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MAIDEN Li-K-B-Br-Ca-Mg-Na RESOURCE ESTIMATE REPORT ON LITHIUM-ENRICHED FORMATION WATER, FOX CREEK PROPERTY, SWAN HILLS AREA, WEST-CENTRAL ALBERTA

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Edmonton, Alberta, Canada

Maiden Li-K-B-Br-Ca-Mg-Na Resource Estimate Report on Lithium-Enriched Formation Water, Fox Creek Property, Swan Hills Area, West-Central Alberta: Permits 9308110427 to 9308110429 AND 9309030461

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1.0 Summary

APEX Geoscience, Ltd. (APEX) of Edmonton, Alberta was retained in 2011-2012 by Channel Resources, Ltd. (Channel) of Vancouver, British Columbia, to calculate a mineral resource estimate for dissolved lithium (lithium) and other associated elements including potassium (K), boron (B), bromine (Br), calcium (Ca), magnesium (Mg) and sodium (Na) in saline oil field formation waters of the Beaverhill Lake aquifer system underlying their Fox Creek Property. This report is written for Channel as a National Instrument 43-101 Technical Report (NI 43-101) that describes a maiden resource estimate for its Fox Creek Property, as defined by the Canadian Securities Administration. Prior to this report, there is no known mineral resource for Channel's Property as defined by CIM Definition Standards on Mineral Resources and Ore Reserves dated November 27, 2010. To assist in Beaverhill Lake aquifer system characterization, APEX commissioned Hydrogeological Consultants Ltd. (HCL) of Edmonton, Alberta during 2011 to assess the total brine in place and other hydrogeological aspects of the Beaverhill Lake aquifer system.

The Fox Creek Property is located in west central Alberta, 20 km southeast of the town of Fox Creek, 60 km west of the town of Whitecourt and 215 km northwest of Edmonton. The Property consists of four Industrial and Metallic Mineral Permits, which form a contiguous package of land totalling 36,864 hectares (91,093 acres). In February 2009, Channel entered into an exclusive option agreement with Polaris Capital Ltd., for the acquisition of a 100% interest in the Property for a total of $50,000 and 5 million Channel shares over five years. The acquisition is subject to a 2% gross sales proceeds (GSP) royalty, which can be purchased at any time by Channel following full exercise of the purchase option, at Channel's discretion, for consideration of CDN$2,000,000.

Channel's Fox Creek mineral permits cover a large portion of an oil and gas field hosted in the Devonian aged Beaverhill Lake carbonate reef complex at a depth of about 3,200 m below surface. Based on a search of the Alberta Energy and Resources Conservation Board (ERCB) well database using GeoSCOUT™, a total of 81 oil and gas wells have been drilled within the boundaries of the Property to a depth where they have intersected at least Devonian aged rocks. Currently, a total of 45 wells are considered active wells with another 30 that are suspended but could be reinstated to producing.

Spatially associated with the oil and gas pools is a saline formation water aquifer with elevated concentrations of Li, K, B, Br, Ca, Mg and Na. The formation waters are co-produced with petroleum products prior to being removed as a waste product. Anomalous concentrations of these elements were confirmed by 2009-2010 sampling by Channel at well heads. Also during 2010, a 1,500 litre formation water sample split (from a bulk 2,000 litre sample) was tested by Hazen Research, Inc. for recovery of elements of interest. The results indicate that significant amounts of the desired elements can be extracted from the Beaverhill Lake brine (up to 98% for lithium, 88% for bromine, 100% for boron, and 40% potassium).