

CLYDE L. SMITH, Ph.D., P.Eng.
Consulting Geologist
#106-1680 56th Street, Delta, British Columbia, Canada V4L 2L6
Telephone: (604) 943-8405 Fax: (604) 943-8490
E-mail: c.smith@dccnet.com

April 16, 2007

EL CAPITAN PRECIOUS METALS, INC.

**REPORT ON EL CAPITAN GOLD-PLATINUM PROJECT,
INCLUDING MEASURED RESOURCE CALCULATION,
LINCOLN COUNTY, NEW MEXICO**

Summary

El Capitan Precious Metals, Inc. has carried out a thorough preliminary exploration program, including 37 holes of exploration drilling totaling 12,763.5 feet, on its 6,620-acre (10.3 square mile) property in Lincoln County, New Mexico. Drill samples have been maintained under chain of custody and all samples have been analyzed by the caustic fusion assay method at Auric Metallurgical Laboratories, Salt Lake City, Utah. Assay results have been satisfactorily verified at an independent third-party laboratory under the supervision of a Qualified Person (Q.P.). Drill data and assay results were provided to Gemcom Software International; Gemcom conducted a resource calculation using their GEMS version 6.0.3 software. Using a 0.01 ounces per ton (opt) gold (Au) cut-off, the calculation results are: 141,444,000 short tons grading 0.02 opt Au, 0.205 opt silver (Ag), 0.011 opt platinum (Pt) with a contained 2,769,106 ounces Au; 28,997,185 ounces Ag; 1,517,868 ounces Pt. At current metal prices, the above tonnage calculates to a gold equivalent (Au eq.) grade of approximately 0.044 opt Au eq. with a contained approximately 6,126,747 ounces Au eq. This resource qualifies as a "measured resource" based on the Canadian National Instrument 43-101 guidelines. Preliminary hydrometallurgical extraction results indicate potentially acceptable levels of recovery of both gold and platinum.

The El Capitan gold-platinum deposit is well exposed in a shallow open pit and outcrops within a nearly circular area of approximately 1300 feet in diameter. Detailed geologic mapping and logging of all holes has shown that the deposit is essentially a shallow west-dipping skarn that extends beyond the open pit and outcrops. The body is approximately 2000 feet in a north-south direction, at least 3000 feet in an east-west direction, ranges from 100 to 400 feet in thickness, and lies within replaced limestone and interbedded quartz sandstone beneath overlying barren limestone and an underlying aplite (granitic) intrusion. A variety of skarn assemblages include magnetite, hematite, calcite, phlogopite, diopside, quartz, tremolite, and crystalline limestone. The most striking characteristic of the deposit is the ubiquitous and commonly abundant presence of hematite-calcite which occur as both primary constituents in skarn and as post-skarn fracture- and breccia-fillings, stockworks, and replacements in all rock types, including skarn, limestone, sandstone, and aplite. Much of the hematite-calcite represents a later stage hydrothermal event that was superimposed on the earlier skarn and other rock types. Higher gold-platinum values appear to correlate with the later-stage hematite-calcite assemblage.

The El Capitan gold-platinum deposit is located within a north-south-trending, 10-square-mile area underlain by intermittently outcropping Permian limestone and lesser quartz sandstone between the Miocene El Capitan aplite intrusion to the east and overlying Miocene rhyolitic and lesser basaltic volcanics and conglomerates to the west. Au-Pt mineralization similar to that in the El Capitan deposit is exposed at three locations within this area and preliminary drilling of the mineralization and exploration over a total of 5.5 square miles around these locations has been recommended.

A preliminary feasibility study is recommended for the El Capitan deposit. This study should include in-fill drilling to raise the resource to a reserve category, further verification of caustic fusion assay results, significant hydrometallurgical extraction research, and engineering and metallurgical evaluations focused on potential production.

Introduction

This report has been prepared at the request of Mr. Charles Mottley, CEO of El Capitan Precious Metals, Inc. The purpose of the report is to provide an explanation of the work conducted on the El Capitan Gold-Platinum Project, located in Lincoln County, New Mexico and to summarize the results of geologic investigations, including mapping, drilling and assaying. In particular, the project has been focused on achieving a resource calculation that could be used as a base in determining the potential economic viability of the El Capitan deposit as a producing gold-platinum mine.

In 2001, the Canadian government published National Instrument 43-101 in an attempt to establish rigorous high quality standards for professional reports written on exploration and mining properties. As a result, NI 43-101 guidelines have been adopted by many North American exploration and mining companies. This report complies with all aspects of the NI 43-101 guidelines. In particular, because the U.S. Securities and Exchange Commission does not recognize "resource" categories for deposits, this report has used the NI 43-101 resource category definitions. The El Capitan resource described below complies with the NI 43-101 definition of a "measured resource."

The writer entered into a consulting agreement with El Capitan Precious Metals, Inc. in January, 2005 and has been responsible for directing all aspects of the exploration program described in this report; the project had received no significant exploration prior to that time. This work has included reviewing and interpreting published materials on regional geologic studies, geologic mapping, designing and administering drill programs, maintaining chain of custody of all samples, working closely with assayers and metallurgists, geologic logging of all drill holes, overseeing resource calculations, and making recommendations for continuing work on the project.

Property Description and Location

The El Capitan property consists of 331 Bureau of Land Management (BLM) lode claims and four patented claims. The patented claims were located in 1902 and patented in 1911 and have Mineral Survey Numbers 1440, 1441, 1442, and 1443. The claims are each 20-acre lode claims and cover a total area of approximately 6,620 acres (2,679 hectares). The claim block is located in Lincoln County, New Mexico (Fig. 1) and occupies a total of approximately 10 sections (square miles) in townships T 7 S, T 8 S and range R 14 E (Fig. 2). The BLM lode claims were staked and recorded by consultants employed by El Capitan Precious Metals, Inc. and personnel of the company in October and November, 2005.

The El Capitan property is owned by El Capitan Ltd., an Arizona corporation. El Capitan Precious Metals, Inc. purchased a 40% equity interest in El Capitan Ltd. from Gold and Minerals, Inc. in 2002; as of this date, Gold and Minerals retains a 60% equity interest in the property. El Capitan Ltd. purchased a 100% equity interest in the four patented claims in January, 2006.

The main El Capitan deposit is located in the south-central part of the claim block within the area indicated as "Patented Claims and Smokey Claims" on Figure 2. Other outcropping mineralized zones on which drilling is currently planned are located on BLM lode claims 263, 264, 284, 285 and 391, 392 shown on Figure 2.

El Capitan Ltd. has obtained all the required permits to enter the property and conduct drilling and other exploratory work. The company makes annual maintenance filings and payments of \$125 per claim per year to the BLM as well as bulk fuel and water well payments. The company has received a Minimal Impact Existing Mining Operation Permit from the BLM; payment of a reclamation bond of \$15,000 to the BLM has enabled the company to conduct its current exploratory programs.

Accessibility, Climate, Local Resources, and Infrastructure

The claim block covers gently rolling to moderately rugged topography ranging in elevation from 6600-7200 feet. Elevations in the area of the main El Capitan deposit are 6780-6900 feet. Vegetation is sparse, consisting of scattered juniper trees with grass and rare small cactus ground cover.

The main El Capitan deposit is located approximately 6 miles north of the town of Capitan, NM. It may be reached by driving 6 miles north from Capitan on paved State Highway 48 to a dirt road turn-off to the east. This road leads to the deposit and the company shop and equipment facilities located 0.5 mile from the highway.

The climate of the area is amenable to year-round operations. Summer temperatures reach 95 degrees and winter temperatures may drop below freezing with brief periods of snow.

It is expected that a potential mining operation on the property would not encounter difficulties with securing permits from government agencies. The property is currently supplied with power and telephone service. Water for a mining operation will probably only be available from wells drilled on the property. The gently rolling terrain in the area of the main deposit should provide acceptable locations for plant sites and waste and tailings disposal.

History

The El Capitan deposit has been known as a potential iron ore resource for several decades. The U.S. Bureau of Mines drilled approximately 140 shallow holes through the outcropping, shallow-dipping magnetite skarn deposit in 1944 and 1948. The outcropping deposit was mapped at a scale of 1:3,600 in 1952 (Kelley, 1952). Small-scale iron ore production totaled approximately 250,000 tons in the years 1961-1988. El Capitan Precious Metals, Inc. conducted a ground magnetic survey and a drill program of six shallow holes in 2002.

Although only low precious metals values had been obtained from the deposit by fire assay over the years and no significant exploration had been conducted on the property, in May, 2004 El Capitan Precious Metals, Inc. submitted a few samples of magnetite iron skarn to Auric Metallurgical Laboratories of Salt Lake City, UT. Auric separated the samples into magnetic and non-magnetic fractions and reported significant gold and platinum results on the non-magnetic fractions using their proprietary caustic fusion assay method. These Auric results prompted a 32-sample surface sampling and assay program conducted by the writer in January, 2005. Auric reported potential ore-grade gold and platinum results on all 32 samples; this caused El Capitan Precious Metals, Inc. to undertake three stages (Stage 1, Stage 2, Stage 3) of diamond core, open-hole rotary, and reverse circulation drilling.

Regional Geological Setting

The El Capitan deposit is located at the most prominent structural intersection in New Mexico (see Scholte, 2003), within perhaps the greatest exposed concentration of Tertiary intrusions in New Mexico (Cather and others, 1991; Fig. 3), and is apparently underlain by a large mafic or ultramafic intrusion (Figs. 4, 5). The structural intersection is formed by the north-south-trending axis of the Pedernal uplift-Mescalero arch and the east-west-trending Capitan lineament. In the south, the Pedernal-Mescalero axis closely parallels the Sacramento uplift, an east-tilted fault block with evidence of at least three periods of deformation (Precambrian(?) to late Tertiary), and in the north it closely parallels a series of faults and folds in the Picuris-Pecos trend (Fig. 3). The Pedernal-Mescalero structural zone coincides generally with a belt of crustal thickening and alkalic intrusions (Bird, 1984) that marks the boundary between the tectonically active Rio Grande Rift (a branch of the Basin and Range) and Rocky Mountains on the west and the tectonically stable Great Plains on the east. The Pedernal-Mescalero axis appears to be offset approximately 10 miles across the Capitan lineament (Cather and others, 1991). The Capitan lineament is a well defined basement fracture and magmatic zone that may be traced for over 300 miles from Socorro, NM into western Texas; in the area of the El Capitan deposit the lineament is reflected by the Capitan pluton (Fig. 3).

The Tertiary intrusions form the Lincoln County porphyry belt that includes at least 11 stocks and laccoliths (Fig. 3). The east-west elongate, 20 mile-long Capitan pluton is a Miocene (26.5 Ma) aplite (granitic) laccolith that plunges westerly and underlies the El Capitan deposit. Thompson (1991) concluded that magmas in the porphyry belt were generated from both lower crustal and upper mantle sources and McLemore (1991) concluded that a diversity of mineral deposit types in the El Capitan region resulted from several different complex magmatic fractionation and differentiation events. Figures 4 and 5, from Roberts and others (1991), show a coincident steep-gradient aeromagnetic anomaly and a gravity anomaly, respectively. These anomalies cover an area of over 270 square miles, show northerly and easterly structural trends, and are interpreted as reflecting a large mafic or ultramafic intrusion that underlies the Lincoln County porphyry belt and the El Capitan deposit. It is possible that Au-Pt-bearing hydrothermal fluids that formed the El Capitan deposit were differentiated from this buried mafic or ultramafic intrusion.

The El Capitan Au-Pt deposit is one of 16 Au-Ag-bearing occurrences in a 300-mile-long, north-south trending belt that traverses New Mexico within the Rio Grande Rift (Fig.6). McLemore (2001) has termed these occurrences Great Plains Margin deposits, has described the similarities between them, and has classified them as a distinct hydrothermal type located near Oligocene-Miocene (38-23 Ma) intrusions.

Geology of El Capitan Deposit

The El Capitan deposit is located within a north-south-trending belt approximately 2 miles in width and 10 miles in area which is underlain by Permian limestone and lesser quartz sandstone. These sedimentary rocks crop out intermittently between the bold outcrops of the Miocene Capitan aplite intrusion to the east and rhyolitic volcanics and lesser interbedded basaltic volcanics and conglomerate to the west (Fig. 7; Appendix 1). The rhyolites are dominantly ash-flows and appear to be the extrusive equivalents of the aplite intrusion. Both the aplite and the rhyolites are unusually iron-rich; disseminations of limonite/goethite (original hematite) occur to some extent in most outcrops of these rocks. It is possible that the iron-rich composition of these rocks reflects crystallization from magmas that originated by differentiation from mafic/ultramafic magmas at depth; as noted above, coincident aeromagnetic and gravity anomalies in the region suggest deep mafic/ultramafic compositions.

The El Capitan deposit is exposed in a shallow open pit and outcrops within a nearly circular area 1300 feet in diameter (Fig. 8). Smaller bodies of mineralization similar to that in the deposit stretch up to 1 mile to the east-southeast and have been located up to 1 mile to the west-southwest of the deposit (Fig. 7; Appendix 1). Kelly (1952) attributed the circular shape of the main El Capitan deposit to a solution collapse structure in the host San Andres limestone of Permian age. Drill results indicate, however, that the deposit extends in all directions beyond the area of surface exposure and that the circular shape is simply an erosional expression of a shallow-dipping skarn deposit.

Six east-west (Figs. 9-14) and seven north-south (Figs. 15-21) geologic cross-sections show the general geology of the deposit based on drill holes. These cross-sections show that the overall form of the El Capitan deposit is that of a flat-lying to shallow west-dipping body of skarn surrounded by crystalline limestone lying on the aplite intrusive contact. Interbeds of quartz sandstone interrupt the continuity of the skarn and crystalline limestone. The mineralized body is at least 3000 feet long in an east-west direction, at least 2000 feet wide north-south, and ranges in thickness up to 400 feet in depth. Although potentially economic gold-platinum assays are concentrated in the skarn and crystalline limestone, potentially economic grades occur in all rock types, including fractured, stockworked, or brecciated quartz sandstone, limestone, and aplite.

The El Capitan skarn includes two magnetite-dominant zones (upper and lower magnetite bodies). The upper magnetite zone lies below a limestone cap that is bleached, fractured, and contains hematite-calcite fracture filling. This limestone cap is nowhere more than a few tens of feet thick and it passes up-section into fresh limestone. A variety of skarn assemblages including magnetite, hematite, calcite, phlogopite, diopside, quartz, tremolite, and crystalline limestone lie below the upper magnetite zone and limestone cap rock and above aplite of the Capitan pluton. At this stage, no zonal pattern has emerged among skarn facies. The aplite contact has a shallow westerly dip, ranging in depth, where drilled, from 100 feet in holes to the east to 450 feet in holes to the west (Figs 9-21).

The most striking characteristic of the El Capitan deposit is the ubiquitous and commonly abundant presence of hematite, oxidized to limonite or goethite on surface and in the upper parts of drill holes. Hematite occurs as a primary constituent in all skarn assemblages and as post-skarn fracture-fillings, stockworks, breccia-fillings, and replacements with calcite in skarn, limestone, sandstone, and aplite. Hematite commonly exceeds 12% and ranges as high as 80% in some drill intervals (Appendix 2). Fracture-filling and replacement hematite-calcite clearly represent a later-stage hydrothermal event that was superimposed on earlier rock types. An assumption that these fluids were derived exclusively from the aplite is questionable because fracture-filling hematite-calcite occurs in aplite in the deeper parts of some drill holes. It is therefore apparent that at least some portion of the hematite-calcite hydrothermal fluids were derived from a deeper source underlying the aplite intersected in drill holes.

Precious metals in the deposit appear to correlate with the presence of hematite-calcite: higher gold-platinum values generally occur in both surface and drill samples with higher percentages of hematite. Samples dominant in magnetite, by contrast, are consistently lower in Au, Ag, and Pt. That precious metals correlate with hematite is supported by a study of two hematite-dominant samples from the El Capitan deposit conducted at the Missouri Bureau of Mines in 1996 (Appendix 3). Reflected-light microscopy and scanning-electron microscopy with energy dispersive spectroscopy (SEM-EDS) showed 2- to 35-micron crystals of electrum (Au-Ag alloy), native gold, and an unidentified possible Pt mineral. An apparently magnetite-dominant sample showed no Au, Ag, or Pt.

Hydrothermal Gold-Platinum Group Metals Deposits

Gold occurs with platinum group metals (PGM) in several classes of mineral deposits, many of which are hydrothermal in origin. Because the production of PGM has come almost exclusively from large Precambrian ultramafic layered intrusions, such as the Bushveld or Stillwater complexes of South Africa and Montana, respectively, the majority of geologists are of the opinion that PGM are restricted to these high-temperature magmatic segregation environments. Beginning in the early 1970's, however, a few detailed studies confirmed that PGM could be mobilized with Au in relatively lower temperature hydrothermal fluids outside of these environments (Stumpfl and Tarkian, 1976). Numerous studies of Au-PGM deposits and laboratory research on the thermochemistry of PGM solubility, transport, and deposition since that time have shown that Au-PGM occur in a variety of hydrothermal deposit classes, including porphyry coppers, fracture-shear-zone-hosted, and sediment-hosted deposits (Appendix 4).

The Lincoln Country porphyry belt, which includes the Capitan pluton, is dominated by intrusions of alkaline composition (Cather and others, 1991) and is included in a belt of alkaline intrusive rocks that stretches through the eastern Rocky Mountains from British Columbia to New Mexico. Alkaline intrusions commonly occur in continental rifts, such as the Rio Grande Rift. Hydrothermal Au-PGM occur as minor constituents in porphyry copper mineralization in alkaline plutons within this belt, the best known example being the Allard stock in the Colorado Mineral Belt. The 70-65 Ma Allard syenite stock had a copper resource that included 0.02 opt Au, 0.05 opt Pt, 0.03 opt Pd (Werle and others, 1984). Although the El Capitan Au-PGM-Fe mineralization is hosted primarily in skarn, close proximity to the Capitan pluton and its possible genetic association with the pluton indicates that the El Capitan deposit is a member of the Au-PGM mineralized alkaline porphyry belt of the eastern Rocky Mountains.

The Coronation Hill Au-PGM deposit in Australia exhibits a strong hematite-precious metals association that bears a resemblance to El Capitan. At Coronation Hill, hematite-calcite veinlets, breccias, disseminations, and alteration in a 2500-1600 Ma sedimentary section intruded by quartz feldspar porphyry and quartz diorite host a deposit grading 0.20 opt Au, 0.008 opt Pt, 0.028 opt Pd (Carville and others, 1990). Mernagh and others (1994) concluded that a calcium-rich, highly oxidized, acidic, moderately saline brine transported Au-PGM in chloride complexes. This conclusion corresponds with the results of numerous thermochemical studies that conclude that significant Au-Pt-Pd can only be transported in chloride complexes in acidic, moderately to extremely oxidized (hematite stable) hydrothermal fluids (Appendix 4).

Exploration Work Conducted

The 32-sample surface sampling program conducted in January, 2005 consisted of 28 samples in the main El Capitan deposit and four in the mineralized trend to the east. Near-vertical (slope corrections were made for non-vertical samples) continuous chip samples of approximately 10 pounds in weight were collected from outcropping mineralization over vertical lengths ranging from 4 to 45 feet at stations located with a GPS instrument and plotted as UTM coordinates. Samples were submitted to Auric Metallurgical Laboratories for caustic fusion assays.

Following encouraging assay results from a Stage 1 drill program (see below), the area of outcrop of the main El Capitan deposit was mapped at a scale of 1:2,400. Figure 8 shows the distribution of various skarn assemblages consisting of magnetite, hematite, calcite, phlogopite, epidote (now identified petrographically as diopside), and tremolite; crystalline limestone; bleached and fractured limestone; and limestone.

An airborne hyperspectral survey was conducted over a 35-square mile area surrounding the El Capitan property by Earth Search Sciences, Inc. in February, 2006. The data was interpreted by Joe Zamudio, Ph.D., who distinguished calc-silicate and hematite-goethite spectral signatures. Field examination of the anomalies and general geologic mapping was conducted by the writer in April, 2006 (see Appendix 1); the anomalies and the general geology of the property area are shown at a scale of 1:24,000 on Figure 7. A total of 38 samples were collected from outcropping mineralization or alteration at 24 anomaly locations and submitted for caustic fusion assay to Auric Metallurgical Laboratories. Auric reported significant gold and platinum results for several samples (Appendix 1). The high gold and platinum values reported for samples from outcropping magnetite-hematite skarn mineralization at AN-6 (average of five samples: 0.435 opt Au, 0.066 opt Pt), located approximately one mile to the east-southeast of the El Capitan deposit, and AN-8 (average of three samples: 0.060 opt Au, 0.061 opt Pt), located approximately one mile to the west-southwest of the deposit, (see Fig. 7) prompted the writer to recommend drilling at these locations as well as a Priority #1 exploration program to cover a 3-square-mile area including these locations and the El Capitan deposit. Another Priority #1

exploration area has been recommended around outcropping magnetite-hematite skarn mineralization at the Weddige prospect (AN 19(W)) located three miles to the north of the El Capitan deposit (Fig. 7).

Drilling

A Stage 1 diamond drill program, consisting of 12 vertical HQ-size holes (EC-05-1 through EC-05-12; Table 1) totaling 1,027 feet, was conducted in April-May, 2005. Because several Stage 1 drill holes terminated in favorable geology and/or assay intervals, the company conducted a Stage 2 drill program in June-August, 2005. Stage 2 consisted of 10 vertical HQ core and open-hole rotary holes (EC-05-04A through EC-05-14; Table 1) totaling 2,091.5 feet. (Eight Stage 2 holes were located adjacent to Stage 1 holes and are labeled with the designation "A"; for these holes, assays and geologic logs are available only for footages below the adjacent twin holes; Table 1). Favorable assay results from stages 1 and 2 prompted the company to undertake a 23-hole Stage 3 reverse-circulation drill program (EC-06-15 through EC-06-37) totaling 9,645 feet in February-May, 2006 (Table 1).

Drill core was sawed length-wise. One quarter of the sawed core was shipped to Auric, who reported caustic fusion assay results for Au, Ag, Pt, and Pd in ounces per ton (opt; Appendix 5). Splits from 79 core intervals prepared at Auric that contained significant magnetite were submitted to Lerch Bros., Hibbing, Minnesota for determinations of magnetite percentage and Fe content of the magnetite (Appendix 6). In addition, Auric also conducted hydrometallurgical extractions using five different protocols on selected samples, in all cases reporting significant recoveries relative to head caustic fusion assays (see below, Table 2, and Appendix 7).

Drill core was logged in 1-foot intervals and rotary and reverse-circulation drill cuttings in 5-foot intervals with the aid of a binocular microscope (Appendix 2). Mineral percentages were estimated for each interval and lithologic divisions were designated. Although most core sampled and assayed was in five-foot intervals, in some cases core intervals were selected based on lithologic boundaries. Most rotary and reverse-circulation drill cuttings were sampled in 5-foot intervals; in cases where geology was uniform over significant lengths, such as in aplite with low hematite content deep in several holes, sample intervals were increased to 10 feet.

Drill hole spacing is irregular, ranging from 150 to 700 feet and averaging approximately 400 feet. The holes are located over an area of 3600 feet east-west by 2100 feet north-south and were drilled to variable depths ranging from 98 feet to 710 feet (Table 1).

Sampling Method, Preparation, and Security

In order to ensure strict chain of custody for all samples, drill core and cuttings were removed from the drill site by the consulting geologist in charge at the time, and transported to and stored in secure locked storage units in a town near the property. No personnel of El Capitan Precious Metals, Inc. had access to or handled any drill core or cuttings. Core and drill cuttings recovery on the job ranged from good to excellent and samples are excellent representations of the deposit. Drill core was sawed length-wise and one-quarter was sent for assay. Drill cuttings were split and bagged into two equivalent samples in 5-foot intervals by the drilling contractor under the supervision of the consulting geologist. The one-quarter sawed core and one 5-foot sample bag of drill cuttings were sent under chain of custody by a certified shipping company to Auric Metallurgical for caustic fusion assays. One shipment of reverse-circulation drill samples sealed in buckets with tamper-evident tape was transported by El Capitan personnel to Auric Metallurgical in October, 2006; Auric confirmed upon delivery that these samples arrived with all seals intact. Apart from selected sample intervals used for metallurgical testing, the other three-quarters of sawed core and the second 5-foot sample bag for all intervals remain in the secure locked storage units.

Analyses by Auric Metallurgical Laboratories

Auric Metallurgical Laboratories has been a duly registered mineral assay and analysis laboratory located at 3260 West Directors Row, Salt Lake City, Utah, 84104, since 1996. Auric is a participating member in the Proficiency Testing Program for Mineral Laboratories operated by the Canadian Certified Reference Materials Project for the Task Group Mineral Analysis Laboratories Working Group for the elements analyzed on El Capitan samples. In addition, Auric participated in an evaluation of accuracy of U.S. analytical laboratories administered by the Bureau of Land Management in 2002. Auric's results on blind standards

selected by the BLM were excellent for all four elements tested: Au, Ag, Pt, Pd. Auric employs quality controls in its laboratory, including running blanks and standards for each 10 samples analyzed. During analyses of El Capitan samples, Auric used Nevada Bureau of Mines blank NBM-2a and standards NBM-5b, and CDN PGMS-6, -7, and -9.

Sample preparation methods employed by Auric were as follows (Appendix 8): The one-quarter core samples were passed through a Denver 4x6-inch jaw crusher to reduce to -0.25 inch. Both crushed core and rotary and reverse circulation materials were passed through a Jones riffle splitter a number of times to reduce sample size to approximately 150 grams. Samples were then passed through a 6-inch Bico-Braun pulverizer until samples passed an 80-mesh screen. Pulverized samples were placed in 3x5-inch yellow kraft paper sample envelopes and appropriately marked.

Stage 1 drill samples were visually separated into magnetic and non-magnetic categories based on apparent magnetite contents, and 100-gram aliquots of high magnetite samples were subjected to wet magnetic separation. Initial separate analyses of the magnetic and the non-magnetic fractions indicated significantly higher values in the non-magnetic fractions. Thereafter, Stage 1 assay results were provided only for non-magnetic fractions. (For these samples, the Au, Ag, and Pt results for non-magnetic fractions were recalculated back to whole-rock grades using the magnetic/non-magnetic percentages.) This practice was abandoned in Stages 2 and 3.

Auric reports that it uses high-quality equipment in its laboratory (see equipment list in Appendix 8) and that it maintains service contracts with certified calibration companies. According to Auric, only "reagent" grade chemicals from reputable chemical suppliers are used, and each batch of incoming reagents is subjected to analysis to ensure its purity.

Auric has developed a proprietary caustic fusion assay method. Although the fundamental principles of fusion assays have been known for many years and are available in metallurgy textbooks, Auric is reluctant to release details of its method. For this reason, samples analyzed by Auric were subjected to an independent evaluation and verification study (see following section).

Independent Evaluation and Verification of Auric Caustic Fusion Assay Results

Because Auric's caustic fusion method is not a standard method used in the mining industry, El Capitan Precious Metals retained the services of a qualified person (Q.P.), Mr. Richard Daniele, Metallurgical Engineer, of Daniele Metal-Mineral Services, Lakewood, Colorado, to undertake an independent third-party verification of the Auric results. Daniele was provided with geologic drill logs for the 12 Stage 1 drill holes; from these holes he selected 15 core intervals that he considered representative of the deposit. Following his introduction to the caustic fusion method in the Auric laboratory, one-quarter of the sawed core from the 15 core intervals was sent by the onsite consulting geologist to Daniele under chain of custody directly from the secure storage location. Daniele selected an independent laboratory run by Mr. Michael J. Wendell, Wendell and Company, Centennial, Colorado, at which the independent verification assays were performed. The 15 core interval samples were crushed, ground to approximately 80% minus 200 mesh, and split into two 100-gram samples. Fifteen duplicate 100-gram samples in random-numbered bags (DD-1 through DD-15) with no reference to core intervals were provided to Auric and Wendell in order to achieve blind analyses from both laboratories.

The Daniele and Wendell results, although somewhat lower than the Auric results, provide an independent verification of the Auric results. Daniele concluded in his September 1, 2005 report (Appendix 9) that the caustic fusion assay results performed at Wendell and Company demonstrated that the Auric procedure is a valid analytical procedure for difficult-to-analyze materials. Although the Wendell results averaged lower than the Auric results (30% lower for Au, 35% lower for Pt), Daniele concluded that Wendell's lack of familiarity with the use of lanthanum in solutions for atomic absorption spectrophotometer analyses, as employed by Auric in their caustic fusion procedure, resulted in the lower values. It is Daniele's opinion that greater familiarity with the lanthanum procedure would show improved results and a closer fit with the Auric results.

Hydrometallurgical Extractions

Auric Metallurgical Laboratories submitted a report to El Capitan dated May 15, 2005 which summarized the results of five hydrometallurgical extraction protocols on six surface samples collected from

outcrop in the shallow open pit of the main El Capitan deposit. Auric concluded that the samples were particularly amenable to sodium cyanide, sodium cyanide followed by chlorination, and sodium thiosulfate leaches. The Au recoveries range from 66.7-92.5% of the calculated caustic fusion head grades and average 79.6%. The Pt recoveries range from 58.7-78.0% and average 67.4%. Table 2 is a summary of the test results on these three protocols and Appendix 7 is the Auric report.

Measured Resource Calculation

A resource calculation based on drill hole assays was completed by Gemcom Software International in their Vancouver, B.C., Canada, offices using their GEMS version 6.0.3 software. The author and two other consultants supervised the Gemcom resource calculations. The data used were caustic fusion assay results from Auric Metallurgical Laboratories on diamond drill core, open hole rotary, and reverse circulation samples from 37 vertical drill holes spaced approximately 400 feet apart and totaling 12,763.5 feet of drilling (Table 1; Appendix 5).

The parameters used in the computer model were as follows:

- The block model used blocks 100 feet square by 20 feet high
- Interpolation was by inverse distance squared
- Composites were based on 20-foot benches
- A 500-foot spherical search radius was used with no rock-type or directional limiting
- Interpolation used a minimum of two composites and a maximum of 12, with a maximum of four composites from any give drill hole
- The extent of the model in mine coordinates in feet (Table 1) was: E 47,000 – E 52,200; N 47,700 – N 50,600; vertical elevations 6,100-6,960 feet.

It is believed most reasonable to use a 0.01 ounces per ton (opt) Au cut-off. At this cut-off the calculation results are: 141,444,000 short tons grading 0.020 opt Au, 0.205 opt Ag, 0.011 opt Pt with a contained 2,769,106 ounces Au; 28,997,185 ounces Ag; 1,517,868 ounces Pt (Tables 3, 4).

Using a 0.02 opt Au cut-off, the calculation results are: 47,121,100 short tons grading 0.029 opt Au, 0.267 opt Ag, 0.013 opt Pt with a contained 1,344,452 ounces Au, 12,572,655 ounces Ag, 594,485 ounces Pt (Tables 3, 4).

At current metal prices of \$625 per ounce Au, \$12.50 per ounce Ag, and \$1,145 per ounce Pt and using a cut-off of 0.01 opt Au, the above 141,444,000 short tons calculates to a gold equivalent grade of 0.044 opt Au eq. with a contained 6,126,747 ounces Au eq.

It should be noted that drill results show that the deposit is apparently closed on the north, east, and south sides but that significant values in drill hole EC-06-37 (Fig. 8) indicate that the deposit is still open to the west. Additional drilling is recommended to close the deposit on the west side.

It is believed that the above calculation results allow the El Capitan gold-platinum deposit to be classified as a “measured resource” based on the Canadian National Instrument 43-101 definition: “...can be estimated with confidence sufficient to allow the appropriate application of technical and economic parameters to support mine planning and evaluation of the economic viability of the deposit...(and that)...drill holes...are spaced closely enough to confirm both geological and grade continuity.”

Exploration Potential

The entire approximately 10-square-mile El Capitan claim block within which the El Capitan deposit is located should be considered prospective for additional gold-platinum deposits of the El Capitan type (Fig. 7). The El Capitan deposit itself represents a fortuitous exposure of mineralization that lies beneath a cap of barren limestone (Fig. 8). Had the deposit not been exposed by erosion it may not have been discovered. The three other areas noted above where El Capitan-type mineralization occurs also represent erosional windows through overlying limestone (Fig. 7). It is possible that limestone cap rocks and/or alluvium could cover mineralization at additional locations within the 10-square-mile El Capitan claim block.

Because of the occurrence of El Capitan-type mineralization at three additional locations on the El Capitan claim block, two Priority #1 areas have been recommended for detailed exploration. The southern Priority #1 area covers approximately 3 square miles and includes mineralized exposures at AN 6 and AN 8 (see above; Fig 7; Appendix 1). Geologic mapping and geochemical soil and ground magnetic surveys on north-south lines spaced 500 feet apart have been recommended for this area as well as preliminary drilling at AN 6 and AN 8. Priority #1 exploration has also been recommended for a 2.5 square mile area around mineralization at the Weddige prospect (AN 19(W); Fig. 7; Appendix 1); preliminary drilling is also recommended for this site.

Depending on the results and effectiveness of the exploration methods employed on the Priority #1 programs, it is reasonable to expect that additional portions of the El Capitan claim block will be recommended for detailed exploration. In addition, it should be noted that significant caustic fusion assay results have been reported by Auric Metallurgical for several other sites sampled on the El Capitan claim block. Several of these sites should be re-sampled to verify the validity of these results. Should check assays confirm significant values, exploration efforts in these portions of the El Capitan claim block should be expanded.

Interpretation and Conclusions

El Capitan Precious Metals, Inc. has carried out a thorough preliminary exploration program, including 37 holes of exploration drilling totaling 12,763.5 feet, on the El Capitan gold-platinum deposit. Drill samples have been logged in detail and maintained under strict chain of custody and caustic fusion assay results have been satisfactorily verified at an independent third-party laboratory under the supervision of a Qualified Person. A resource calculation has been completed by a recognized company using state-of-the-art software. The El Capitan deposit qualifies as a "measured resource" under the NI 43-101 definition. Preliminary hydrometallurgical extraction results indicate potentially acceptable levels of recovery for both gold and platinum. The deposit is a shallow-dipping body of at least 2000 feet by 3000 feet and 100-400 feet in thickness. Gold-platinum mineralization occurs mainly in a hematite-calcite assemblage; although this assemblage occurs in skarn as apparently primary skarn minerals, it is believed to largely represent a later stage fracture-filling mineralizing event. It is believed that the caustic fusion assay results, hydrometallurgical extraction results, and geologic data for the project are reliable and that the measured resource is an accurate reflection of the tonnage and grade of the deposit. Although the deposit is of low grade, it is believed that the measured resource is sufficient to justify a preliminary feasibility study.

Recommendations

The El Capitan gold-platinum project has reached the stage where a preliminary feasibility study should be conducted. This study should include in-fill drilling to raise the resource to a reserve category, further verification of caustic fusion assay results, significant hydrometallurgical extraction research on bench scale and bulk samples, and engineering and metallurgical evaluations focused on potential production.

In addition, the Priority #1 exploration programs recommended for a 3-square-mile area around the El Capitan deposit and a 2.5-square-mile area around the Weddige prospect should be carried out. Preliminary drilling should be conducted at three sites of outcropping mineralization within these exploration areas. If results from these programs are positive, then the entire 10-square-mile claim block area underlain by Permian limestone and quartz sandstone should be explored using the methods found to be successful in the Priority #1 programs.

References Cited

Bird, P., 1984, Laramide crustal thickening event in the Rocky Mountain foreland and Great Plains: *Tectonics*, v. 3, p. 741-758.

Carville, D.P., Leckie, J.F., Moorhead, C.F., Rayner, J.G., Durbin, A.A., 1990, Coronation Hill gold-platinum-palladium deposit: in Hughes, F.E., ed., *Geology of the Mineral Deposits of Australia and Papua New Guinea: the Australian Institute of Mining and Metallurgy*, Melbourne, p.759-762.

Cather, S.M., Lucas, S.G., McLemore, V.T., and Colpitts, R.M., Jr., 1991, Second-day road log from Inn of the Mountain Gods to Hondo, Lincoln, Capitan and return to Inn of Mountain Gods, Guidebook 42, New Mexico Geological Survey, New Mexico Bureau of Mines.

Hipwell, R.M., 2003, Geology, reserves and mineral review of the patented and unpatented lode claims held by El Capitan Ltd.: consulting report to El Capitan Precious Metals, Inc.

Kelley, V. C., 1952, Origin and pyrometasmatic zoning of the Capitan iron deposit, Lincoln County, New Mexico: *Economic Geology*, v. 47, p. 64-83.

McLemore, V. T., 2001, Silver and gold in New Mexico: New Mexico Bureau of Geology and Mineral Resources, Resources Map 21.

Mernagh, T.P., Heinrich, C.A., Leckie, J.F., Carville, D.P., Gilbert, D.J., Valenta, R.K., Wyborn, L.A.I., 1994, Chemistry of low-temperature hydrothermal gold, platinum, and palladium (uranium) mineralization at Coronation Hill, Northern Territory, Australia: *Economic Geology*, v. 89, p. 1053-1073.

Roberts, D.G., Adams, D.C., and Keller, G.R., 1991, A geophysical analysis of the crustal structure in the Ruidoso area: Guidebook 42, New Mexico Geological Survey, New Mexico Bureau of Mines.

Scholle, P.A., 2003, Geologic map of New Mexico: New Mexico Bureau of Geology and Mineral Resources.

Stumpfl, E.F., and Tarkian, M., 1976, Platinum genesis: new mineralogical evidence: *Economic Geology*, v.71, p.1451-1460.

Thompson, T. B., 1991, Genesis of gold associated with alkaline igneous rocks (abs.): *Geological Society of America Abstracts with Programs*, v. 23, p. 99-100.

Werle, J.L., Ikramuddin, M., and Mutschler, F.E., 1984, Allard stock, La Plata Mountains, Colorado – an alkaline rock-hosted copper-precious metal deposit: *Canadian Journal of Earth Sciences*, v. 21, n. 6, p. 630-641.

Certificate and Consent of the Qualified Person (Author) for this report

The Qualified Person (author) for this report is: Clyde L. Smith, Ph.D., P.Eng., Consulting Geologist, of 1680 56th Street, Suite 106, Delta, British Columbia, Canada, V4L2L6.

The title and date of this technical report is: “Report on El Capitan Gold-Platinum Project, Including Indicated Resource Calculation, Lincoln County, New Mexico” dated January 31, 2007.

The Qualified Person’s qualifications are included in the following Curriculum Vitae dated January 31, 2007.

The Qualified Person has provided geological consulting services to El Capitan Precious Metals, Inc. on the El Capitan Project starting in December, 2004. These services have included surface sampling and mapping, recommendations for and supervision of all drill programs, geologic logging of all drill core and cuttings, integration with assay laboratories, recommendations for claim staking and exploration programs, report writing, and supervision of resource calculations. The most recent visit to the project was in October, 2006.

The Qualified Person is responsible for all geological aspects of this technical report.

The Qualified Person is an independent consulting geologist and is independent of the company El Capitan Precious Metals, Inc.

The Qualified Person has read Canadian National Instrument 43-101 and certifies that this report has been prepared in compliance with the Instrument.

The Qualified Person certifies that as of the date of this report, to the best of his knowledge, information, and belief, the technical report contains all scientific and technical information that is required to be disclosed to make the technical report not misleading.

Signed,

Clyde L. Smith, Ph.D., P.Eng., Consulting Geologist

CURRICULUM VITAE FOR CLYDE L. SMITH, Ph.D., P.Eng. (Current to January 31, 2007)

- Current positions** President, C.L. Smith Consultants, Vancouver, B.C.
President, Wits Basin Precious Minerals, Inc.
Professional Engineer, Association of Professional Engineers and Geoscientists of British Columbia, Vancouver, B.C.
Qualified Person (for preparing Canadian National Instrument 43-101 technical reports for mineral projects)
- Academic** B.A., 1959, Carleton College, Northfield, MN
M.Sc., 1962, University of British Columbia, Vancouver, B.C.
Ph.D., 1966, University of Idaho, Moscow, ID
Additional year graduate study, University of California, Berkeley, CA
Served several years as Industrial Associate, School of Earth Sciences (includes departments of Geology, Geophysics, Applied Earth Sciences), Stanford University, Stanford, CA
Principal publication: "Sediment-Hosted Stratiform Lead-Zinc-Silver Deposits", 1983, in *Revolution in the Earth Sciences*, Kendall Hunt Publishing Co.
- Listings** Who's Who in British Columbia, 1981
Who's Who in the Commonwealth, 1984
- Professional, Business** Founded Ogilvie Joint Venture, 1974; partners Brinco Ltd. (Canadian subsidiary of Rio Tinto Ltd., London), Mitsubishi Metals, Inc., Tokyo, and Ventures West Capital Ltd., Vancouver. Discovered the Jason lead-zinc-silver deposit, eastern Yukon Territory, Canada. Jason was the first discovery of a major stratiform lead-zinc-silver deposit made by a geologist using geological methods; all previously discovered major stratiform deposits occurred exposed on surface and were found by prospectors. The Jason deposit contains more than 2.0 billion pounds lead, 1.8 billion pounds zinc, 35 million ounces silver and exhibits potential for more reserves.
- Co-founded Ventures West Minerals, 1979, and purchased control of Westley Mines Ltd., a Toronto Stock Exchange listed public company. Discovered the Santa Fe gold deposit, western Nevada, U.S.A. Santa Fe was the first discovery of a significant sediment-hosted (Carlin-Type) gold deposit in western Nevada. Santa Fe was sold to Corona Corp., Toronto, which initiated production in 1988 at 65,000 ounces gold per year. The Santa Fe deposit contained more than 400,000 ounces gold.
- Co-founded Radcliffe Resources Ltd., 1984, a Vancouver Stock Exchange listed public company. Discovered the North Lake gold deposit, northern Saskatchewan, Canada. The North Lake deposit contains more than 200,000 ounces gold and exhibits potential for more reserves.
- Co-founded La Esperanza Gold Explorations Ltd., 1993, a private British Columbia corporation, and entered into a U.S. \$3.0 million joint venture funded by Mount Isa Mines Ltd. (Australia's second largest mining company), Brisbane, Australia. Discovered the Solidaridad gold-silver-copper deposit, Michoacan state, Mexico. Exploration drilling indicated that Solidaridad has the potential to be one of the principal new ore deposits in Mexico with an estimated minimum of 750,000 ounces gold, 2.3 million ounces silver and 44 million pounds copper.
- Co-founded Kcrok, Inc., 2003, following five years of geologic investigations in the Lake Mead Domain, southern Nevada. Company holds large claim position covering extensive outcrops of a flat-lying unconsolidated sediment formation that is basin-fill for large structural basins. Bulk samples from widely scattered outcrops of 16-70 m thicknesses of the sediment have returned potentially economic grade gold and platinum assay and hydrometallurgical leach results. Evaluation currently in progress.
- Currently President of Wits Basin Precious Minerals, Inc. Company has active exploration projects in South Africa, Mexico, Colorado.
- Currently consulting geologist for El Capitan Precious Metals, Inc. Led exploration program resulting in a measured resource with 2.7 million ounces gold, 1.5 million ounces platinum.