SITE VISIT REPORT

ON THE

HETAOZHAI NB-TA PROJECT

YINGJIANG COUNTY, YUNNAN PROVINCE,

PEOPLE’S REPUBLIC OF CHINA

FOR

NORTHAMERICAN ENERGY GROUP CORPORATION

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1. INTRODUCTION

Watts, Griffis and McOuat Limited ("WGM") was contracted by Sonny Tang, Chairman of the board of Northamerican Energy Group Corporation ("NEG") to undertake a due diligence review, and if warranted, prepare the necessary technical documents in support of the required regulatory filings for the proposed acquisition of the Hetaozhai niobium-tantalum project (the "Project") in Yunnan Province, People’s Republic of China. WGM understands thatNEG has negotiated an option to acquire an interest in the project from its current owner Yingjiang Rare Metal Mining Co., Ltd.

WGM had provided an initial preliminary desk top review of the two reports pertaining to the property to check for any issues that would preclude closing the deal and before undertaking a more detailed due diligence site visit to review the project in detail.

This report details the findings of the site visit and personal observation and provides an independent assessment of the current exploration status of the Hetaozhai Nb-Ta project.
2. BRIEF INTRODUCTION OF THE HETAOZhai Nb-Ta PROJECT

The Hetaozhai Nb-Ta Project is located in the northwestern portion of Yunnan Province, People’s Republic of China, near the border with Myanmar. The property lies on the west side of Binglang river, near Hetaozhai village, Zhanxi town, in Yingjiang County (Figure 1). Xingjiang City, is the nearest major town approximately 70 kilometre (“km”) southwest of the property and about 131 km from Mangshi, the nearest regional airport. Access to the property is from Xingjiang City via a 30 km asphalt highway to a sugar plant at Zhanxi then via 25 km of local cement road to Hetaozhai village and 15 km of seasonal dirt road to the project site.

Figure 1. The location map of the Hetaozhai Nb-Ta project

The property was first acquired by Yunnan Yingjiang Tianyuan Mining & Milling Plant (“YYTMMP”) as an exploration project in 1997 and the company received its first mining license in 2000.

Since April 2012 the mining license was only renewed annually until January 2015. YYTMMP then changed the name to Yunan Luyuan Mining Co. Ltd (“YLMC”) in 2015. The new company applied for another one-year renewal mining license in 2015 which expired on
January 5, 2016. YLMC has now applied for a 5-years mining license which is currently being processed.

3. 2016 SITE VISIT

The site visit was conducted between January 7 to 15, 2016 by WGM Senior Associate Geologist, Weiliang Wang, P.Geo. Mr. Wang was accompanied by China Metallurgical Geology Bureau, Kunming Institute (“CMGBKI”) staff, including Dafu Wan, Wei Li, and Zhong Li; the Owner of the mine, Guohua Zhang, and the Chairman of the board of NEG, Sonny Tang.

The site visit consisted of a thorough inspection of the site setting and geology, the collection of character samples, and a visit to the local laboratory and a series of meetings with company and bureau personnel to discuss the exploration activities and any outstanding issues that may affect the project.

The detailed schedule of the site visit is following:

- Flight to Beijing on 7th January, arrived and stayed in Beijing 8th January, 2016;
- Flight to Mangshi via Kunming on 9th January; stayed in Lijiang and met the staff of Yingjiang mine and the staff of CMGBKI to review and discuss technical project data, and meeting with the owner of the mine and Chairman of NEG on 10th January;
- Site visit, examining drill core and outcrops and sample collecting on 11th January;
- Lab visit, sample collecting and meeting with Kunming Geological bureau in Kunming on 12th January;
- Back to Beijing and sent 4 samples to ALS Guangzhou on 13th January; and
- Back to Toronto on 15th January, 2016.
4. HETAOZhai Nb-Ta PROJECT DETAILS

4.1 GEOLOGICAL SETTING

The main lithology unit observed on the property is Mesoproterozoic Gaoligong Group (PtGl), which consists of plagioclase leptynite, granite, schist and slate in its lower unit, and quartzite and quartz-bearing schist in its upper unit. The Gaoligong Group is unconformably overlain by Quaternary (Q) sediments and is intruded by the later stage Yanshanian granite ($\gamma_5^{3(2)}$) and Himalayan granite ($\gamma_6^{1(1)}$).

The area has experienced extensive regional metamorphism, magmatic and tectonic events and has the potential for deposits related to hydrothermal and metamorphic origin.

4.2 LOCAL MINERALIZATION STYLES, ORE TYPES AND CONTROLS

Two types of mineralization were observed:

a) Pegmatite-type Nb-Ta-Rb mineralisation which is developed within the late stage Himalayan granitic pegmatite dikes. These dykes strike NS with lengths ranging from 40-1,000m and thickness from 0.1-10 m (Figure 2); and

b) Sc and REE mineralization which is developed within the Gaoligong metamorphic rocks and the Yanshanian granites. The weathered outcrops and fresh rock has been tested by both trenching and drill holes.

Figure 2. The Nb-Ta and Rb bearing pegmatite dyke
After the first exploration license was issued to YYTMMP in 1997, the company applied for the mining license in December 1999. The No.4 Brigade of Yunnan Geology and Mineral Resource Bureau after two months of early stage exploration work estimated a potential resource of, 1,982,527.7 tons of (Nb+Ta)₂O₅ for the property. The report also indicated that this potential estimation was only prepared for purposes of the mining license registration.

Building on the results of the initial work two similar reports each based on limited additional work were subsequently prepared to renew the mining license by Yunan Geological Engineering Co. in 2005 and No.1 Brigade of Yunnan Geology and Mineral Resource Bureau in 2011.

The 2011 report, identified Chinese Reserves Classified as 122b, of 137,700 tonnes and Inferred resources classified as 333, of 175,200 tonnes of Ta₂O₅ at an average grade of 0.019% and approximately 1,299 tonnes of contained accessory tin metal (Sn) within the above defined resources.

5.1 2013 EXPLORATION PROGRAM

The exploration work by CMGBK1 in 2013 includes 642.45 m of drilling, 1,714.2 m of trenching and the collection and analysed of 845 samples.

The mapping, trenching, stripping, drilling and sampling work appear to have been properly done according to the description given in the technical report and WGM’s site observation (Figure 3). Sample storage and QA/QC procedures however could be improved.

The 2013 work identified additional mineral resources as follows:

(i) Pegmatite-type Ta-Nb and Rb mineralization, totalling 1.0464 million tonnes of Ta-Nb and Rb classified as 333+334, some of these would probably be equivalent to inferred resources and the others (334) geological potential;

(ii) Oxide mineralization totalling 6.3737 million tonnes of scandium (Sc), mineralization, of 331+332+333+334 classification with associated Rear Earth Oxide (REO) and rubidium (Rb₂O). The 331 and 332 classified material may be similar to indicated or
better resources however the majority of this material may only qualify as inferred or less (geological potential); and

(iii) Primary scandium mineralization, totalling 6.9204 million tonnes of scandium (Sc) classified as 334, and associated 3,971.31 tonnes of rare earth oxide (REO) and 1,108.05 tonnes associated rubidium oxide (Rb$_2$O). These are areas of geological potential only and would for the most part not be classifiable as resources based on international codes.

The WGM QP collected four character samples including two drill core samples (ZK1501-39 and ZK1501-78) and two pulp samples (BT03-H3 and BT11-03). These were personally collected and sent to ALS Chemex (Guangzhou) for independent analysis (Table 1).

<table>
<thead>
<tr>
<th>Samples</th>
<th>Nb$_2$O$_5$ µg/g</th>
<th>Ta$_2$O$_5$ µg/g</th>
<th>Rb$_2$O µg/g</th>
<th>Sc µg/g</th>
<th>REE %</th>
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<tr>
<td>ZK1501-39</td>
<td>133.961</td>
<td>70.272</td>
<td>605.854</td>
<td>298.660</td>
<td>0.014</td>
</tr>
<tr>
<td>ZK1501-78</td>
<td>45.391</td>
<td>46.944</td>
<td>131.123</td>
<td>82.404</td>
<td>0.064</td>
</tr>
<tr>
<td>BT03-H3</td>
<td>72.718</td>
<td>77.472</td>
<td>148.403</td>
<td>40.33</td>
<td>0.117</td>
</tr>
<tr>
<td>BT11-H3</td>
<td>41.53</td>
<td>29.952</td>
<td>276.243</td>
<td>275.77</td>
<td>0.174</td>
</tr>
</tbody>
</table>

While all the samples show the enrichment of Nb, Ta Rb, Sc and REE the analytical results show some differences between ALS and CMGBK lab’s results. Ten samples were significantly higher from the local lab while 6 samples were almost the same. The results of
the pulp samples are closer to each other than the results from core samples. The non homogeneously distributed mineralization and quarter sampling from drill core, would account for some of the observed differences as would the generally expected nugget effect with this type of mineralization within both drill core and sample pulp duplicates.

While the results do confirm enrichment of $\text{Ta}_2\text{O}_5 / \text{Nb}_2\text{O}_5 / \text{Rb}_2\text{O}$ and Sc in these rocks there is a positive bias noted towards the Local lab in 13 of the 16 determinations.
6. SUMMARY

WGM briefly reviewed the following two reports as part of its desktop study:

(i) “Prospecting Report of the Niobium-tantalum Property in Hetaozhai, Yingjiang County, Yunnan Province” by China Metallurgical Geology Bureau, Kunming Institute dated 30th, August, 2013; and,


WGM’s desktop review indicated that the technical merits of the project were considerable and it had good exploration potential and that a site visit to confirm the merits of the project was warranted subject to the consideration of a number of potentially significant non technical risk factors.

The most significant non technical risk is China’s current ban on foreign investment in exploration or mining of REE rare earth projects in China.

“National Development and Reform Commission (NDRC) People’s Republic of China, foreign investment is prohibited in the exploration or mining sector of rare earth minerals.”

The limited term of only 1 year for mining license renewals also introduces risk especially for longer term investors.

The project value as determined by Sichuan Shanhe Assets Appraisal Co., Ltd. was conceptual in nature and has no merit as it does not consider the cost required to, define, extract and recover the products. It is not acceptable for filing with regulators as it is only conceptual in nature.

WGM’s site visit, verification sampling and discussion with local personnel confirmed the potential of the Hetaozhai Nb-Ta project. The grade of the reported mineralization of 0.019% Ta₂O₅ which is within the range of (0.013-0.15 %Ta₂O₅) reported by a number of Australian explorers and confirms the potential quality.

• The recent 2013, mapping, trenching, stripping, drilling and sampling work has for the most part been done properly according the description given in the technical report, discussions with CMGBKI staff and our site observations;

• However, it was not possible to verify the exploration work completed or data generated prior to 2013 and therefore such previous work would not be acceptable to support internationally recognized mineral resource estimations;
The Yingjiang Nb-Ta project is considered to be at an early stage exploration in terms of international best practice requirements. While the current resources defined may be sufficient to warrant their development as an artisanal or small scale mine such operations would not meet the regulatory standards imposed on listed companies.

Considerable additional exploration work is required to increase the quantity and quality of the mineral resources and to assure these will be prepared to international standard.

- While determining a mineral resource at this time may be possible, given the limited amount of verifiable data, it is expected that only a small inferred resource would be outlined at this time which may not warrant the cost of its preparation;
- It will also be necessary in order to satisfy the required international standards for industrial minerals to include a market study to demonstrate that the quality (grade) and quantity would be sufficient to assure a potential market.

RECOMMENDATIONS

The most significant risks to the project appear to be non technical at this stage and as such are beyond our outside our capacity to advise. We do not know the extent to which China’s Ban on foreign investment in REE projects applies to mixed properties in which REE only makes up part of the project, nor have we been provided with the details of the type of option arrangement and discussed between NEG and Yingjiang Precious and Rare Metal Mining Co., Ltd, and we do not comment thereon.

We would highly recommend that NEG avail itself of appropriate legal advice as to the types of foreign ownership of investment arrangements that may be allowed for such restricted commodity projects.

Similarly, we believe that securing a mining license, especially one with a longer term would be most beneficial to assuring investor confidence for the long term investment required to advance any mining project.

WGM believes that the projects merits additional work to further exploration and define the potential of the Nb-Ta pegmatite and recommends that the proposed exploration and detailed sampling program planned by the bureau for 2016 be completed prior to NEG commissioning the preparation of an independent NI 43-101 report and mineral resource estimate. However,
in order to assure that the work is carried out appropriately the engagement of an independent QP is highly advised.

- As part of such a work program the QP should work closely with the bureau to make sure that adequate QA/QC procedures are implemented and that at least 10% of the samples analysed be sent to international labs for verification sampling; and
- As with any industrial mineral project an initial high level market study should be prepared to determine the parameters that need to be met in order to demonstrate the potential market for the products.

Prior to preparing the technical report the QP should also undertake a further site visit, preferably after the completion of the 2016 work program to verify the QA/QC procedures, and to conduct additional verification required for completing a NI 43-101 technical report and mineral resource estimate. The NI 43-101 technical report can also be utilised by a mineral property appraiser or valuer to prepare a valuation for the property.

WGM has also included links to one of the larger Canadian pegmatite deposits for your reference and for background information. The links are appended.

Sincerely,

“signed by Weiliang Wang”

Weiliang Wang, P.Geo.,
Senior Associate Geologist
Notes and Links to Pegmatite reports.

The Tanco pegmatite
The Tanco pegmatite is a subhorizontal, essentially undeformed, bilobate, saddle-shaped body. The pegmatite is about 1520 m long, 1060 m wide, and up to ~100 m thick, thinning toward the edges. The volume of the pegmatite is ~21,850,000 m$^3$, the mass is ~57,430,000 tonnes, and its average density is 2.63 g/cm$^3$ (Stilling et al., 2006).

http://www.gov.mb.ca/iem/geo/field/roa12pdfs/GS-4.pdf,