

1 - INTRODUCTION

1.1 – OBJECTIVE

The follow present report has an objective to describe the accomplished works in offices and fields for the geologic and economic description of the area referring to the Tapajos Project of the Cone Mine Exploration. This work has a main goal elaborate an evaluation of the iron ore reserves in the area of the process, quantifying and qualifying them with accuracy.

1.2 – MINERAL LEGISLATION IN BRAZIL



The laws that conduct the mining activities in Brazil established that the subsoil belongs to the federal government. That way, activities of prospection, exploration and exploitation just are possible with the government authorization through of its department DNPM (National Department of Mineral Production).

Each process of mineral exploration is evaluated by the DNPM based in technique criteria and the authorizations are granted in two stages: Exploration License and The Mine Work Concession. The authorization holder of DNPM has full and exclusive rights about the work execution, as well about the commercialization of the area.

1.3 – MINING IN BRAZIL

Brazil stands out worldwide as one of the main producers of the minerals goods.

The mining industry in Brazil has a highest technology level and technique, being forward of a several obtained innovations in this area in the last decades.

In all regions of the country exists an extensive web of education for the formation of professional that attempt to the mining's demand. The high workforce qualification, together to good infra-structure and low productive cost becomes the mining in Brazil object of a great interest by the part of the foreign and national investors.

Brazil is the second bigger producer of the iron ore and is the thirteenth largest producer of gold with production of approximately 54 ton in 2008.

Adding the commercialized rude ore production to the production of the sector of mineral transformation, the mining of Brazil generated in 2008 US\$ 42 billion, what represents 5.7% of the GDP. The positive scene reflects in the investments of the sector that are foreseen in US\$ 62 billion between 2010 and 2014.

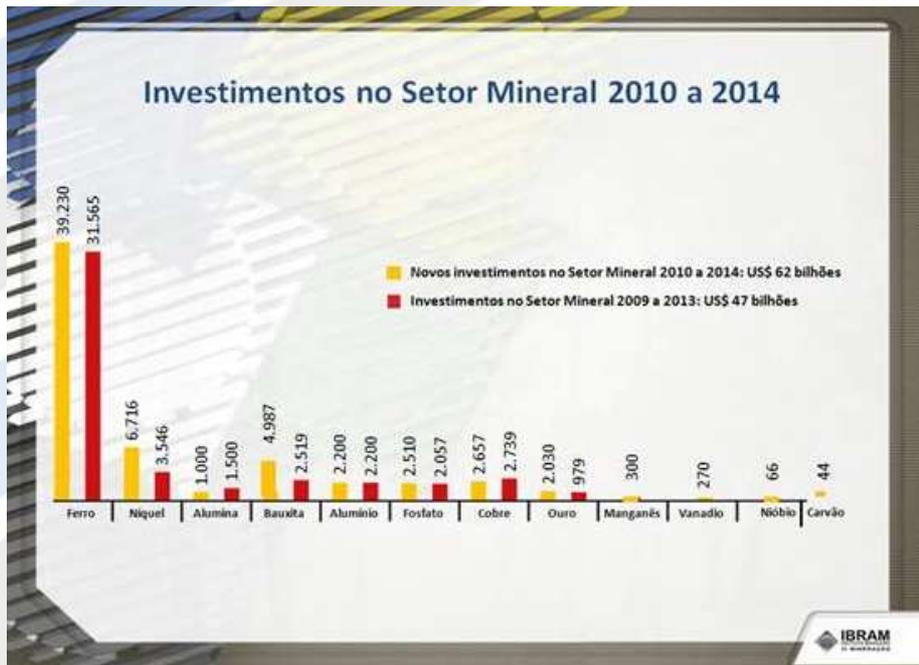


Chart 1 - Investment in Mineral Sector - Source IBRAM

1.3.1 - CURRENT SCENARIO OF GOLD IN BRAZIL

The auriferous potential in Brazil is a significant expression. The auriferous districts as defined by the occurrence of one or more deposits, and deposits and occurrences of minor relevance, are presented in several types, but, however, are concentrated in certain areas. These areas are mainly embedded in regions and on cratonic belts mobile associates, related to the Brasiliano tectonic cycle, whose most recent ages are around 450 million years.

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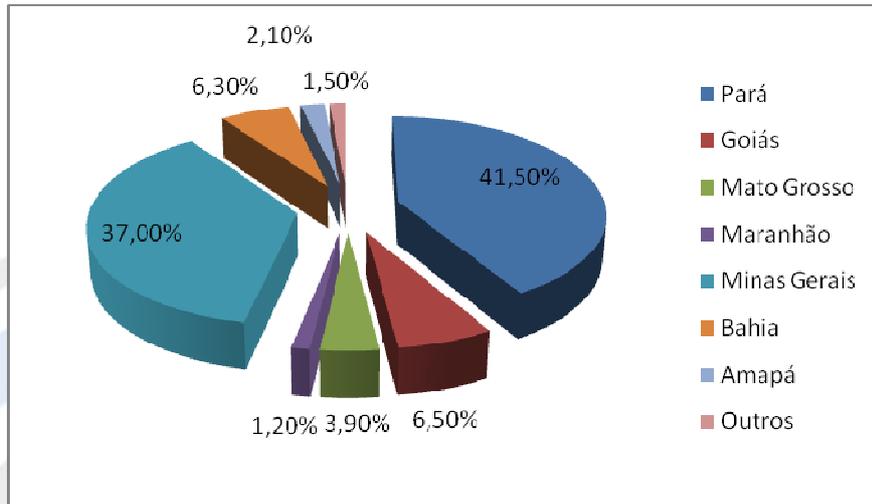


Chart 2 - Distribution of Reserve Officer (Measured + Indicated) Gold Contained Primary Units in Brazil by the Federation - 2007 - Source DNPM

Currently, the national reserves (measured + indicated) of primary Au contained represent 98.6% of total reserves in the country legally registered, a total of 1,568 t. The chart above shows the distribution of gold reserves in the Brazilian states taking Pará main representative, with 650 t of contained gold equivalent to 41.5%, followed by Ontario with 580 tons (37.0%), Goiás (103 t, 6.5%), Bahia (99 t 6.3%), Mato Grosso (61 t 3.9%), Amapá (33 t 2.1%), Maranhão (18 t 1.2%) and others (23 t 1.5%).

In 2007, Brazilian gold production reached 47.7 tonnes registering an increase of 7.5% over the previous year. Production from mines (companies) accounted for 88.9% of national production, recording an increase of 8.1% compared to participate in the same period last year, totaling 42.4 tons. Production at mines had become the order of 5.3 t in 2007, charging modest rise of 2.9% compared to the previous period. It is estimated that gold mining in 2007, had as its main gold producing states of Para 42.9%, followed by 22.7% in Mato Grosso, Amapá (12.6%), Rondônia (7.9%) and other states (13.9%).

Brazil has positioned itself in the international market as a traditional center producer and exporter of gold. In Brazil, the amount of gold exported in 2004, 2005, 2006 was 32t, 31T and 33.8 tons respectively. In 2007, exports increased by 19.3% in value (Totaling U.S. \$ 791 million FOB) and 6.5% in exports (76 tons).

In 2008 the volume exported was 37T and generated foreign reserves amounting to U.S. \$ 1 billion FOB. Those countries which have imported from Brazil were the United States (92%), United Kingdom (6%), Canada and the United Arab Emirates (2%).

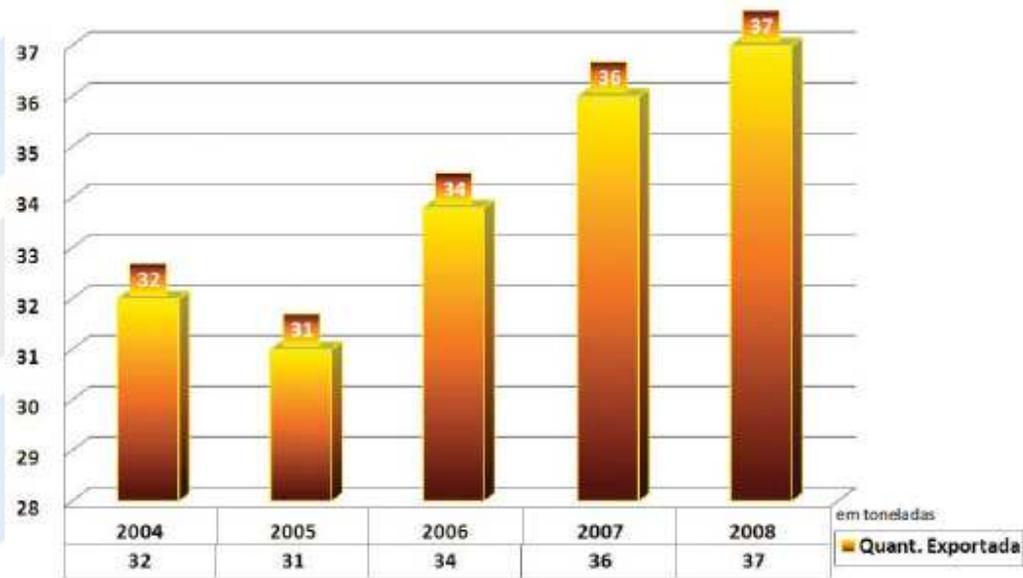
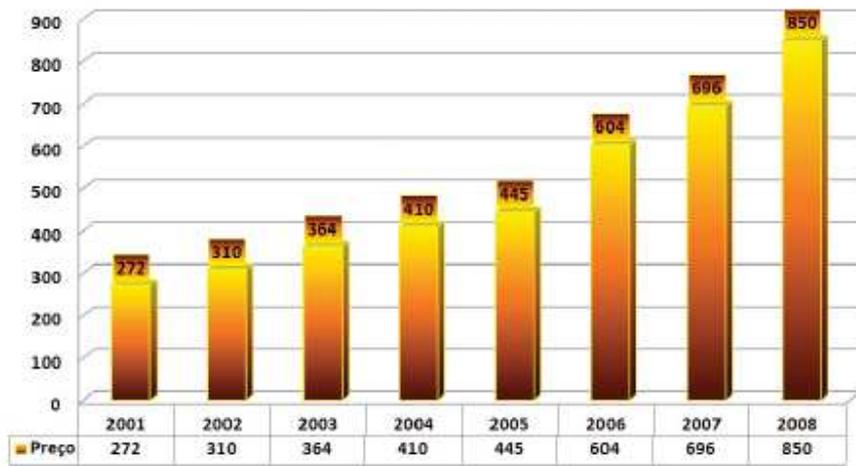


Chart 3 - Exports of Gold in the Period 2004 -2008 - Source IBRAM

From April 2002, gold prices returned to position itself above the US\$ 300/oz and has begun a new series of high, which reached a culmination with US\$ 850/oz in 2008.



Fonte: US\$/oz - LBMA London Bullion Market

Chart 4 - Average Price of Gold LBMA London Bullion Market - Source IBRAM

The global financial crisis of 2008 did the price of gold shoot in the international market. With jumps in the price of the commodity. The troy ounce (measurement equivalent to 31 grams of gold), jumped from \$ 860 for the current U.S. \$ 1,150.00.



Chart 5 - Variation of the Gold Price in the last three years

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1.4 PRELIMINARY INFORMATION OF GEOLOGY AND MINERAL OCCURRENCES OF AREAS

1.4.1 Introduction

The objective of these studies is to present a thorough technical and financial, with the scope of a pre-assessment of economic development, that is the purpose of mining gold in a mining area with 179.5 acres known as the Crystal Mine, located in the municipality of Sabara, MG district of the Camp Old, and other areas in the region. The evaluation of the project characteristics, the current phase, its potential and its techno-economic feasibility are detailed below.

It is worth mentioning, according to studies conducted by previous geophysical COMIG (CODEMIG today) and countersigned by the CPRM - Companhia de Mineral Resources, linked to the Ministry of Mines and Energy, also, events already being explored by companies AngloGold Ashanti and MSOL - Mine Papa Flour, DA Jaguar Mining - Yamana Gold Mining - the area of Exploration Permit, for all the proven results, allows the conclusion that it has significant gold concentrations.

Reports of previous experiments and other forms of exploitation has occurred in the area, some form of small mines in mining, corroborated by research in the form of examination and results of laboratory tests, in samples collected during, show that this occurrence may have a concentration from 3.8 to 4.0 grams per tonne of ore.

Today, after approval of the PAE - Plan of economic development - by DNPM is awaiting approval of their license - the preliminary - at environmental

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agencies of the Government of Minas Gerais, that is released to the Decree of Mining and thus initiate appropriately mineral exploration in the area concerning the above-referenced.

It appears that, depending on the technical proposal of the PAE, this is an open pit, open-cut slopes with standard 20 to 30 meters, in order to reach the shaft auriferous mineral.

1.4.2 Location of Mine Crystals

The Mine Crystals is located in the metropolitan area of Belo Horizonte, in the municipality of Sabara. The Mine Crystals is 29 km from BH, Sabara is 20 km to as asphalt and, after the city, over 9 km of a tract of land, the farm until Kristallnacht, the district Arraial Velho. From western mining capital can go to the site within 30 minutes.

This is an area of great potential gold, inlaid in the Iron Quadrangle in Minas Gerais.

It has large enterprises auriferous as neighbors, such as the Anglo Gold Ashanti and Jaguar Mining and Kynross (Paracatu River). This area has also been studied by CODEMIG in their geophysical surveys, as well as by CPRM - Companhia de Mineral Research of the Ministry of Mines and Energy - with interesting prospects for mineral exploitation.

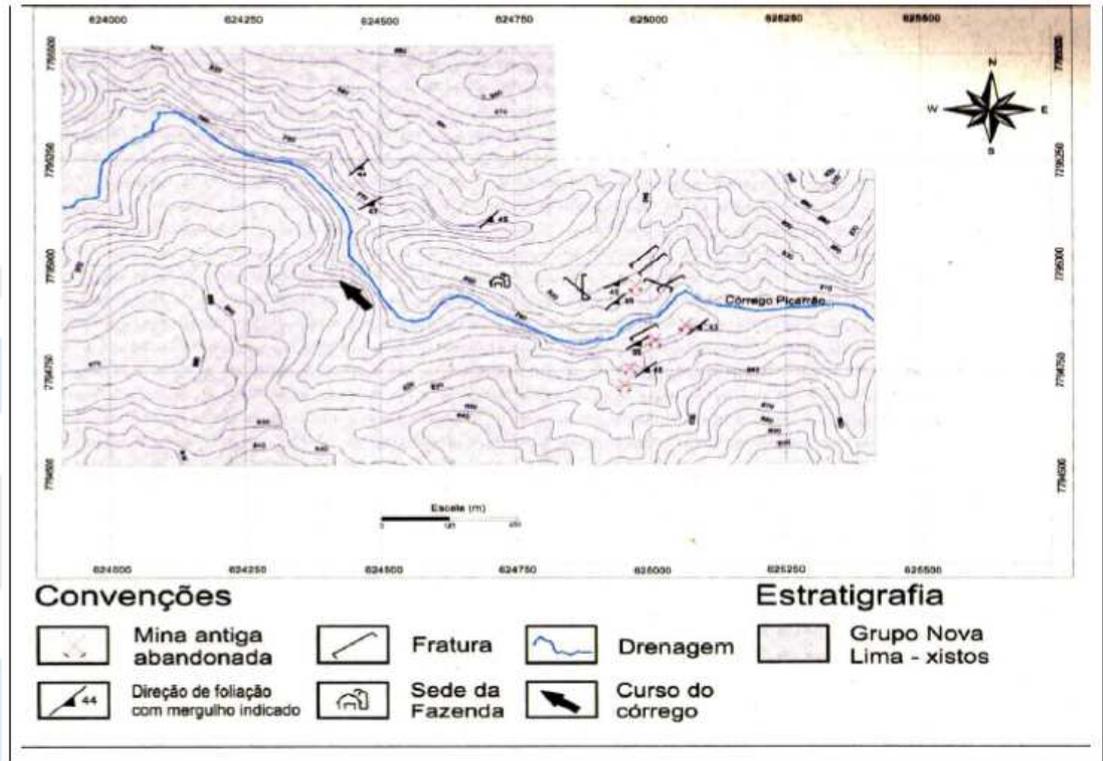


Figure 1 - Geological Map of the Area

1.4.3 Estimates of Reserves

The estimated reserves are distributed as academic studies in the region, deposits of veins and superficial veins of deeper, areas of the object 6 DNPM processes about 330 acres of subsurface. First area corresponds to 179.5 ha and the other areas correspond to 150 ha.

Despite not having yet achieved the scaling of their areas through techniques of prospecting, about the superficial veins of the area of process, several other jobs on site surveys and research, experiments and analysis, consolidated in the attached opinion prepared by the technical team YKS, reputable company, specialized in the business of mining projects under the direction of Engineer of Mines, Dr. Carlos Eduardo Orsini, link, under the

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technical criteria, a reserve estimated at 16 tons of gold , to be explored in the opencast mine.

Based on this assessment and in academic studies in the region, from experiments in neighboring areas and given the similarity and proximity of the other six areas, in terms of geology and geography, has established an estimate of the total reserves of all other areas subject to confirmation technique under the following projections:

Table 1 - Shafts surface area of an object of the Process

Item	Discrimination	Amount / Percent	unit
1	Amount of crude ore	33.097.500	m ³
2	Corresponding shaft	13,01	%
3	Rock Gold	4.305,99	m ³
4	Gram gold / tonne average	3,744	%
5	Result of the extraction	16.121.607	Gr/tonne
6	Tonne / Gold - Reserve Surface	16.122	tonne

Based on the geological formation of the region and their academic studies and confirmed by experiments and research in neighboring areas, it is known that, in general, the deeper veins in the region usually present with veins larger than the surface. Thus, a conservative estimate, in order to minimize risks, projects a possible reservation about the deep veins, around 60% of the grain surface, allowing the following estimate:

Table 2 - deep shafts in the area of a Case

Item	Discrimination	Amount / Percent	unit
1	Percentage of the Superficial Shafts	60	%
2	Tonne / Gold - Estimaded Reserves	9.673	Tonne

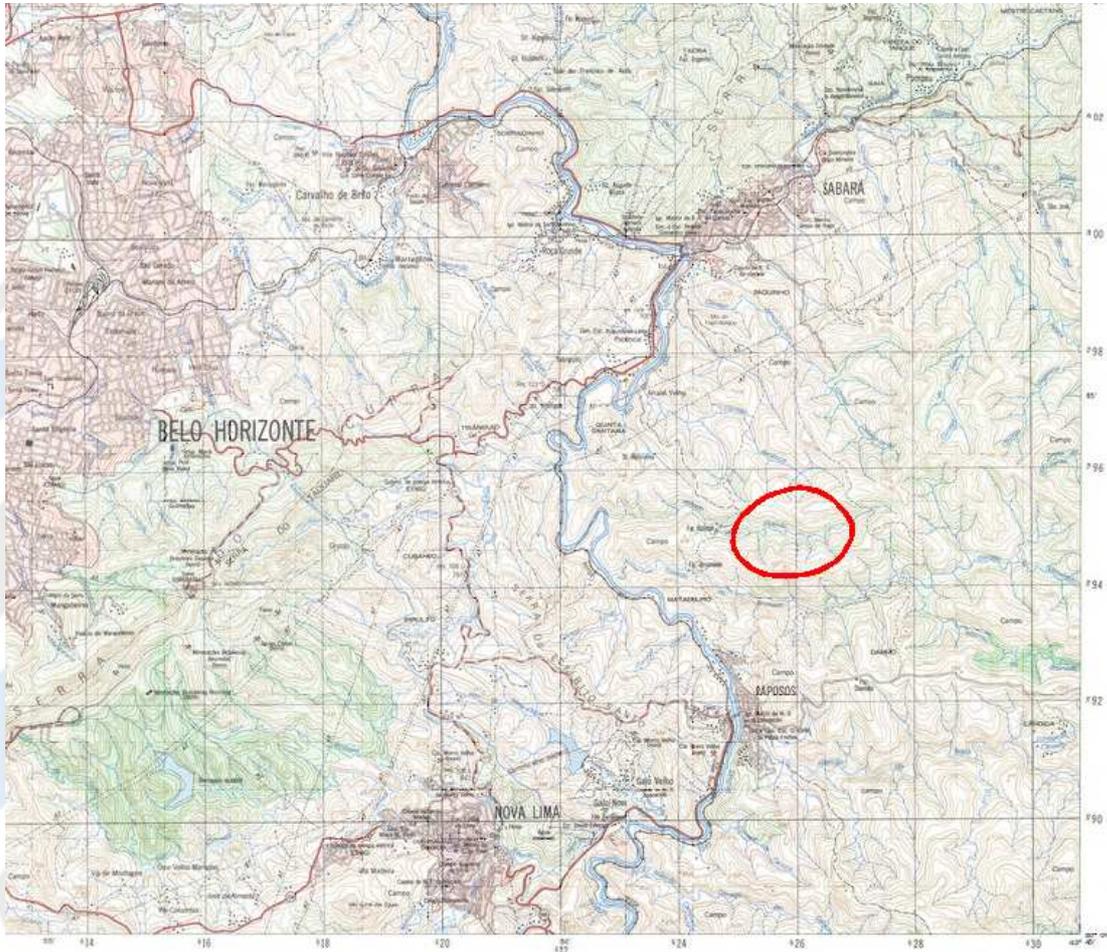
The estimated reserves of the remaining 05 areas, which are neighboring the first area and have the same geological formation, being in an intermediate position between that and other large mines in the region result, and they have similar size (150 hectares), allows a projection of estimated reserves, also in a very conservative criterion, around 40% of the first area - (superficial veins) - resulting in the following projection:

Table 3 - Reserves of 05 other areas

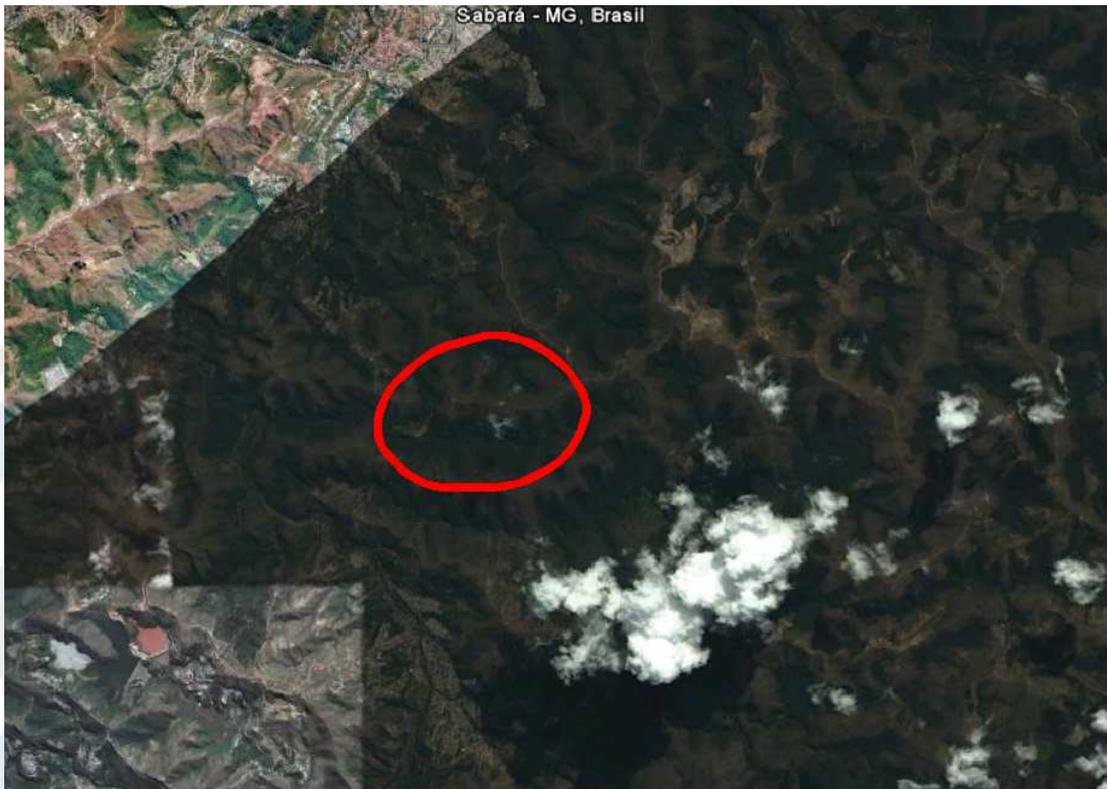
Item	Discrimination	Amount / Percent	unit
1	Percentage of the process area	40	%
2	Tonne / Gold - Estimaded Reserves	6.449	Tonne

Based on the criteria and conclusions presented, it is estimated that the reserves are 32,243 tonnes, with the opportunity to make a difference more or less, after scaling by appropriate technical procedure.

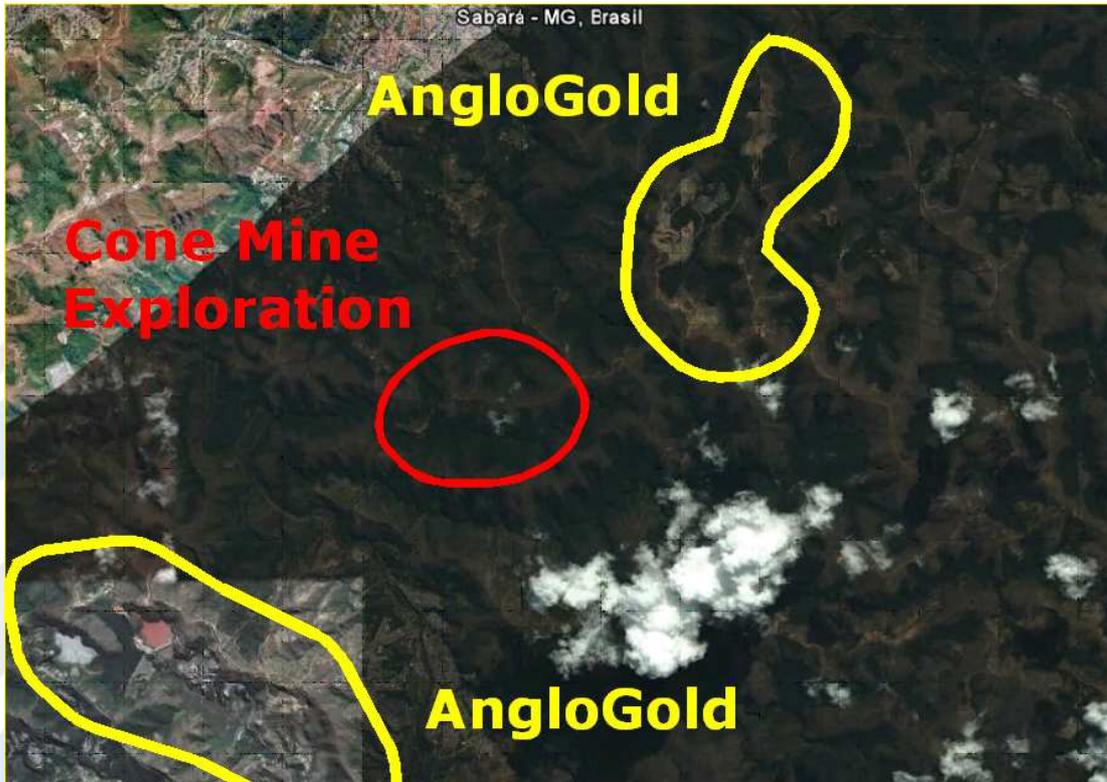
1.5 – LOCATION



Picture 1 - Location (Source - IBGE)



Picture 2 - Location



Picture 3 - Gold mining near the project area

Near the project area is mining gold from AngloGold Ashanti and authorization process in Research of Western Sierra Mining.

1.6 – THE CITY OF SABARA

1.6.1 – Characterization

Area: 302,54 Km²

Altitude:

max: 1.800 m
Place: Alto Serra da Piedade
min: 700 m
Central point of the city: 707,25 m



Climate: High Altitude Tropical

Temperature:

year avg: 21,1 C
year max: 27,1C
year min: 16,7 C

Annual average rainfall: 1.491,3 mm

Relief:

Topography %
Plan: 10
Wavy: 20
Mountain: 70

Major rivers:

RIO DAS VELHAS
RIBEIRAO SABARA

Basin: BACIA RIO SÃO FRANCISCO

Sources: Instituto de Geociências Aplicadas – IGA
Fundação Instituto Brasileiro de Geografia e Estatística - IBGE

1.6.2 Population

Population Estimate 2009: 126.219 Inhabitants

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Population density: 415,79 Inhabitants /km²

Sources: Fundação Instituto Brasileiro de Geografia e Estatística (IBGE)

1.6.3 Transportation

Road

Average distances to the main centers (km):

Belo Horizonte: 19

Rio de Janeiro: 454

São Paulo: 605

Brasília: 763

Vitória: 545

Main highways in Belo Horizonte:

BR-262

Main highways in Sabará:

BR-262, MG-437

Neighboring cities:

SANTA LUZIA

BELO HORIZONTE

NOVA LIMA

RAPOSOS

CAETE

TAQUARACU DE MINAS

Railway

Distances to major centers (Km):

Belo Horizonte: 23

Rio de Janeiro: 582

São Paulo: 866

Brasília: 1.196

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Vitória: 684

Sources: Departamento de Estradas de Rodagem do Estado de Minas Gerais
Ferrovia Centro Atlântica - FCA
Estrada de Ferro Vitória Minas
Diretoria de Eletrônica e Proteção ao Vôo / Ministério da Aeronáutica

Mineral Resources

MINERAL WATER
DOLOMITE
IRON ORE
GOLD

Sources: Departamento Nacional da Produção Mineral - DNPM



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2 – LOGISTICS AND ACCESSIBILITY

2.1 – GETTING THERE

Starting from the city of Belo Horizonte, take the Ring Road, follow to the BR - 262. Take the BR - 262 and follow this road for about 12 km. And you'll reach the town of Sabara, the Process Area is located approximately 5 km south of the city.

2.2– MAIN ACCESS ROADS

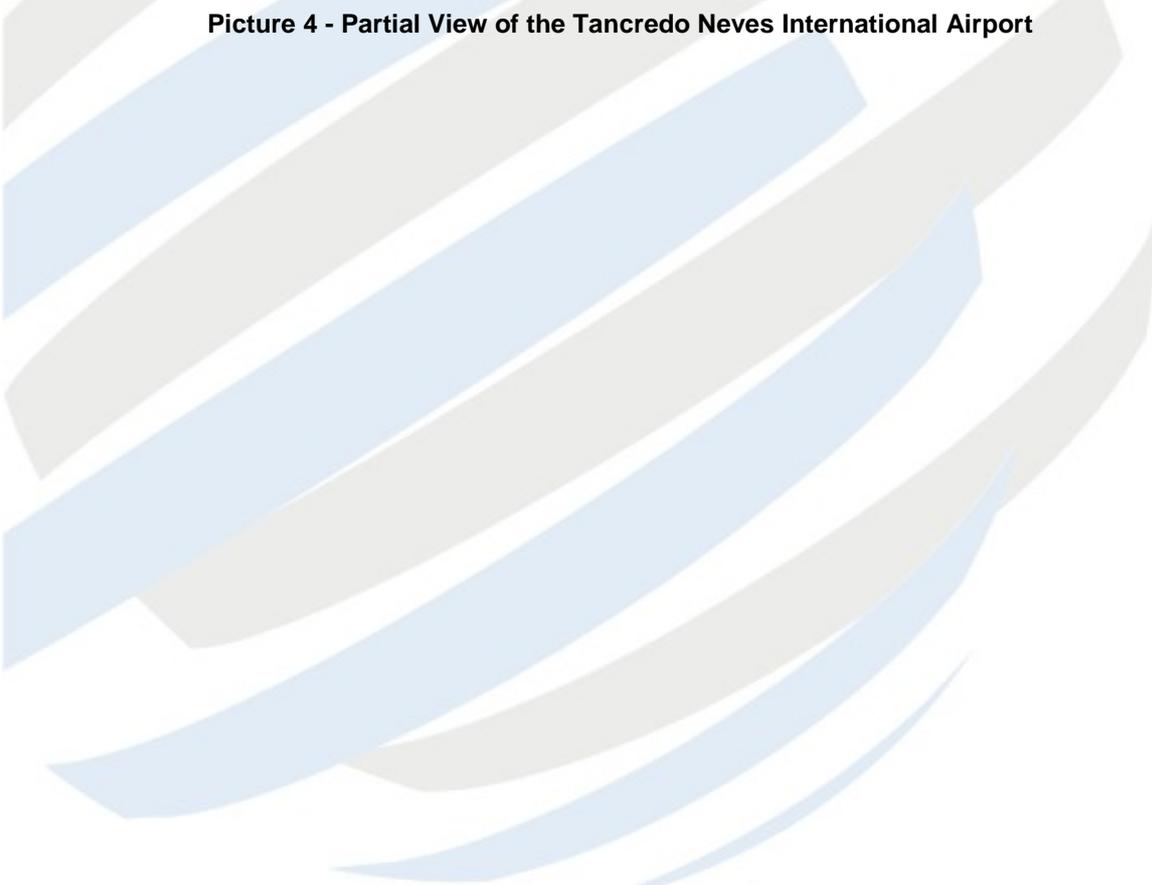
A principal rota de acesso à área do processo é pela BR-262 além de estradas vicinais próximas à área do processo.

2.3 – AIRPORTS

The main airport next to the area of the process is the Tancredo Neves International Airport, located in the Confins County – MG, metropolitan region of Belo Horizonte, in a trajectory of approximately 55 km up to the area. Another important airport present in Belo Horizonte is the Pampulha Airport, which was considered an international airport before the transference of its activities to the Tancredo Neves International Airport. Nowadays Pampulha operates just the regional flights. This airport is located about 28 km of distance to the area of the process, being its access by the Tancredo Neves International Airport route, through BR-381.



Picture 4 - Partial View of the Tancredo Neves International Airport



2.5 AIR TRANSPORT

The Airborne Transportation is the only one within its characteristic, being an activity that involves quickly and easily several cities, states and countries due to the speed of the medium.

The air is a modal transport agile and recommended for high-value goods, small amounts and parcel. Thus, the preference is for this type of transportation that has increased speed and security.

In any transport operation should be taken into account the following factors: payload (quantity, weight and value), distance to be traveled and travel time. The physical units used are passenger-km and ton-kilometers.

Air transport can be done by regular services, held by companies associated or not associated with the international air transport association (IATA), and charter services.

Within the services we have available charter companies that work with air taxi. Due to the small weight and volume of gold the choice of aircraft to the charter can be a plane (examples models baron or citation) for longer distances.

para maiores distâncias or Helicopter for smaller distances (Example: Model Squirrel).



Picture 6 - Models of Aircraft for the Air Cargo Shipping

The monthly cost of air travel already with all the values of Tax Charges and Taxes Included will be about:

Distance Mine – Confins Airport: 45 km

Mission Estimated with Passengers: 0:15 minute, each way

Mission Estimated Time: 1:00 Hour

MONTHLY TOTAL (USD) = US\$ 5,200.00

2.6 TRANSPORT OF VALUES – ARMORED CARS

Another type of transport that can be used to carry gold values is through a armored car, because it undermines the short distance to airport. The armored cars are built and designed to carry different values, such as gold, debentures, checks, coins and the like, with maximum security.



Picture 4 – Transport of Values – Armored Cars

3 – COSTS

Investments - Revision B					
Investments	General Specifications	Unit	Amount	Amount U.S. \$	Total Investment
Exploration (Drilling-Galleries)	Special services for mineral exploration	m	3.500	378	1.323.000
Exploration (Rotary Drilling-Galleries)	Rotary Drilling	u	2.000	270	540.000
Equipment for rock blasting	Drilling to rock blasting	u	2	64.864	129.728
	Compressed air & generator	u	2	37.873	75.746
	Electrical and Electronic Equipment	u	2	21.621	43.242
Mining Equipment	CAT-320 Bulldozer	u	3	189.189	567.567
	CAT-938 Loaders	u	3	108.108	324.324
	Truck General Maintenance	u	2	94.594	189.188
Tailings dams and waste	Implantation	u	1	5.405.405	5.405.405
Processing Ore	Processing Installations	u	1	16.216.216	16.216.216
Equipment maintenance	Patrol & Equipment Maintenance Access	u	3	108.108	324.324
	Roll Compressor	u	2	40.540	81.080
	Tuck Hydraulic	u	2	37.837	75.674
	Farm tractors	u	4	43.243	172.972
Transportation System Tailings and Waste	Internal Transport	u	10	70.270	702.700
Facilities & Utilities Mining	Water Supply System	u	1	1.891.891	1.891.891
	Maintenance Equipment	u	2	216.216	432.432
	Office, Health & Security	u	1	54.054	54.054
	Transport Staff	u	2	43.243	86.486
	Substation and Transmission line network	u	1	1.621.621	1.621.621
Subtotal (1)					30.259.459
Reserve Components				5%	1.512.972
Subtotal (2)					31.772.432
Contingencies				10%	3.025.945
Subtotal (3)					34.798.378
Distributed Investments	Legal Documentation - Update and Certificates			1,00%	347.983
	Engineering Projects			8,00%	2.783.870
	Environmental Program - Licensing and Deployment			3,00%	1.043.951
	Freight			3,50%	1.217.943
	Management and Supervision			5,00%	1.739.918
Total					41.832.045

Note: The investments related to all the resources needed for an integrated production operation involving the entire area bounded by 179.5 hectares, as described in Permit approved research.

Mine Operations				Internal Transport Reject				Internal Transport Gold-Bearing Rock				Processing and Metallurgy			General Administration	Total Monthly Cost US\$
Mine	Production ROM m3	Cost Ton Mining US\$/m3	Cost Mining US\$	Volume of waste transport m3	Km	Cost US\$/m3	Cost US\$	Rock volume transport	Km	Cost US\$/m3	Cost US\$	Material Treatment Ton	Crushing, Grinding and Processing US\$/Ton	Cost US\$	Cost US\$	
Pit 1	3.968.000	3.25	12,869,189	2.976.000	1	0.82	2,412,972	992.000	1	1.35	1,340,540					Year 1
Pit 2	246.000	3.25	797,837	184.500	2	0.82	299,189	61.500	1	1.35	83,108	3.309.750	18.92	62,616,892	12,00%	4,973,587
Pit 3	1.740.000	3.25	5,643,243	1.479.000	2	0.82	2,398,378	261.000	1	1.35	352,702					Year 2
Production Total	4.214.000		19,310,270	4.639.500			5,110,540	1.314.500			1,776,351			62,616,892	10,657,686	9,973,587
Cost Accumulated	19,310,270			24,420,810				26,197,162				88,814,054			99,471,740	Year 3 => 10
Distribution (%)	19,41%			5,14%				1,79%				62,95%			10,71%	11,190,570

Note: Costs are raised relate to the entire mine operation, involving the initial work of prospecting and drilling in order to establish a definitive plan of mining and disassemble general areas geologically characterized as mineral reserves and might then infer new volumes to the future business plan.

The phases are characterized in the following blocks, as available in the above table:

1. Mine operation;
2. Internal transportation of waste material (capping) and ore for processing;
3. Processing: crushing, grinding, thickening, leaching, absorption and recovery of gold;
4. Metallurgy and sewage treatment, as well as the transfer of materials for the dam.

It is estimated that implementing the project happen in three years.



CONE
MINE EXPLORATION

Phases	Production Gold	Workers	Development Goals of the Project	Estimated Disbursement US\$		
				1	2	3
A		100	Detailed design engineering - Environmental Licensing - Exploration - Initial purchases of equipment - Civil Works Preliminaries	8,386,409		
B		120	Continuity Exploration - Supplying of Equipment - Removal of capping - Mining Start - Processing - Installation Support		10,483,011	10,483,011
C		150	Mining and Processing			12,579,614
Total Disbursement per Year (CAPEX)				8,386,409	10,483,012	23,062,627
Estimation of Working Capital					5,405,405	5,405,405
General Disbursement				8,386,409	15,888,418	28,468,032
Total Investment				52,742,860		

Items	Gr/Year	US\$/Gr	Total US\$	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
1.1 Sale Gold	16.117.380	32.45	522,725,838			31,363,550	41,818,067	74,924,036	74,924,036	74,924,036	74,924,036	74,924,036	74,924,036
1.2 CAPEX + Working Capital	52,742,860			(8,386,409)	(15,888,418)	(15,888,418)							
Net Billing	469,982,978			(8,386,409)	(15,888,418)	2,895,518	41,818,067	74,924,037	74,924,037	74,924,037	74,924,037	74,924,037	74,924,037
2.1 Operating Cost (OPEX)	99,471,740			4,973,587	4,973,587	11,190,571	11,190,571	11,190,571	11,190,571	11,190,571	11,190,571	11,190,571	11,190,571
2.2 General Taxes - Royalties	24,50%					7,684,070	10,245,426	18,356,389	18,356,389	18,356,389	18,356,389	18,356,389	18,356,389
2.3 Interest CAPEX - Working Capital (10% per year)	9,00%					2,184,734	4,746,857	4,746,857	4,746,857	4,746,857	4,746,857		
2.4 Return CAPEX - Capital (+ Interest)								10,548,572	10,548,572	10,548,572	10,548,572	10,548,572	
General Expenses	306,201,452			4,973,587	4,973,587	21,059,375	26,182,854	44,842,389	44,842,389	44,842,389	44,842,389	40,095,531	29,546,960
3 Balance	163,781,525			(13,359,996)	(20,862,005)	(18,163,857)	15,635,212	30,081,647	30,081,647	30,081,647	30,081,647	34,828,505	45,377,076
4 Accumulated Balance				(13,359,996)	(34,222,001)	(52,385,859)	(36,750,646)	(6,668,999)	23,412,648	53,494,296	83,575,944	118,404,448	163,781,525
5 TIR %	33,56%												
6 Pay Back (Years)	5			CAPEX + WORKING CAPITAL - Grace 2 Years + 5 years to amortize									

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Spending on the project implementation and operational costs to the holding area, are detailed in the attached opinion, which is a pre-technical and economic evaluation of the project, and was drafted by the technical team YKS, specializing in mining projects under the direction of Engineer of Mines, Dr. Carlos Eduardo Orsini.

The surveys contained in the following figures indicate the working expenses and costs for implementation and operation of a processing area of 179.5 ha, and the superficial veins to open their farm to:

3.1- Spending on the project implementation:

3.1.1- Environmental licensing

Item	Breakdown of Expenditure	Values US\$
1	Completion of Pre-License	64,865.00
2	Installation License	243,243.00
3	Operation License	140,541.00
4	Others Expenditure	48,649.00
	Total	497,297

3.1.2- Cubing and Measurement of Reserves

Item	Breakdown of Expenditure	Value/Quantity US\$
1	Exploration in meters	3,243.00
2	Cost of meter drilling	530.00
3	Expenditures on exploration and analysis	3,178,3786.00
Note: The value of the meter includes analysis of material extracted		

3.1.3- Project Implementation

Item	Breakdown of Expenditure	Values
1	Opinion YKS - October 2009 - Updated October 2010	100,000,000.00



3.1.4- Total Expenditures for Implementation:

It is estimated the total value of spending on the project implementation to be completed within approximately ¾ years at around US\$ 103,675,675.65.

3.2- Operating Cost:

It is estimated the cost of open pit mining of shallow shafts, designed in 16 tons of gold, the area of a process - as the opinion of YKS October 2009 - updated in October 2010, totaling US\$ 195,075,675.65.

3.3- Total Expenses and Costs:

It is estimated the total costs relating to the implementation of the Project, plus the operating cost for exploration of 16 tons of gold in the open, the area of a process - as the opinion of YKS October 2009, updated in October 2010, at total value of US\$ 298,751,351,35.

5 – EXPECTED PROFIT:

It has been as profitability of the enterprise, this first case, the gross profit made, resulting from deducting the total sales and inventories, with the exploitation of the reserve, spending on project implementation and operating costs of the superficial veins , the area of a process before its taxation.

In the case of gold, if your destination is for sale financial asset, a more favorable tax levied on the operation of its sale, since, constitutionally, the tax is 1%.

That said, it is estimated a profit in the exploitation of superficial veins in the area of process 1, with the following cast:

Table 1 - Profitability area Case 1 (superficial veins)

Item	Breakdown of Expenditure		Unit	Value Gr	Value Ton	Values US\$
1	Billing Estimated Reserve	16	Ton	45.95	45,945,945.95	745,945,946.00
2	Spent Deployment					103,675,676.00
3	Operating Cost					195,075,676.00
4	Gross profit					436,383,784.00

1 - Total reserves are estimated at 32 tons

2- Values based on the price of gold U.S. \$ 45.95 a gram

3 - The profitability of the profound veins of an area and other areas have not been estimated yet