Gold Canyon Project Initial Evaluation

Prepared for

Ely Gold Corporation

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INTRODUCTION

In order to complete the initial evaluation of the Gold Canyon Project the days of May 25 through May 27 were spent in the field on the property. The purpose of this evaluation was to collect samples from the pit to help determine the extent of possible metallurgical problems and to do a quick overview of potential exploration possibilities. A total of 48 samples were collected from the project area to help determine gold mineralization potential. These sample locations are shown on the photo below.

Photo 1.

GOLD CANYON PIT

After an initial look at the pit it appeared that mineralization was tightly controlled by structures and the best mineralized rock would most likely be found in the bottom of the pit and along the obvious northeast trending feeder zone. With this in mind I decided to sample some of the blast-hole cuttings from the bottom of the pit. There are two intact blast-hole patterns drilled on different levels of the pit. The holes were never loaded with explosives but the pit was obviously planned to go deeper. It looks like a combination of factors caused the mine to just be shut down before loading any more holes. The piles of cuttings around the blast holes are largely intact and not contaminated by surface material. This material gives an ideal way to sample for mineralization in the pit bottom. Looking at the cuttings, some of the rock is carbonaceous and some of the rock is silicified and oxidized. I collected samples from forty (Gcj-1 through Gcj-40) of the blast holes in cross patterns on both levels of the pit bottom. The sample locations are shown on the following photos:

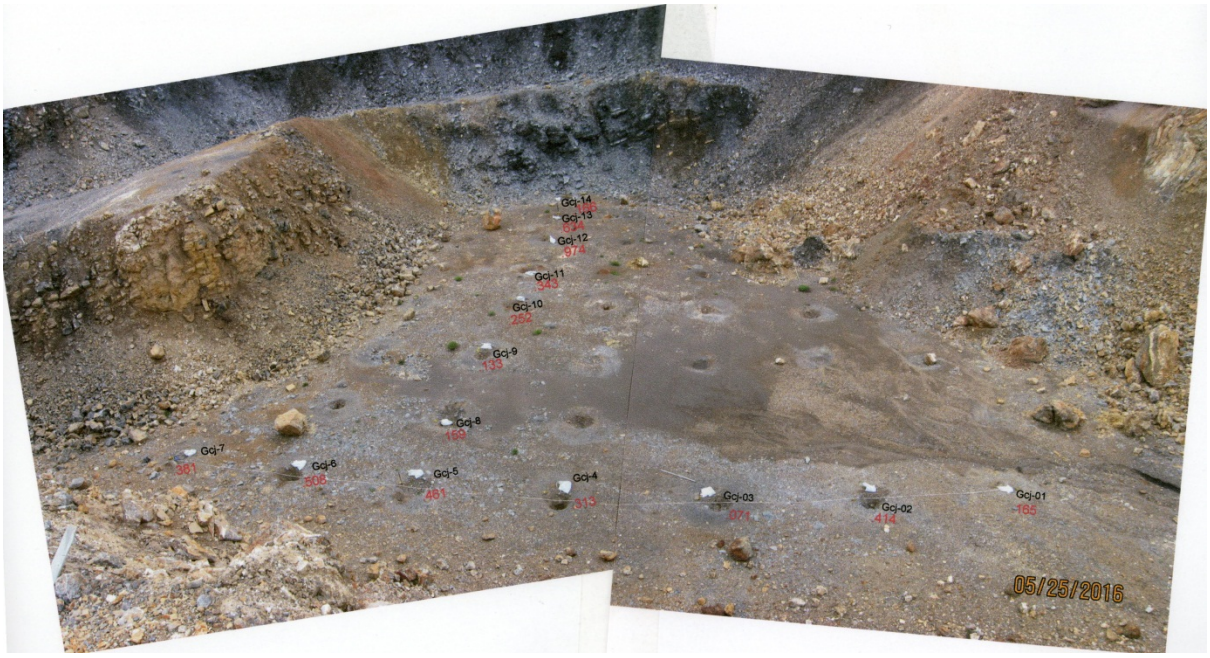


Photo 2. Photo shows locations of samples collected on lower bench from blast-hole cuttings. Fire assay gold ppm numbers are in red. Looking NE.

Photo 3. Photo shows locations of samples collected on upper bench from blast-hole cuttings. Fire assay gold ppm numbers are in red. Looking NW.

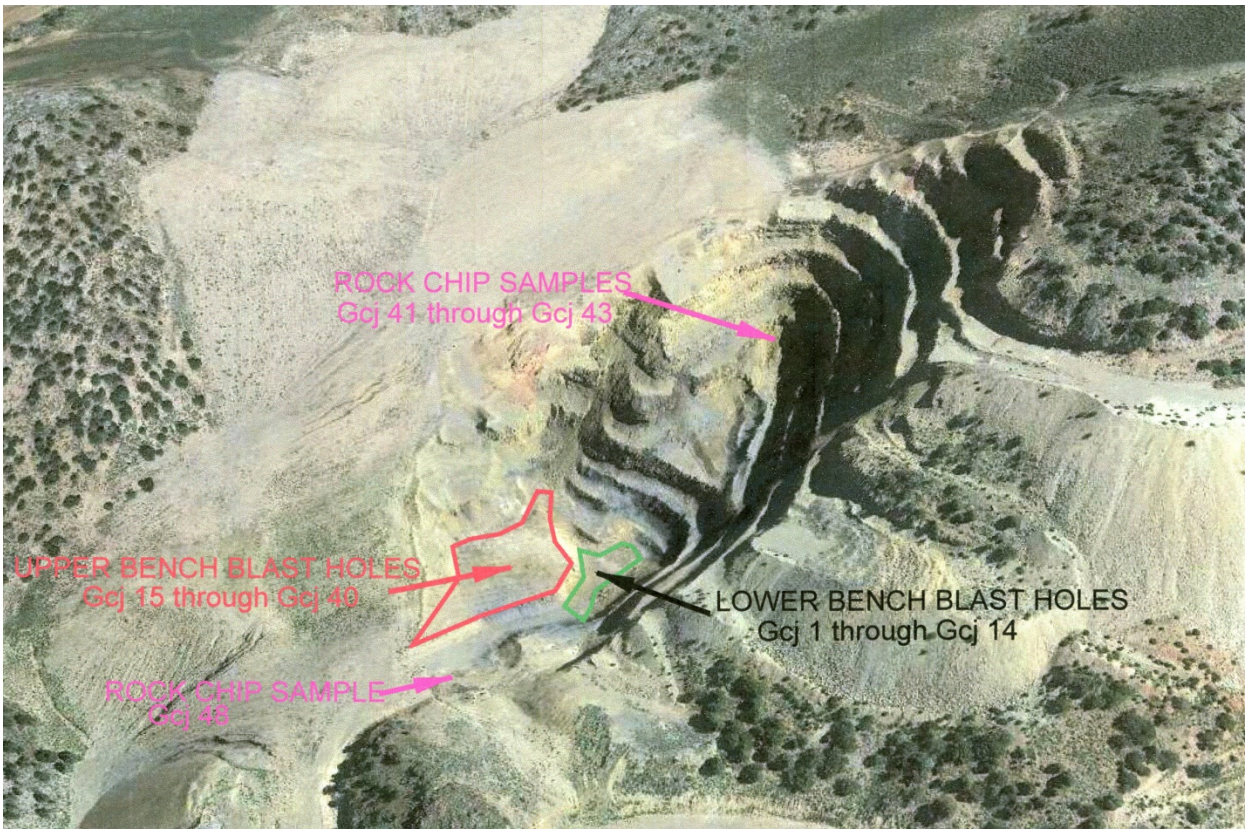


Photo 4. Photo shows general locations for the Gold Canyon Pit sampling.

In addition to the blast-hole samples I collected three rock chip samples (Gcj-41 through Gcj-43) from the high angle feeder structure at the northeast end of the pit. This mineralized zone contains some high grade gold mineralization and clearly trends to the northeast out of the pit. At the pit levels exposed and sampled this feeder is completely oxidized. The following photo shows the feeder structure at the northeast end of the pit:

Photo 5. Sample Gcj-41,42 are bags at right side of photo, Gcj-43 is bag at left side of photo.

This steeply dipping feeder is apparently what old drill hole 100-45 hit several hundred feet to the northeast of the pit area shown. This hole reportedly had a 60' interval of .112 OPT Au. This mineralization appears to be the result of an oblique intersection of the high angle feeder with a vertical drill hole. This area to the northeast of the pit should be drill tested with angle drill holes to determine the vertical extent of the gold mineralization and the true width of the mineralization. The following photo shows the location of old drill hole 100-45:

Photo 6. Photo shows location of old drill hole 100-45. Hole is located under grey concrete plug at lower center of photo. NE edge of Gold Canyon pit is just over berm on horizon. Looking SW.

In addition to the above pit sampling I collected one additional rock chip sample (Gcj-48) from a jasperoid at the southwest edge of the pit. This jasperoid appears to have formed along a northeast trending structure.

GOLD CANYON PROPERTY OUTSIDE PIT AREA

After sampling the pit I looked at the overall property. The limited data available combined with the quick look at the ground indicates that in the Gold Canyon area gold mineralization appears to be almost entirely the result of fluids rising along northeast trending high angle structures. Additional mapping and sampling may show more but at the present time two main gold mineralized northeast trending structures are known. The main one is the feeder structure that formed the Gold Canyon ore body and trends to the northeast out of the pit. The second feeder is apparent in the South French Trail target area at the north end of the property. Both of these mineralized trends can be seen on air photos and appear to extend the entire width of the property. This is illustrated on the following photo/drawing:

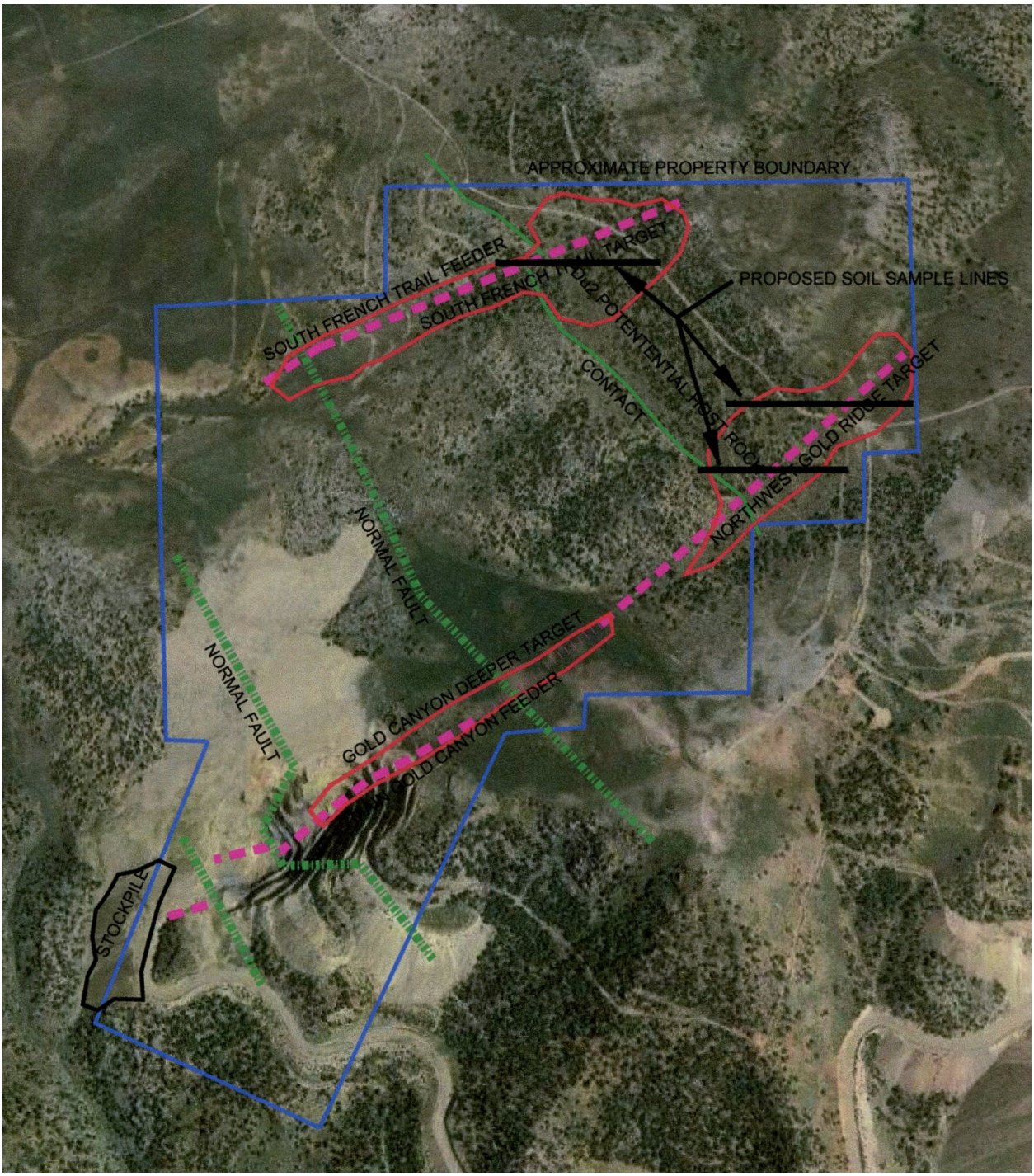


Photo 7. Blue line is approximate property boundary.

Four additional rock chip samples were collected along the trend of the Main Gold Canyon Feeder at the contact between unit 1 and unit2 (Gcj-44,45,46) of the Upper Denay Limestone and near the contact with unit 2 and unit 3 (Gcj-47)of the Upper Denay Limestone. This very limited sampling program was aimed at verifying the old information that indicated there was at least some good gold on the surface along the main trend. No surface sampling was completed on the South French Trail target trend.

RESULTS AND RECOMMENDATIONS

The following table gives the sample descriptions and assay results from my sampling program:

Gold Canyon Samples, June 2016

Sample ID	Au PPM FA430	Au PPM Hot CN	Au % recovery	Approximate Loc. / Sample Type	Sample Description
GCJ-1	0.165	0.13	79	Lower Bench Blast Hole Cuttings	Lt. to Dark Grey recrystallized limestone, Mod. FeOx
GCJ-2	0.414	0.27	65	Lower Bench Blast Hole Cuttings	Grey to Dark Grey limestone/silty limestone, Minor FeOx
GCJ-3	0.071	<0.03	#VALUE!	Lower Bench Blast Hole Cuttings	Grey to Dark Grey limestone/silty limestone, Minor FeOx
GCJ-4	0.313	0.27	86	Lower Bench Blast Hole Cuttings	Lt. to Dark Grey recrystallized limestone, Mod. FeOx, w/ some jasperoid
GCJ-5	0.461	0.42	91	Lower Bench Blast Hole Cuttings	Lt. to Dark Grey recrystallized limestone, Mod. FeOx, w/ some jasperoid
GCJ-6	0.508	0.46	91	Lower Bench Blast Hole Cuttings	Lt. to Dark Grey recrystallized limestone, Mod. FeOx, w/ some jasperoid
GCJ-7	0.381	0.38	100	Lower Bench Blast Hole Cuttings	Lt. to Dark Grey recrystallized limestone, Mod. FeOx, w/ some jasperoid
GCJ-8	0.159	0.13	82	Lower Bench Blast Hole Cuttings	Grey to Dark Grey limestone/silty limestone, Minor FeOx
GCJ-9	0.133	0.12	90	Lower Bench Blast Hole Cuttings	Lt. to Dark Grey recrystallized limestone, Mod. FeOx
GCJ-10	0.252	0.24	95	Lower Bench Blast Hole Cuttings	Lt. to Dark Grey recrystallized limestone, Mod. FeOx
GCJ-11	0.343	0.32	93	Lower Bench Blast Hole Cuttings	Lt. to Dark Grey recrystallized limestone, Mod. FeOx, w/ some jasperoid and white calcite 10%
GCJ-12	0.979	0.98	100	Lower Bench Blast Hole Cuttings	Lt. to Dark Grey recrystallized limestone, Mod. FeOx
GCJ-13	0.634	0.59	93	Lower Bench Blast Hole Cuttings	Lt. to Dark Grey recrystallized limestone, Mod. FeOx, w/ some jasperoid
GCJ-14	0.166	0.14	84	Lower Bench Blast Hole Cuttings	Grey to Dark Grey limestone/silty limestone, Minor FeOx
GCJ-15	1.333	0.18	14	Upper Bench Blast Hole Cuttings	Dark Grey to Black, silty limestone, carbonaceous
GCJ-16	0.277	0.03	11	Upper Bench Blast Hole Cuttings	Dark Grey to Black, silty limestone, carbonaceous
GCJ-17	0.06	<0.03	#VALUE!	Upper Bench Blast Hole Cuttings	Dark Grey to Black, silty limestone, carbonaceous
GCJ-18	0.505	0.48	95	Upper Bench Blast Hole Cuttings	Grey to Brown silty limestone, mod. FeOx, minor silicification
GCJ-19	0.433	0.44	102	Upper Bench Blast Hole Cuttings	Grey to Brown silty limestone, mod. FeOx, minor silicification
GCJ-20	0.382	0.35	92	Upper Bench Blast Hole Cuttings	Grey to Brown silty limestone, mod. FeOx, minor silicification w/ 5% white calcite
GCJ-21	0.481	0.47	98	Upper Bench Blast Hole Cuttings	Grey to Brown silty limestone, mod. FeOx, minor silicification
GCJ-22	0.266	0.25	94	Upper Bench Blast Hole Cuttings	Grey to Brown silty limestone, mod. FeOx, minor silicification
GCJ-23	0.282	0.26	92	Upper Bench Blast Hole Cuttings	Grey to Brown silty limestone, mod. FeOx, minor silicification w/ 5% white calcite
GCJ-24	0.214	0.2	93	Upper Bench Blast Hole Cuttings	Grey to Brown silty limestone, mod. FeOx, minor silicification w/ 10% white calcite
GCJ-25	0.211	0.2	95	Upper Bench Blast Hole Cuttings	Grey to Brown silty limestone, mod. FeOx, minor silicification w/ 10% white calcite
GCJ-26	0.201	0.18	90	Upper Bench Blast Hole Cuttings	Grey to Brown silty limestone, mod. FeOx, w/ 10% white calcite,Mod. Silicification
GCJ-27	0.392	0.35	89	Upper Bench Blast Hole Cuttings	Grey to Brown silty limestone, mod. FeOx, w/ 10% white calcite,Mod. Silicification
GCJ-28	0.325	0.31	95	Upper Bench Blast Hole Cuttings	Grey to Brown silty limestone, mod. FeOx,Mod. To Heavy Silicification
GCJ-29	0.126	0.09	71	Upper Bench Blast Hole Cuttings	Grey to Brown silty limestone, mod. FeOx, mod. silicification w/ 5% white calcite
GCJ-30	0.075	0.04	53	Upper Bench Blast Hole Cuttings	Grey to Brown silty limestone, mod. FeOx, mod. silicification
GCJ-31	0.071	0.05	70	Upper Bench Blast Hole Cuttings	Grey to Brown silty limestone, mod. FeOx, mod. silicification
GCJ-32	0.058	0.05	86	Upper Bench Blast Hole Cuttings	Grey to Brown silty limestone, mod. FeOx, mod. silicification
GCJ-33	0.289	0.28	97	Upper Bench Blast Hole Cuttings	Grey to Brown silty limestone, mod. FeOx, mod. silicification w/10% white calcite
GCJ-34	0.451	0.43	95	Upper Bench Blast Hole Cuttings	Grey to Brown silty limestone, mod. FeOx, mod. silicification
GCJ-35	0.402	0.38	95	Upper Bench Blast Hole Cuttings	Grey to Brown silty limestone, mod. FeOx, mod. silicification
GCJ-36	0.467	0.46	99	Upper Bench Blast Hole Cuttings	Grey to Brown silty limestone, mod. FeOx, mod. silicification
GCJ-37	0.267	0.25	94	Upper Bench Blast Hole Cuttings	Grey to Brown silty limestone, mod. FeOx, mod. silicification
GCJ-38	0.466	0.45	97	Upper Bench Blast Hole Cuttings	Grey to Brown silty limestone, mod. FeOx, mod. silicification
GCJ-39	0.485	0.43	89	Upper Bench Blast Hole Cuttings	Grey to Brown silty limestone, mod. FeOx, mod. silicification
GCJ-40	1.01	0.9	89	Upper Bench Blast Hole Cuttings	Grey to Brown silty limestone, mod. FeOx, mod. silicification
GCJ-41	9.195		0	Upper Pit Rock Chip	Orange/Red/Brown fault gouge with heavy clay and mod. White calcite
GCJ-42	1.562		0	Upper Pit Rock Chip	Orange/Red/Brown fault gouge with heavy clay and mod. White calcite
GCJ-43	0.371		0	Upper Pit Rock Chip	Orange/Red/Brown fault gouge with heavy clay and mod. White calcite
GCJ-44	0.018		0	Above Pit Outcrop Rock Chip	Silicified limestone (Jasperoid) along 10' wide structure, hematite stained, 10% white calcite
GCJ-45	0.009		0	Above Pit Outcrop Rock Chip	Silicified limestone (Jasperoid) along 10' wide structure, hematite stained, 10% white calcite
GCJ-46	0.012		0	Above Pit Outcrop Rock Chip	Silicified limestone (Jasperoid) , hematite stained, 10% white calcite
GCJ-47	0.074		0	Above Pit Outcrop Rock Chip	Decalcified (sanded) limestone, red/brown w/ minor silicification and calcite.
GCJ-48	0.022		0	Below Pit Outcrop R Chip	Grey/Brown jasperoid in shear zone, Mod. FeOx, Shear strikes N 60 E, Dips 82 SE

Table 1.

As can be seen in Table 1 above the pit blast hole sampling did prove there is at least low grade gold mineralization present that has not been mined. The gold grades seen in this sampling are well within minable grades for a heap leach operation. It also appears that the majority of the samples had no adverse metallurgical problems indicated by the CN assays. Most of the samples showed a CN recovery of over 70% of the fire assay gold value with many over 90%. Additional metallurgical testing will be necessary but barring silica encapsulation or clay problems this rock should heap leach well. The three samples (Gcj-15,16,17) that did show poor CN recovery rates are also the three samples that I was able to field identify were clearly carbonaceous. This indicates that a visual cut can be made for grade control purposes. Because of the generally widespread disseminated nature of gold mineralization

located by this initial sampling of the blast holes I would recommend that the remaining unsampled blast holes in both patterns be sampled. There are over 150 additional blast holes that have not been sampled. Sampling these additional holes would potentially give very useful information for a very reasonable cost. It may be that a portion of the unsampled blast pattern would contain higher grade material and give structural trend information.

The three samples (Gcj-41, 42, and 43) that I collected on the feeder structure in the pit did appear to prove that there is some high grade material on the feeder. Photo 5 shows this feeder structure in the pit wall. Many additional samples would be necessary to quantify the size of the feeder as it exits to the NE out of the pit but it appears likely that this zone is what old drill hole 100-45 did intersect. It appears that this mineralization will be narrow and it may not be possible to withstand the strip ratio for surface mining but the grades appear high enough that underground mining may be possible. This underground mining would likely follow the contact of Unit 2 and Unit 3 of the Upper Denay Limestone down dip from the pit. An angle hole drill fence or fan from near the location of old hole 100-45 would be necessary to prove the validity of this target. Access for a track drill rig would be possible around the NW side of the pit with minor road work.

Sample Gcj-48 of the jasperoid to the SW of the pit was very low grade and probably indicates that the main trend is north of the sample in the cleared area for the pit.

The four samples that I collected (Gcj-44, 45, 46, and 47) along the trend well away from the pit were mixed. Samples 44 through 46 were collected approximately on the mineralized trend where old data indicated there was good gold mineralization on the surface. This did not prove to be the case as all three samples are low grade or trace gold. Additional sampling will be necessary to try to identify the area of good gold indicated in the old data.

Sample Gcj-47 was collected from some bleached and sanded limestone along the main mineralized trend. This sample contained 74ppb gold. Even though this is a low number it is still anomalous and proves that there is gold leaking up from somewhere. The location and alteration of this sample could be highly significant. Stratigraphically this sample came from near the contact with Unit 2 and Unit 3 of the Upper Denay Limestone. The majority of the favorable host rock Unit 2 of the Upper Denay Limestone would be just below the surface in this area. The area has very little outcrop and has subdued topography that would be ideal for soil exploration. The sample was also collected near the projection of the main mineralization trend from the Gold Canyon pit. In addition, the fact that this rock was a bleached, sanded limestone could be very good from a metallurgical standpoint. In my 40 years of experience with gold heap leach operations some of the best heap leach material has been rock that is bleached and sanded like this sample.

It appears the favorable host rock Unit 2 of the Upper Denay Limestone is near surface and untested along both the Main Gold Canyon Feeder and the South French Trail Feeder. These areas should be explored with soil profile lines followed by infilling to a grid if gold is identified.

In addition to the two shallow targets above it is obvious that good gold mineralization extends NE out of the pit. Overall the property appears to have remarkable exploration potential considering its limited area. It is likely that if significant gold mineralization is discovered on the two main trends some of it will extend over the borders with surrounding claims.

STOCKPILE

After the field work was completed the company became aware of the presence of a low grade stockpile that is present SW of the pit. This stockpile was apparently constructed from low grade material that would not withstand the cost of hauling and milling at the time of the original mining. This information was acquired by verbal communication with past Atlas employees and will have to be confirmed with additional sampling. The stockpile is reported to have gold grades of from .5 to 1.0 gpt gold. These grades would add to the potential economic resource of the property. The property boundary appears to cut the stock pile so the company controls only a portion of it.

PROPOSED WORK AND BUDGET

Sample the remaining blast holes that have not been sampled in the Gold Canyon pit. Assay the samples by fire assay and Hot CN methods.

Geologist		$1,650.00
Food/ Lodging/Supplies		300.00
Vehicle (4x4)		300.00
Assays (150 drill cuttings samples @ $35 ea.)		5,250.00
	SUB TOTAL	$7,500.00

Collect soil samples from three EW profile lines across the two identified shallow targets. Geochem assay the soil samples for multi-element.

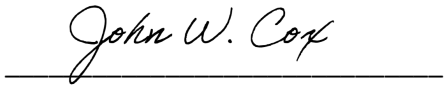
Geologist		$2,200.00
Food/ Lodging/Supplies		300.00
Vehicle (4x4)		400.00
Assays (100 soil samples @ $25 ea.)		2,500.00
	SUB TOTAL	$5,400.00

Sample and map possible low grade ore stockpile. Assay the samples by fire assay and Hot CN methods

Geologist		$1,100.00
Food/ Lodging/Supplies		200.00
Vehicle (4x4)		300.00
Assays (25 rock samples @ $35 ea.)		875.00
	SUB TOTAL	$2,475.00
	TOTAL FOR ALL THREE PROGRAMS	$15,375.00

I, John W. Cox, C. P. G., do hereby certify that:

1. I am currently working as a Geologic and Mining Consultant at the address: 4790 Townsite Rd., Reno, NV 89511.
2. I graduated with a Bachelor of Science degree in Biology/Geology from Murray State University in 1976 and a Master of Science degree in Geology from the University of Nevada in 1981.
3. I am a Certified Professional Geologist (CPG-11619) with the American Institute of Professional Geologists.
4. I have worked as a geologist and mining professional for 40 years since graduation from undergraduate university.
5. I have had no prior involvement with the Gold Canyon project before this work.



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