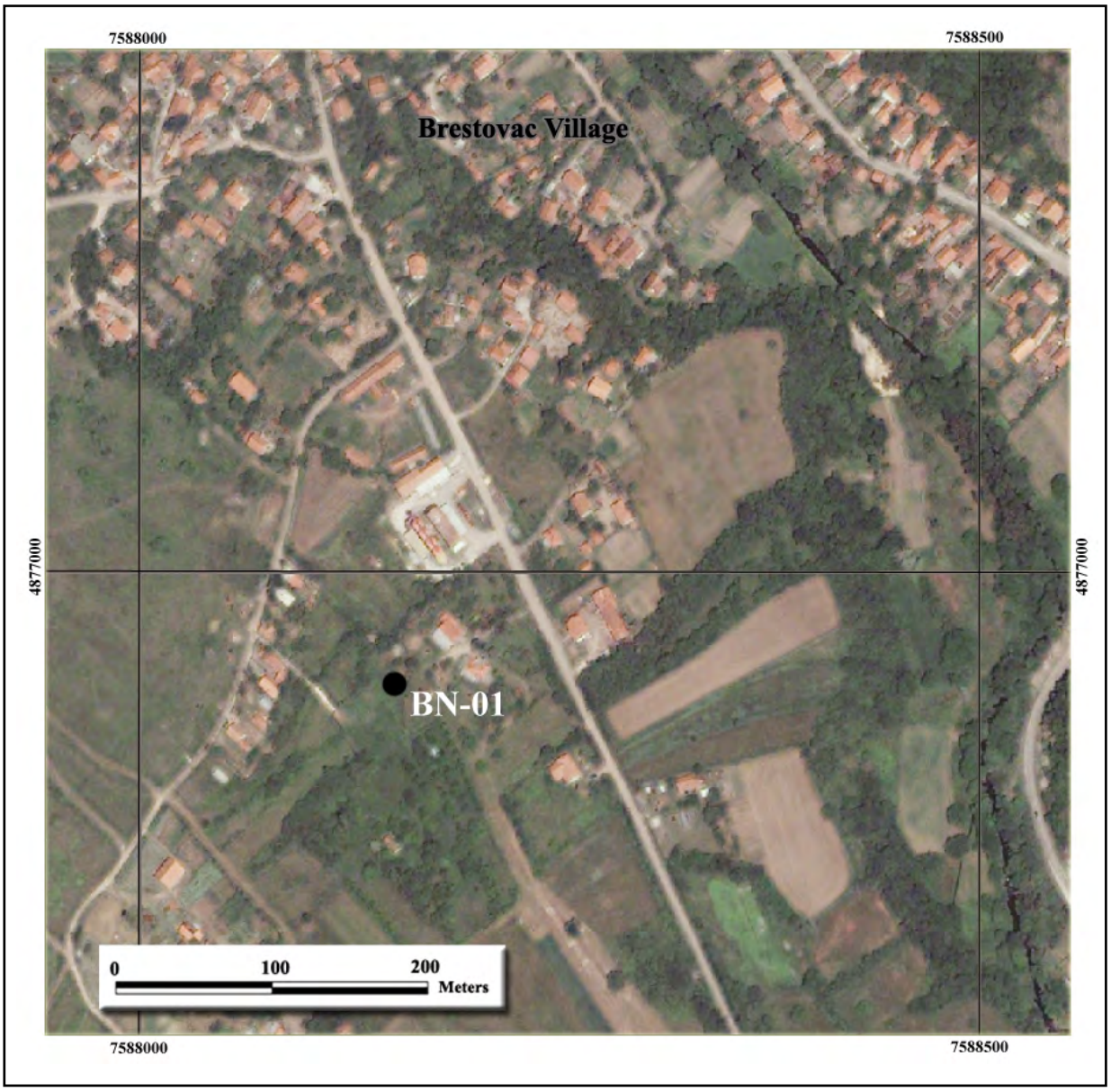
During February and March 2004, after the Zlot-Brestovac Exploration Permit had been acquired, SEE conducted field reconnaissance, along with preliminary mapping and sampling. The field work was directed by Dr. Duncan Large, the Exploration Manager of Eurasian Minerals Inc, with Mrđja Vojislav, SEE Senior Geologist. The exact collar site of mineralised drill hole B-1 was located and confirmed by geodetic measurements. Rock samples were also taken from outcrops in the area, and from the dump at the Gencica adit. All samples taken were crushed in the SEE sample preparation facility in Belgrade and then sent to ALS Chemex Labs Ltd (ALS Chemex) in Vancouver, Canada for analysis.

## 9.3 Drilling

Diamond drilling was conducted by SEE in order to confirm the results reported from RTB Bor drill hole B-1. Diamond drill hole BN-01 was drilled between the 25th March and 18th April 2005. Drilling was undertaken by the Bor based company 'Istražni radovi', which is a subsidiary of RTB Bor-Grupa RBB d.o.o. Diamond drill hole BN-01 was collared 70 cm from the known location of the mineralised drill hole B-1. The location of drill hole BN-01 is presented in Figure 9.1. The hole was drilled vertically from surface to a depth of 296.8 m.

The core was logged in detail in Belgrade by Tom Chadwick, the Chief Geologist of Eurasian Minerals Inc. Core samples were selected on the basis of lithology and observed mineralisation – sample length varied from 0.5 to 2 m. The core was then cut by diamond saw in the SEE Belgrade sample preparation facility. Each sample consisted of half the core. The fines derived from sawing each sample were also collected, dried and half were returned to the sample bag. The samples were crushed to 80% less than 2 mm, and split in a standard riffle splitter. Sub samples weighing 200 g were sent by FEDEX air freight to ALS Chemex for analysis. Gold was analysed by fire assay and AAS finish of a 30 g sample, and the other 49 elements were analysed by ICP-MS and ICP-AES following aqua regia digestion. The crusher rejects were collected and stored in the SEE sample preparation facility, Belgrade.

**Figure 9.1: Location of Diamond Drill Hole BN-01**




Three significant intervals of gold and base metal mineralisation were discovered in drill hole BN-01 and are summarised in Table 9.1

**Table 9.1: Mineralised Intercepts from Diamond Drill Hole BN-01**

| | Depth (m) | | Interval | Au | Cu | Zn |
|---|---|---|---|---|---|---|
| | From | To | (m) | (g/t) | (%) | (%) |
| Interval 1 | 9.10 | 31.50 | 22.40 | 4.51 | - | - |
| Interval 2 | 66.00 | 73.50 | 7.50 | 0.43 | - | - |
| Interval 3 | 164.30 | 172.20 | 7.90 | 0.54 | - | - |
| Interval 4 | 56.70 | 61.00 | 4.30 | 0.40 | 0.11 | 2.07 |
| Interval 5 | 288.00 | 291.00 | 3.00 | - | 0.13 | 4.67 |

Petrological analysis of 11 selected samples from hole BN-01 was performed by the Natural History Museum in London in September 2005. This work focused on the different types of alteration, textures and paragenesis in order to obtain information on the genesis and source of mineralisation. The samples were prepared as polished thin sections and powders for XRD-PSD by the National History Museum.

It was concluded from this study that the mineralised intervals from drill hole BN-01 occur in rocks which belong to the second volcanic phase of the Timok Magmatic Complex. The observed textures suggest that much of the host rock is linked to an andesitic-dacitic dome complex with autobrecciated margins. The presence of silica-adularia-carbonate-limonite alteration in the upper parts of the drill hole and the presence of boiling textures at 60 m indicate that alteration was caused by a low to intermediate sulphidation epithermal system. Free gold was only observed in one sample, and the zones of gold enrichment are marked by the presence of sphalerite, chalcopyrite and galena accompanied by significant amounts of quartz and calcite.

The zinc dominant replacement mineralisation encountered from 288 m to 291 m is clearly hosted by calcareous sediment that is compared to the Bor pelite. This zone could be the down-dip extension of the mineralisation that was mapped in the Gencica adit and cross-cuts.

## 9.4 Detailed Geological Mapping

Rock outcrops are restricted to road cuts in the Brestovac River valley, and occasional small exposures in agricultural and forestry land. Overall, it is estimated that there is less than 1% outcrop in the Exploration Permit area.

Detailed geological mapping of an area approximately 4 km² was performed in August 2005 by Dr. Michael Mlynarczyk, who is a Canadian independent consultant. A 1:5,000 scale map of the geology of the Brestovac area was produced along with a detailed report containing descriptions of all of the outcrops in the area and types of hydrothermal alteration shown. The field mapping report was used in the local area geological description in this report.

## 9.5 Geochemical Sampling

A variably thick but extensive soil cover overlies much of the upland areas of the 3 km by 10 km, north-south trending Brestovac sector of the Exploration Permit. For this reason geochemistry, particularly in the areas of thinner soil cover, is a useful direct exploration tool at Brestovac.

### 9.5.1 Stream Sediment Sampling

Stream sediment sampling was conducted in the period from 29th June to 7th July 2005. Samples were taken from all of the most important drainage systems in the area to cover all possible sources of potential ore mineralisation. The sampling was performed by Dr. Michael Mlynarczyk, Consultant geologist to SEE/EMX, and by Dušan Bjelotomić, SEE geologist. A total of 82 samples were collected; 42 samples from the Brestovac sector and 40 samples from the Zlot sector of the Exploration Permit. The samples consisted of 1 kg to 1.5 kg of fine material collected from active sediment at several locations within the drainage according to SEE procedure. The samples were dried and sieved to -80 mesh in the SEE

sample preparation facility, and riffle split to about 200 g. Samples were sent by FEDEX air freight to ALS Chemex. Gold was analysed by fire assay and ICP-MS finish of a 30 g sample, and the other 45 elements were analysed by ICP-MS and ICP-AES following aqua regia digestion. The oversize and reject material is stored at the SEE sample preparation facility.

### 9.5.2 Soil Sampling

Soil sampling was performed by Mrđja Vojislav, SEE Senior Geologist, in the period between 7th April and 21st July 2005. Samples were taken on parallel sample lines oriented perpendicular to the strike of the principal structures. The location of soil samples is presented in Figure 9.2.

Samples were collected on an initial network of 50 m by 150 m (spaced 50 m along profiles 150 m apart) covering an area of 300 m² over the most prospective area around the mineralised drill hole BN-01. Subsequent soil samples beyond the most prospective area were taken on an increased sample spacing network. The three original sample lines were extended for a further 700 m to the southeast and 300 m to the northwest with samples taken at 100 m spacing along the profiles. To the southwest sample lines were spaced at 200 m apart, with samples spaced 100 m along the profiles. It was not possible to extend the baseline to the northeast due to Brestovac village. A total of 145 soil samples were collected from the Brestovac sector.

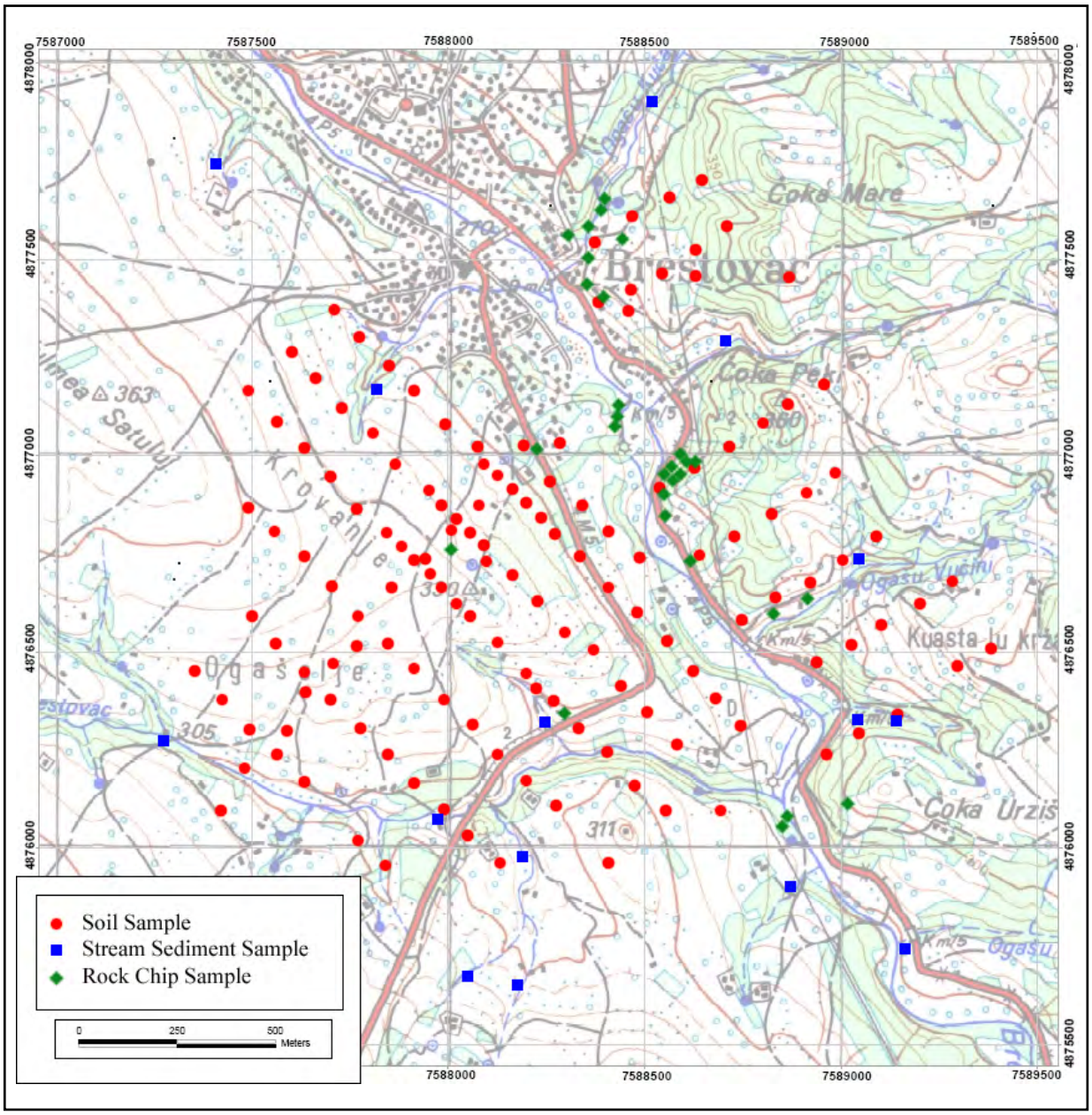
Due to the 9.10 m thickness of the soil and clay that was intersected in the BN-01 drill hole, a mechanical auger (diameter 60 mm) was utilised to obtain 57 samples from B or C-horizon at penetration depths of 0.6 to 3.4 m. The sample material was recovered from the auger flights at the maximum depth penetrated.

Soil and auger samples consisted of 1.5 kg to 2 kg of material collected from the A/B soil horizon at a depth of 25 cm to 30 cm. Coarse lithic and organic material was removed from the sample material before being bagged and transported to Belgrade. The samples were dried and sieved to -80 mesh in the SEE sample preparation facility, and riffle split to about 200 g that was sent by FEDEX air-freight to ALS Chemex. Gold was analysed by fire assay and ICP-MS finish of a 30 g sample, and the other 45 elements were analysed by ICP-MS and ICP-AES following aqua regia digestion. The oversize and reject material is stored at the SEE sample preparation facility.

### 9.5.3 Rock Sampling

Rock samples were taken from all of the outcrops identified in the Brestovac area. In total 57 rock samples were collected, most of which were grab samples collected from several sites considered to be representative of the outcrop. Selected grab samples of mineralised and/or altered rock were also collected, and a few systematic continuous chip-channel samples were collected across vein structures exposed in the road cutting on the eastern bank of the Brestovac River.

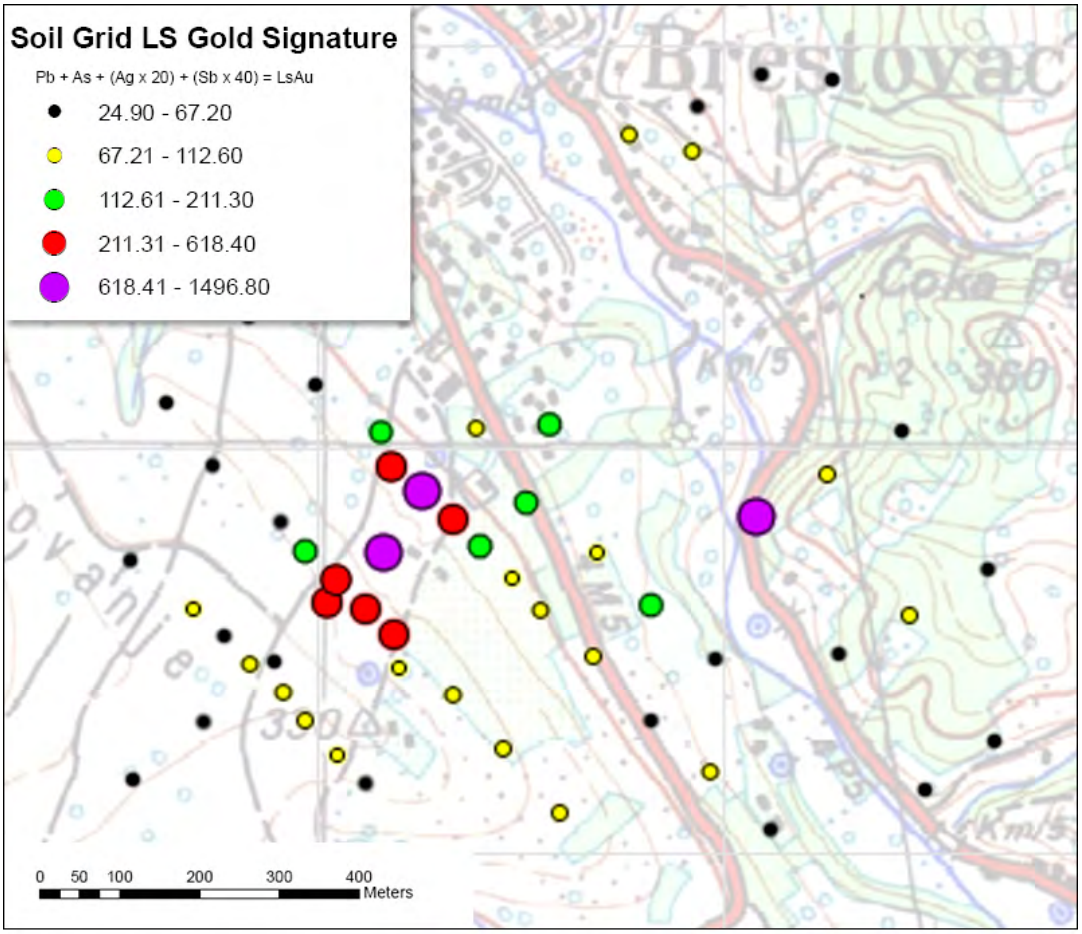
**Figure 9.2: Location of Geochemical Samples**




## 9.5.4 Interpretation of Geochemistry

The data from the Brestovac stream, soil and rock geochemical sampling programme was analysed and interpreted by an independent consultant, Robert G. Blair, in January 2006. His empirical interpretation of the data highlighted the geochemical signature of a low sulphidation Au zone around the site of the mineralised drill hole BN-01. This was shown by a zone of anomalous Pb, As, Ag, Sb in soil and rock samples along with anomalous Au in stream sediment. The anomalous zone is presented in Figure 9.3. The zone has a strike extent of 250 m to 300 m and trends at 030º. The zone is terminated to the northeast by a north-northwest trending fault that underlies the Brestovac River drainage, and there is no signature of a low sulphidation gold system on the opposite side of the drainage.

**Figure 9.3: Low Sulphidation Au Signature Zone in Soil Geochemical Samples**




The interpretation of soil and rock geochemical sampling also delineated Zn-Cu and Cu-only anomalous zones in the Brestovac area. Zn and Cu anomalies in soils were most evident around the Gencica adit and relate to the stratabound mineralisation known from the underground workings. The analysis suggests the zone extends to the northwest, however there was little evidence seen for its extension south of the Gencica adit. Stream sediment samples taken to the south of the permit area were also found to contain anomalous quantities of Cu and Zn, which warrant more detailed exploration in the area.

Strong anomalies of Cu with associated low Au values and without Zn were interpreted as Bor-type Cu targets. These geochemical signatures were contiguous with the mapped dacite south of Brestovac village and close to the outcrops containing fragments of Bor-type mineralisation.

On recommendation of the independent report, soil augering samples were taken from the area to the southwest of the low sulphidation Au anomaly since the overburden in this area was known to be thick. The auger samples were taken from a depth up to 3.5 m, which was still found to be within the overburden. The results of the auger sampling confirmed but did not extend to distribution of anomalous Pb, As, Ag, Sb and Au derived from the earlier soil sampling campaign. The consultant recommended further geochemical sampling in five areas, including that marked by the Bor-type geochemical signatures.

## 9.6 Geophysical Surveys

SEE commissioned Serbian consultants GeoExplorer and Dusan Nikolic to compile and interpret the regional geophysical data that was available for the Brestovac area, including gravity, magnetic and airborne radiometric survey data. The quality of the data and wide spacing of the data measurement points restrict the use of the data for anything more than qualitative interpretations of regional trends and features. SEE decided to undertake their own geophysical surveys (ground magnetic and IP) over the most prospective area in the Brestovac sector of the Exploration Permit.

Magnetic susceptibility was measured for the complete length of core obtained from the BN-01 drill hole, and displayed graphically. This data clearly identifies specific lithologies within the volcanoclastic sequence as well as the markedly subdued magnetic signature of the altered and mineralised sections from 0 m to 65 m.

### 9.6.1 Ground Magnetometer Survey

The Geomagnetic Institute in Belgrade undertook a ground magnetic survey of the Brestovac area between 23rd and 25th November 2005. Measurements were taken using a GSM 19 magnetometer / gradiometer (manufactured by Canadian GEM Systems) which is built into a backpack, and has a GPS for measuring the location of sample stations. In the initial programme in 2005, measurements were taken from 423 stations spaced 20 m apart along profile lines spaced 200 m apart. Profile lines were designed to provide complete coverage of all prospective areas. Both the total magnetic field and vertical gradient were measured. Diurnal variations were removed from the total field data by subtracting base station readings taken from a federal geomagnetic observatory.

The Geomagnetic Institute performed a second phase of follow up ground magnetic survey in the area between the 24th and 28th March 2006. The area around the known mineralisation was analysed in more detail with a further 287 measurements taken from sample stations spaced 10 m apart along profile lines spaced 100 m apart.

### 9.6.2 Induced Polarisation (IP) Survey

"GEOFIZIKA-ING" of Belgrade undertook two induced polarisation and resistivity surveys in the Brestovac area. The first phase utilised both a gradient array of electrodes for shallow exploration to a depth of around 80 m, and by dipole-dipole array which allowed exploration to a depth of around 300 m. This work was performed in the period between 10th November and 14th December 2005. The profiles were designed to cover the same areas as the ground magnetic survey. Exploration with gradient array was conducted using a four electrode setup on 14 profiles with spacing between the electrical current electrodes of 1,400 m and between the electric potential electrodes of 20 m. Exploration with the dipole-dipole array was also performed using a four electrode setup on three profiles. Spacing between the electrodes was 100 m, however spacing between the transmitter and receiver dipoles was adjusted between 150 m and 700 m, depending on the depth of exploration required along the profile.

A second phase programme of dipole-dipole measurements was performed in the period between 28th of March and 9th of April 2006 by "GEOFIZIKA-ING". The coverage consisted of 8 profiles oriented at 123° across the interpreted strike of the zone of known

mineralisation, with spacing between the electrodes reduced to provide highly detailed data suitable for rigorous interpretation.

### 9.6.1 Interpretation of Geophysical Surveys

In 2006, the geophysical data from ground magnetic and IP surveys was reviewed and interpreted by the independent consultant James L. Wright, MSc of Wright Geophysics. Wright's interpretations of geophysical data are presented in Figures 9.4, 9.5 and 9.6.

Wright reported that "*application of both techniques is appropriate since mineralisation at the nearby Bor Cu-Au deposits is typified by wide spread pyritisation and extensive alteration including phyllic, argillic, and silicification. The metallic sulphides are excellent targets for the IP technique. All three alteration types remove the magnetic constituent of host rocks and thus diminish the magnetic response. Target zones will therefore exhibit positive chargeability responses, either high or low resistivity depending upon the dominant alteration (Si – high resistivity, clay – low resistivity), and a low or reduced magnetic anomaly. The combined surveys provide a viable exploration approach for such deposits*". The report also stated that "*in spite of the positioning problems, both the ground magnetic and IP data appear to be of acceptable quality and suitable for interpretation*".

Wright identified three areas of interest; the most prominent area is known as the Corridor and is marked by a distinctive resistivity anomaly indicative of a conductive zone, as well as a subdued magnetic response that is interpreted to reflect the alteration of the magnetic andesite. The Corridor extends for about 300 m northeast-southwest, and is about 100 m wide. The geophysical Corridor also coincides with the area of ancient gold placer workings and includes the site of the BN-01 drill hole. The detailed IP from the second phase highlighted a series of north to northwest oriented faults within the Corridor zone. Drilling coupled with the geophysical survey results supports the interpretation of a keel shaped, altered zone bounded to the southeast by a fault. The magnetic survey highlighted the lithological contact between two units to the east of the Corridor. Four inferred north-south trending faults that crosscut the Corridor are inferred from interpreted offsets of this geological contact. The most southerly of the inferred faults was interpreted to be dyke filled. Wright concluded that the entire area is prospective and worthy of additional work. On the basis of the interpretation of the second phase of IP measurements, Wright proposed six drill holes to test specific geophysical targets within and near the Corridor.

Two other geophysical anomalies were highlighted in the interpretation. The first is located near the known zinc-copper replacement mineralisation identified in the Gencica adit, and is marked by a resistivity low and chargeability high. The second is located to the south of the Corridor zone, and is defined by a deeper chargeability anomaly with a coincident magnetic low. This area is also near a gravity anomaly identified by consultant Dusan Nikolic (GeoInstitute, Belgrade), who proposed that it might represent a deep seated intrusion at a depth of about 350 m. The chargeability anomaly was also interpreted by Wright to be a deep target.

The geophysical data over the southeast area of the Brestovac sector was found to be badly corrupted by cultural responses and no areas of exploration interest were noted.

**Figure 9.4: Pole Reduced Total Field Magnetic Survey Interpretation**

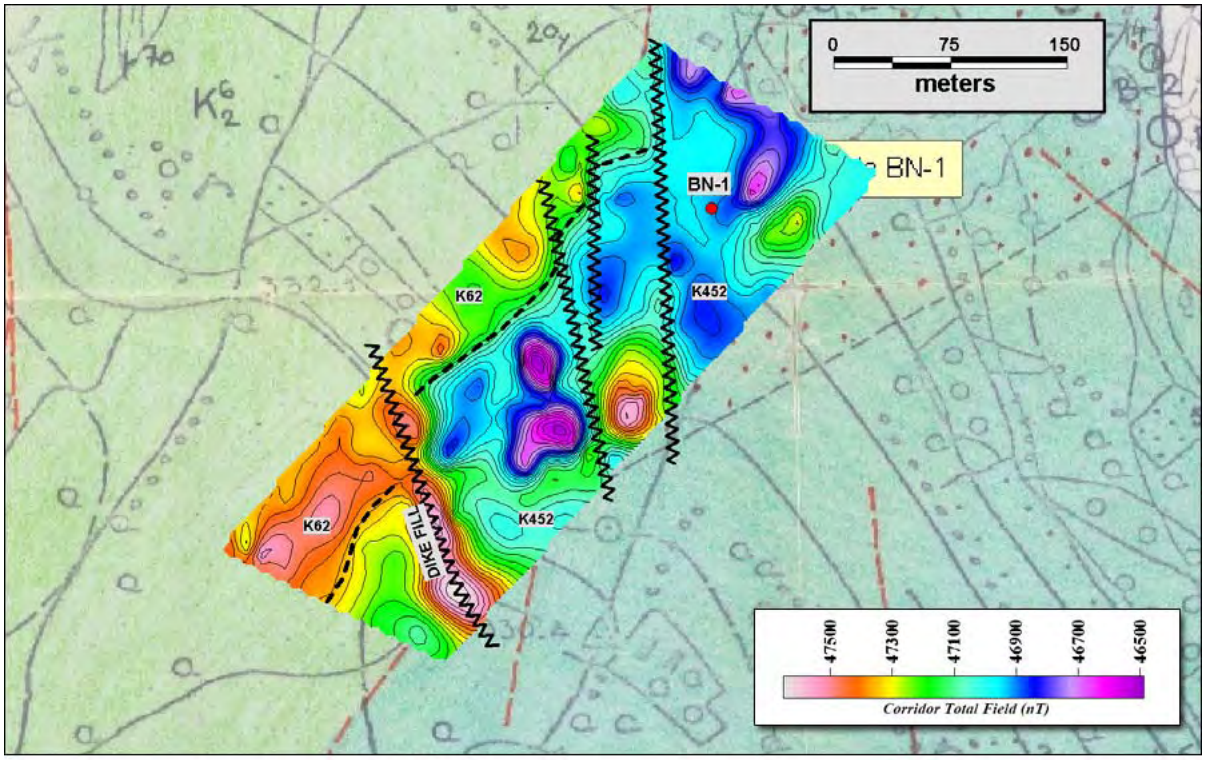



**Figure 9.5: Slice 0-50m Inverted Resistivity Interpretation**

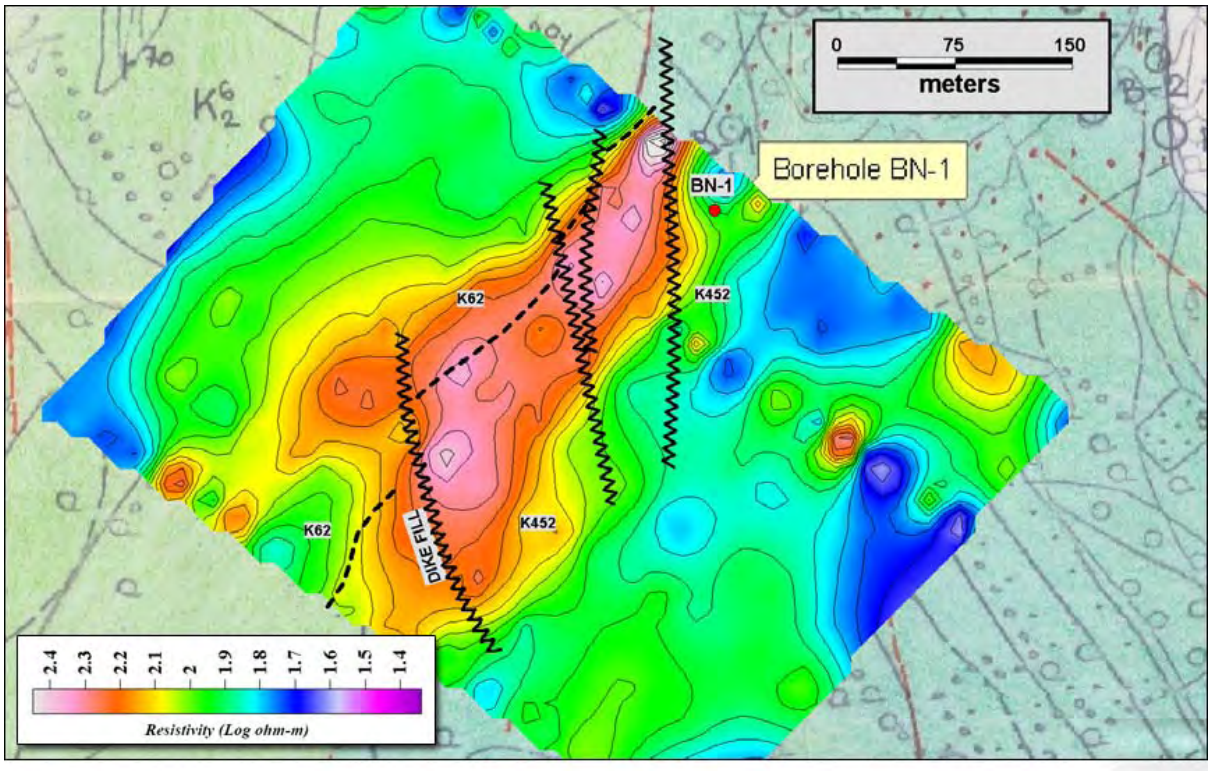
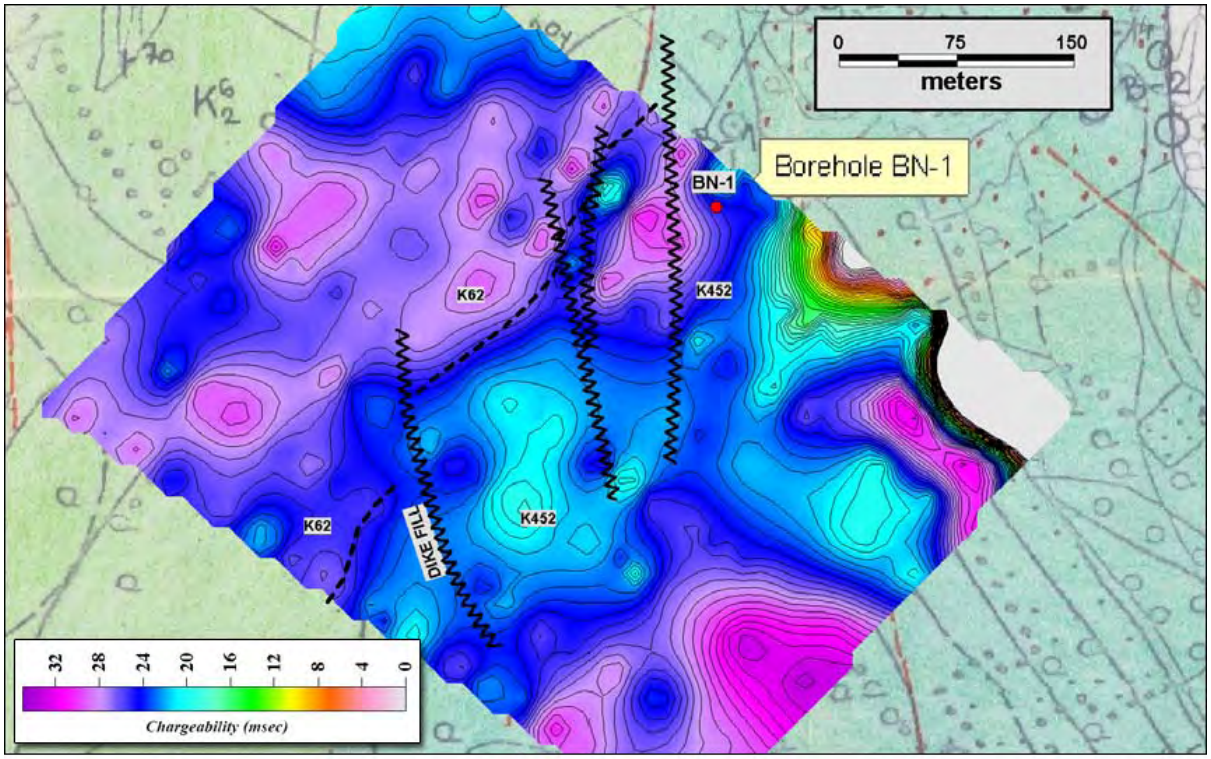


**Figure 9.6: Slice 0-50m Inverted Chargeability Interpretation**




## 10. DRILLING

Diamond drill hole BN-01 was drilled between the 25th of March and 18th of April 2005. Drilling was undertaken by the Bor based company 'Istražni radovi', which is a subsidiary of RTB Bor-Grupa, RBB d.o.o. The drilling was performed using a Slovenian J-600 wireline drilling system, and HQ equipment.

The exact location of the original hole B-1 was confirmed by geodetic measurement, and hole BN-01 was collared 70 cm from the original hole location. The hole was drilled vertically from surface and surveyed each 50 m using a multishot survey instrument. The core recovery from drilling was 96 %.

During drilling all relevant laws, rules, and demands about environmental protection, health, safety and relations with local community were respected. Once drilling was completed, the hole was marked and cemented.

The core was stored in wooden core boxes and was held in temporary storage in the field offices in Brestovac during the drilling. The core was marked on site and once drilling was completed the core was transported to the SEE core storage facility and preparation lab in Belgrade.

The drill core was logged in detail, with special attention being paid to estimating the degrees of the different types of alteration and mineralisation. All of the core was photographed, with details being presented to illustrated specific features in the graphical log. The core recovery and Rock Quality Data (RQD) was assessed for each lithological interval, with a maximum

length of 3 m, and displayed graphically on the log. Magnetic susceptibility was measured and recorded for each lithological interval, with a maximum length of 3 m and is displayed graphically. Samples were selected so that the lithological and alteration features of each sample were as homogeneous as possible. Maximum sample interval was 3 m.

## 11. SAMPLING METHOD AND APPROACH

The sampling method and approach used during the SEE exploration is described in Sections 9.3 and 9.5 (drilling and geochemical sampling respectively) of this report.

The total number of samples collected during the exploration work was 624 including 156 reconnaissance soil samples, 158 soil samples, 84 stream sediment samples, 187 drill hole samples and 39 auger samples.

## 12. SAMPLE PREPARATION, ANALYSES AND SECURITY

SEE procedures for sample preparation, quality control and security included the following protocol of instructions:

*1. Duties and responsibilities of the sample preparation laboratory supervisor.*

*2. Procedures for sample numbering, recording and insertion of quality analysis samples.*

a. *Field duplicate samples (DUPF): Taken in the field after every 20 samples (5%) according to the standard procedures (Dean Turner, May 2004), and numbered in the usual way consecutively with other samples.*
b. *Blank samples (BLA): The blank samples will be prepared and inserted in the batches by the Sample Prep Lab Supervisor for every 40 samples (2.5%), but numbered according to the sample batch list.*
c. *Lab duplicate samples (DUPL): The lab duplicate samples will be prepared from an additional split during the sample preparation procedure, and inserted by the Sample Prep Lab Supervisor for every 40 samples (2.5%), but numbered according to the sample batch list.*
d. *Standard Reference Materials (SRM):*

| | | |
|---|---|---|
| *NRM – 2B* | *7.81 ppm Au* | *suitable for rock samples* |
| *NRM – 1a* | *3 ppb Au* | *suitable for stream sediment samples* |
| *NRM – 2a* | *5 ppb Au* | *suitable for stream sediment samples* |
| *NRM – 4a* | *75 ppb Au* | *suitable for soil samples.* |

*These samples will be inserted in the batches by the Sample Prep Lab Supervisor - one for every 40 samples, and numbered according to the sample batch list.*

*3. Crusher and Splitter - operational procedures. The objective is to produce a representative split (100 – 200 g) of each rock sample, whereby at least 70% of the sample is less than 2 mm.*

*4. Crusher Quality Control - the objective (> 70% of sample crushed to < 2mm) is checked and documented at the beginning of each batch and then every 40 samples by sieving a sample with the 2 mm sieve, and weighing the +2 mm and –2mm fractions. A log book is maintained for recording the QC.*

5. *Sample Storage. - Rejects from all samples prepared at the lab will be stored at the storage facility. The purpose of the storage facility is to keep sample materials that can be accessed and reanalysed as required at a later date (e.g. auditing of a project). The storage boxes will be numbered, records kept of each the numbers of each sample batch in the boxes, and a location map prepared for all the boxes in the facility. Sample rejects will only be discarded after written notification is obtained from the Regional Manager.*
6. *Security. - The Sample Batch List is a key element of this process – this list is prepared by the field teams, and submitted to the Sample Prep Lab Supervisor with the samples. The Sample Prep Lab Supervisor will check the Sample Batch List against the submitted samples, and will report any discrepancies, missing samples, numbering errors, etc. immediately. After preparation, the samples for analysis will be packed in the FEDEX 10 kg boxes, and delivered to the Chief Geologist who will organise the onward shipment to the laboratory. Samples are shipped by FEDEX to the ALS Chemex. Sample Submission Forms are e-mailed to Chemex such that the shipment can be tracked until arrival, and followed through the analytical process. Only the Sample Prep Lab Supervisor and the Chief Geologist are authorised to keep keys for the sample prep laboratory and the sample storage facility.*

Chemical analyses have been carried out by ALS Chemex. The laboratory is ISO 9001:2000 accredited. Gold was analyzed by fire assay with an AAS finish, and multi-element analyses were determined by ICP MS/AAS techniques. As described above, SEE conducts routine QA/QC analysis on all assay results, including the systematic utilisation of certified reference materials, blanks, field duplicates, and umpire laboratory check assays. The QA/QC analysis is maintained in the SEE geodatabase for review, and the data for gold is presented graphically. One SRM sample for gold yielded a result greater than 2 standard deviations from the value and one blank (BLA) sample yielded a result of 0.02 ppm gold, which is outside the acceptable range of 0 ppm to 0.005 ppm. Overall, Micon considers that the QA/QC procedures provide an acceptable test of the reliability of the analytical data.

## 13. DATA VERIFICATION

The validity of site descriptions, including the socio-environmental and infrastructural aspects of the project has been confirmed by a site visit on 19th October 2006.

The reports and records of earlier exploration work can not be validated. No drill core was retained, and it has not been possible to locate rejects or pulps from the earlier sampling.

The core logging of hole BN-01 was reviewed during a visit to the sample preparation laboratory and core storage facility in Belgrade on 20th October 2006. No other independent detailed analysis or sampling was performed by Micon during the site visit for the purposes of the NI 43-101 report.

## 14. ADJACENT PROPERTIES

The Exploration Permits directly adjacent to the Zlot-Brestovac Exploration Permit have been granted to Dundee Precious Metals Inc. (to the west, between the Brestovac and Zlot sectors) and Phelps Dodge Corp. (to the east of the Brestovac sector). Both companies are known to be actively exploring their Exploration Permits. To the north, the major Bor deposit is held and being mined by the company RTB Bor-Grupa, RBB d.o.o.

The Bor deposit is a porphyry style, high sulphidation epithermal copper gold deposit. The deposit contains 29 known orebodies which range in form from massive sulphide replacement deposits to porphyry stockwork vein deposits. The Bor mining district has reported mineral resources of 7 Mt contained copper and 300 t contained gold Jankovic et al., (1998). The ore is mined by both open pit and underground methods. The underground mine at Borska Reka is still active however the main open pit at Bor closed in 1991. Past production has largely depleted the high grade massive sulphide copper-gold deposits.

Total metal endowment of the known ore deposits within the Bor–Majdenpek zone in the northern and central Timok Magmatic Complex, including past production, was estimated by Jankovic et al., (1998) to be over 20 Mt copper and 1,000 t gold, with 7 Mt copper and 300 t gold for the Bor deposit alone. Dundee Precious Metals Inc has recently presented the following grade and tonnage figures for the principle deposits within the Timok Magmatic Complex:

| | |
|---|---|
| Majdanpek: | 1,000 Mt at 0.6% Cu and 0.5 g/t Au |
| Veliki Krivelj: | 840 Mt at 0.4% Cu and 0.1 g/t Au |
| Bor: | 200 Mt at 1.5% Cu and 0.8 g/t Au |
| Borska Reka: | 400 Mt at 0.8% Cu and 0.3 g/t Au |

The RTB Bor mining and smelting assets include:

- Copper Mines Bor, including but not limited to: Veliki Krivelj open pit mine, Cerovo open pit mine, Jama underground mine, Borska Reka underground deposit.
- Copper Mines Majdanpek, including but not limited to Majdanpek open pit mine, Coka Marin deposit.
- Smelter and Refinery.

These assets are currently being privatised by means of a tender procedure organised by the Serbian Privatisation Agency. The minimum price is quoted in the Agency documentation as US$ 266.65 million.

During the preparation of this report, the qualified persons have been unable to verify the information anjd that the information is not necessarily indicative of the mineralisation on the property that is the subject of the technical report.

## 15. MINERAL PROCESSING AND METALLURGICAL TESTING

No mineral processing or metallurgical studies have been conducted.

## 16. MINERAL RESOURCES AND MINERAL RESERVE ESTIMATES

No mineral resource estimates have yet been made for the discoveries in the Brestovac area. There is also no definitive information available from the previous periods of exploration and underground development at Brestovac, which allow the quantitative assessment of mineral resources for the property.

## 17. OTHER RELEVANT DATA AND INFORMATION

There is no other data or information which is considered relevant to the study.

## 18. INTERPRETATION AND CONCLUSIONS

The Bor region of Serbia is a world class copper mining district. In the district, porphyry copper style mineralisation is intimately associated with epithermal Cu-Au and replacement Cu-Zn mineralisation. The Zlot-Brestovac Exploration Permit lies 5 km south of the Bor deposit, and early stage exploration conducted by SEE to date has been successful in defining highly prospective targets for further exploration.

The interpretation of results from the exploration conducted to date strongly suggests the presence of a low sulphidation epithermal system in the Brestovac sector of the Zlot-Brestovac Exploration Permit. High grade gold mineralisation was intersected close to surface in diamond drill hole BN-01, and lower grade mineralisation was intersected in two other deeper intervals down the hole. Detailed petrogenic analysis of core samples from drill hole BN-01 has confirmed the presence of boiling structures and hydrothermal alteration suggestive of a low sulphidation epithermal system. The current exploration has not yet determined the continuity of the epithermal mineralisation underground however anomalous gold values and metal associations shown in the geochemical sampling suggest that a mineralised zone may be present for 250 m to 300 m along strike. This zone has been termed the “Corridor” and is supported by geophysical survey data, with the area marked by low resistivity and subdued magnetic response suggesting the presence of argillic alteration. The zone is cut off to the northeast by the Brestovac River drainage which is believed to be the location of a major suture zone. The presence of a potential fault controlled feeder zone in the Corridor was inferred by interpretation of the resistivity and magnetic data in the area of drill hole BN-01. Two other favourable zones are highlighted by the geophysical survey results to the south of the Corridor. These zones were not coincident with geochemical anomalies.

Shallow Pb-Zn mineralisation at around 60 m depth was reported in the previously drilled hole B-1 Deep Pb-Zn mineralisation was intersected at a depth of 288 m to 291 m in drill hole BN-01, and may be the down-dip continuation of the replacement zinc mineralisation described from the Gencica adit and shafts.

Surface geological mapping demonstrates that the southern extension of the Bor fault passes through the Brestovac Sector of the Exploration Permit. Rock samples taken from the quarry located south of Brestovac village, showed high grade copper mineralisation in rock fragments similar to Bor-type mineralisation. It is unclear through the current exploration

detail whether the fragments were transported in a pipe or diatreme from a deeper source, or that the fragments are of sedimentary origin transported from the Bor deposit. Strong anomalies of Cu with associated low Au values, and without Zn were demonstrated in soil sampling and were contiguous with the dacite mapped south of Brestovac village and close to the quarry outcrops containing fragments of Bor-type mineralisation. These geochemical signatures were interpreted as Bor-type Cu targets and may also be associated with a possible blind porphyry target.

In summary, it is considered that the targets and potential for discovery in the Brestovac sector of the Zlot-Brestovac Exploration Permit warrant a further exploration programme with a significant component of geophysical surveys and drilling. The location of the exploration targets, just outside the village of Brestovac, constrains the use of certain surface exploration methods, such as trenching.

In addition, due to the proximity of the epithermal target to Brestovac village and the style of high grade low-intermediate sulphidation gold mineralisation, controlled by a steeply dipping structure, it is most probable that the engineering plan to exploit a resource would have to be constrained to an underground mining operation.

## 19. RECOMMENDATIONS

Due to the US$ 231,500 work commitments for the current year of the Zlot-Brestovac Exploration Permit, which expires in February 2007, there is an immediate requirement to conduct further exploration. A prudent exploration programme will include the following:

- Follow-up of the positive results from drill hole BN-01 in the Corridor with further infill drilling.
- Test the other targets defined by the geophysical data in the Corridor.
- Extend the geophysical coverage over the quarry outcrop south of Brestovac, to define drill targets related to Bor-type massive sulphide and possible associated porphyry mineralisation.

In addition to this exploration, a phase of follow-up exploration will be defined in order to ensure that the permit will be renewed in 2007.

### 19.1 Phase 1 Exploration Campaign (2006-2007)

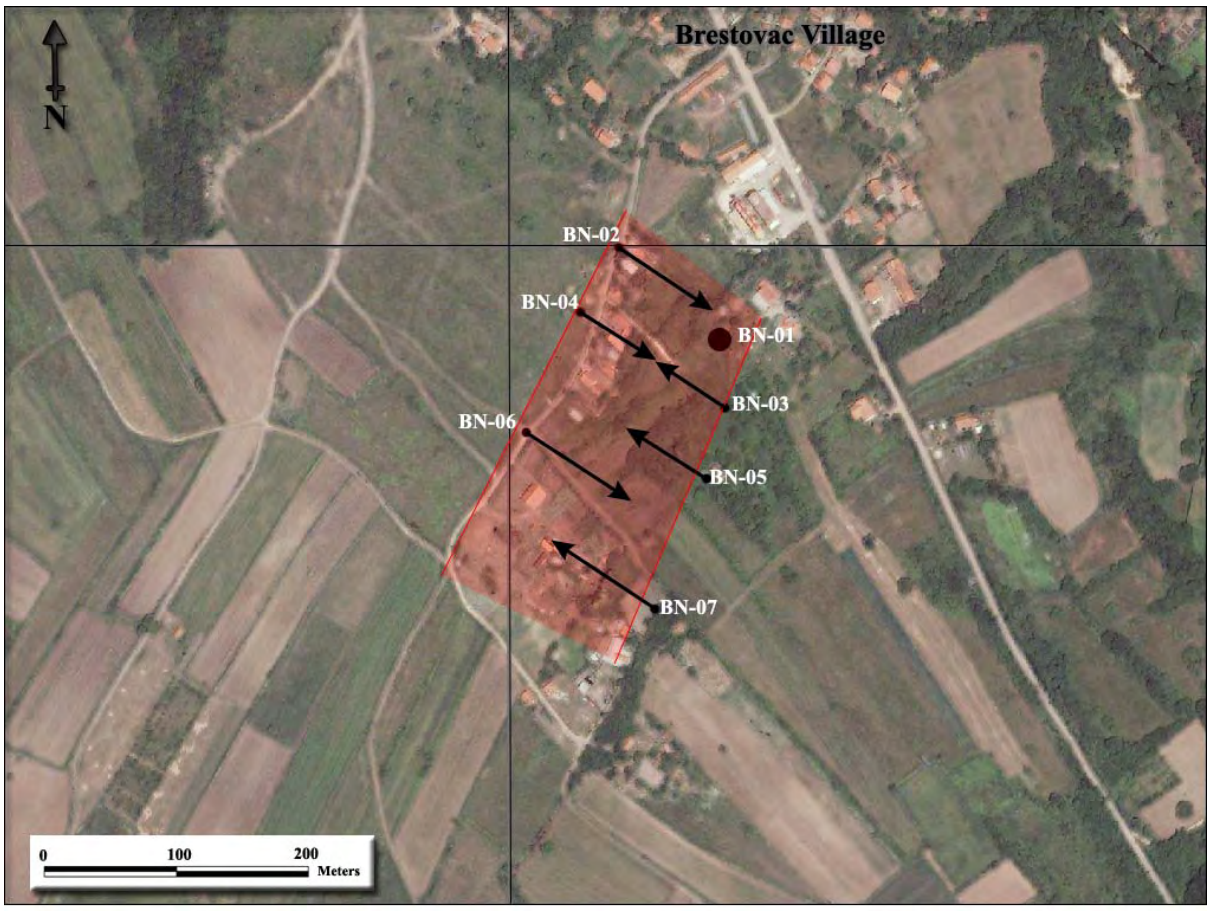
A 550 m drilling programme is recommended to test the Corridor epithermal gold target that was defined by geochemical sampling and geophysical data that extends to the southwest from drill hole BN-01. The coordinates of six proposed holes along with azimuth and depth are presented in Table 19.1. The holes have been designed to identify the controlling structure and its orientation, and test the continuity of mineralisation along strike and at depth.

**Table 19.1: Coordinates of Recommended Exploration Drill Holes**

| Drill Hole ID | Easting | Northing | Azimuth | Depth |
|---|---|---|---|---|
| BN-02 | 7588070 | 4876995 | 123 | 100 |
| BN-03 | 7588150 | 4876890 | 303 | 100 |
| BN-04 | 7588055 | 4876950 | 123 | 100 |
| BN-05 | 7588135 | 4876835 | 303 | 100 |
| BN-06 | 7588010 | 4876868 | 123 | 150 |
| BN-07 | 7588105 | 4876737 | 303 | 100 |

The holes are numbered from the southeast to the northwest, and it is proposed that either BN-02 or BN-07 will be drilled, depending on the results obtained. The collar locations and direction of drilling of the planned holes are presented in Figure 19.1, and were selected on the basis of accessibility due to their proximity to Brestovac village and local land owners' houses and buildings.

**Figure 19.1: Location of Proposed Exploration Drill Holes**




The first holes that should be drilled are BN-04 and BN-03, both of which are close to the known BN-01 intersection. These holes are angled towards each other into the centre of the Corridor, and should determine the dip of the controlling structure. Successive holes BN-05 and BN-06 step out along strike to the southeast at 50 m intervals. These holes are designed to determine the continuity of the structure along strike and are angled towards the centre of the Corridor to determine the dip of the structure and to test the faults inferred from

geophysical data. Drill hole BN-07 is located to test a chargeability anomaly that is coincident with the southeastern margin of the Corridor. Drill hole BN-02 would only be warranted if mineralisation was intersected in drill hole BN-04.

An exploration programme including a geophysical survey and four deeper drill holes is recommended to test for a potential Bor-type massive sulphide and possible associated blind porphyry target along the extensions of the Bor fault that run through the permit.

A deep penetrating IP geophysical survey on 400 m intervals and a CSAMT (controlled source audio magneto-telluric) electromagnetic survey over the quarry area will assist in defining the structures that may control any mineralisation and identify anomalies and drill targets. Due to the thickness of cover and variability of response of these targets depending on the nature of the alteration, four deep holes will be drilled to test the most encouraging anomalies.

The same sampling procedures will be employed and the prepared samples will be shipped by air-freight to the ALS Chemex. See Section 12 for a description of the sample preparation and analyses. The core from drilling will be examined independently and an interpretation of the results will be performed by an independent consultant.

A proposed budget for the Phase 1 exploration programme on the Zlot-Brestovac Exploration Permit is presented in Table 19.2.

**Table 19.2: Budget for Recommended Phase 1 Exploration Programme**

| Task | Quantity | Units | Cost/ Unit (US$) | Total Cost (US$) | Comments |
|---|---|---|---|---|---|
| **Corridor** | | | | | |
| Drilling | 550 | m | 100 | 55,000 | Five Holes (BN-02 – 06) |
| Supervision | 30 | days | 70 | 2,100 | |
| Logging and Sampling | 50 | days | 80 | 4,000 | |
| Assaying | 550 | samples | 50 | 27,500 | |
| Interpretation | 10 | days | 1,200 | 12,000 | North American Rates |
| **Quarry** | | | | | |
| IP Survey and Interpretation | | | | 25,000 | Extend south over quarry area |
| Drilling | 600 | m | 100 | 60,000 | Pending geophysics interpretation |
| Supervision | 33 | days | 70 | 2,310 | |
| Logging and Sampling | 55 | days | 80 | 4,400 | |
| Assaying | 300 | samples | 50 | 15,000 | |
| Interpretation | 20 | days | 1,200 | 24,000 | Interpretation and petrological analysis |
| **Total** | | | | **231,310** | |

## 19.2 Phase 2 Follow-up Exploration Campaign (2007)

A follow-up exploration programme is dependent on the results of the Phase 1 exploration. The follow up programme would include some preliminary metallurgical test work to assess whether possible ore mineralisation from the Corridor could be beneficiated. Infill drilling to tighten up the spacing between holes on the Corridor would allow for preliminary resource

modelling and definition of further targets for exploration. Follow up geophysical analysis and more drilling on the quarry target is also budgeted.

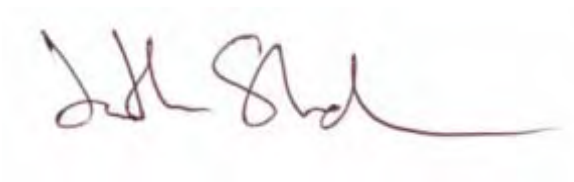
A proposed budget for the follow-up exploration programme on the Zlot-Brestovac Exploration Permit is presented in Table 19.3.

**Table 19.3: Budget for Recommended Phase 2 Follow-up Exploration Programme**

| Task | Quantity | Units | Cost/ Unit (US$) | Total Cost (US$) | Comments |
|---|---|---|---|---|---|
| **Corridor** | | | | | |
| Drilling | 750 | m | 100 | 75,000 | Tighten up spacing on holes |
| Supervision | 41 | days | 70 | 2,870 | |
| Logging and Sampling | 68 | days | 80 | 5,440 | |
| Assaying | 750 | samples | 50 | 37,500 | |
| Metallurgical test work | | | | 15,000 | |
| Interpretation | 20 | days | 1,200 | 24,000 | Preliminary Resource Modelling |
| **Quarry** | | | | | |
| IP Survey and Interpretation | | | | 25,000 | Second phase of geophysics |
| Drilling | 600 | m | 100 | 60,000 | Follow-up drilling |
| Supervision | 33 | days | 70 | 2,310 | |
| Logging and Sampling | 55 | days | 80 | 4,400 | |
| Assaying | 600 | samples | 50 | 30,000 | |
| Interpretation | 20 | days | 1,200 | 24,000 | |
| **Total** | | | | **305,520** | |

## 19. SIGNATURE

Signed




Jonathan Steedman, MAusIMM
Mineral Resource Geologist
Micon International Co Limited

5th January 2007

Stanley Bartlett, PGeo
Managing Director
Micon International Co Limited

5th January 2007

micon INTERNATIONAL LIMITED | mineral industry consultants

## CERTIFICATE OF JONATHAN STEEDMAN, MAusIMM

As the co-author of this report entitled "Technical Report on the Exploration Potential of the Zlot-Brestovac Mineral Property, Serbia" dated 05th January 2007, I hereby make the following statements:

1. My name is Jonathan Steedman and I hold the position of Mineral Resource Geologist at Micon International Co Limited, Mineral Industry Consultants. My office address is Suite 10, Keswick Hall, Keswick, Norwich, Norfolk, United Kingdom, NR4 6TJ.

2. (a) I have the following degrees:
   - BSc. Geology and Petroleum Geology, University of Aberdeen, United Kingdom.
   - MSc. Mineral Exploration, University of Leicester, United Kingdom.

   (b) I hold the following membership:
   - Member of the Australasian Institute of Mining and Metallurgy (no. 227377)

   (c) I have been practising as a professional geologist for 5 years.

3. By reason of experience and education, I fulfil the requirements of a Qualified Person as set out in National Instrument 43-101, as regards the geological, exploration planning, resource and reserve aspects of the report.

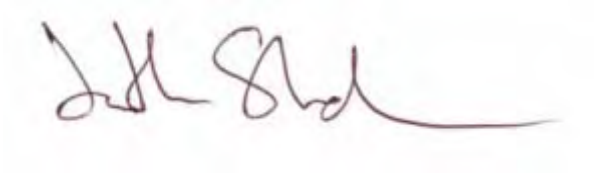
4. I visited the Zlot-Brestovac property in Serbia between the 18th and 20th October 2006 for a total period of 3 days.

5. I have read National Instrument 43-101 and Form 43-101Fl. This report has been prepared in accordance with generally accepted Canadian mining industry practice and is in compliance with National Instrument 43-101, and Form 43-101F1. It is based on an examination and analysis of data and records provided by Eurasian Minerals Inc. and Reservoir Capital Corp. and personal observation. It is a statement of material facts and opinion and may be used by Reservoir Capital Corp. and its advisors in support of their public financing activities.

6. As of the date of this Certificate, I am not aware of any material fact or material change in regard to the subject matter of this report, which is not reflected in this report, the omission to disclose, which makes the report misleading.

7. I am independent of Eurasian Minerals Inc. and Reservoir Capital Corp. applying all the tests in Section 1.4 of the amended National Instrument 43-101 dated December 2005. I have no interest, directly or indirectly, in the subject properties, or in the securities of Eurasian Minerals Ltd and Reservoir Capital Corp. nor any of its subsidiaries or affiliates.

8. I have not had prior involvement with the property that is the subject of this report.



Norwich, United Kingdom
5th day of January, 2007

(Signed by)_____
Jonathan Steedman, MAusIMM

micon INTERNATIONAL LIMITED | mineral industry consultants

## CERTIFICATE OF STANLEY C. BARTLETT, PGEO

As the co-author of this report entitled "Technical Report on the Exploration Potential of the Zlot-Brestovac Mineral Property, Serbia" dated 05th January 2007, I hereby make the following statements:

1. My name is Stanley C. Bartlett and I hold the position of Managing Director at Micon International Co Limited, Mineral Industry Consultants. My office address is Suite 10, Keswick Hall, Keswick, Norwich, Norfolk, United Kingdom, NR4 6TJ.

2. (a) I have the following degrees:
   - BSc. Geological Sciences, University of British Columbia, Vancouver, British Columbia, Canada.
   - MSc. Mining Geology, Camborne School of Mines, Redruth, Cornwall, United Kingdom.

   (b) I hold the following membership:
   - Member of the Association of Professional Engineers and Geoscientists of British Columbia (No. 19698).

   (c) I have been practising as a professional geologist for 27 years.

3. By reason of experience and education, I fulfil the requirements of a Qualified Person as set out in National Instrument 43-101, as regards the geological, exploration planning, resource and reserve aspects of the report.

4. I have read National Instrument 43-101 and Form 43-101Fl. This report has been prepared in accordance with generally accepted Canadian mining industry practice and is in compliance with National Instrument 43-101, and Form 43-101F1. It is based on an examination and analysis of data and records provided by Eurasian Minerals Inc. and Reservoir Capital Corp. and personal observation. It is a statement of material facts and opinion and may be used by Reservoir Capital Corp. and its advisors in support of their public financing activities.

5. As of the date of this Certificate, I am not aware of any material fact or material change in regard to the subject matter of this report, which is not reflected in this report, the omission to disclose, which makes the report misleading.

6. I am independent of Eurasian Minerals Inc. and Reservoir Capital Corp. applying all the tests in Section 1.4 of the amended National Instrument 43-101 dated December 2005. I have no interest, directly or indirectly, in the subject properties, or in the securities of Eurasian Minerals Ltd and Reservoir Capital Corp. nor any of its subsidiaries or affiliates.

7. I have not had prior involvement with the property that is the subject of this report.


Norwich, United Kingdom
5th day of January, 2007,

(Signed by)_____
Stanley C. Bartlett, PGeo