

Central Orebody

Rich Gulch Properties
Plumas County, California

511,000 ounces gold
A Proven Geologic Resource

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The Rich Gulch Properties consist of two drilled-out orebodies containing a total of 1.47 million ounces of gold. Each property is designed as an open pit mining operation. One of the orebodies, the **Central**, is available for purchase. The second, the **Virgilia**, is privately owned. Both properties consist of surface and mineral rights and are free of overriding royalties.

The **Central** orebody contains 511,000 ounces of gold, consisting of 8.7 million tons averaging 0.059 ounces per ton at 0.02 ounces per ton cutoff grade. The property has been fully explored by over 100 drill holes and a mining Plan of Operation (dating from 1984) has been completed.

The **Virgilia** orebody contains 959,000 ounces of gold, consisting of 8.6 million tons averaging 0.112 ounces per ton at the same cutoff grade. The property has also been thoroughly drilled and is included in the Plan of Operation.

The Rich Gulch properties are located along the historic Mother Lode in Northern California. The orebodies are located within a zone of quartz veining that can be traced for over 6000 feet. The area of the quartz veins was originally mined for placer gold in the 1800's and, in the 1930's, the veins in the **Central** and **Virgilia** areas were exploited by underground operations. The two orebodies are approximately 5000 feet apart.

The **Central** orebody is located on Federal lands and is secured by lode claims. The **Virgilia** orebody is near a State highway and the Feather River and is controlled by four private parcels that include both surface and mineral rights. Both properties are feasible mining operations.

The **Central** orebody contains 511,000 ounces of gold, with a gross value of \$409 million at \$800 per ounce in gold. As gold climbs to a value of \$1000 per ounce, the value of the **Central** property will exceed \$500 million. Drilled-out, proven gold resources free of burdensome royalties and environmental liabilities are almost nonexistent. The **Central** property therefore represents an opportunity to obtain an extraordinarily valuable

resource at a time when similar properties will become prohibitively expensive.

LOCATION

Rich Gulch is the name given to an area of placer mining that dates from the mid-1800's during the time of the California Gold Rush. It is located at the junction of Rush Creek and the North Fork of the Feather River in Plumas County, California (Figs. 1 and 2). Quincy, the County Seat, is located 22 miles east of the property on State Highway 70. Reno, Nevada, is 100 miles to the southeast, and San Francisco is 215 miles to the west. The Central and Virgilia properties are accessible by dirt road that parallels Rush Creek and climbs in elevation to the north. The Virgilia property is located immediately north of the junction of Rush Creek Road and Highway 70, and the Central property is located approximately 2 miles from the junction. Figure 3, from the Inca Mining Plan of Operations, shows the location of the two properties and the proposed pit outlines. Rush Creek presently passes through the proposed Virgilia open pit.

OWNERSHIP AND LAND STATUS

The Central property is located on Federal lands within the Plumas National Forest at an elevation of 3500 to 4000 feet. Private parcels and County-owned lands are present to the north and east of the property. The Central orebody is covered by 12 lode claims owned by William Johnson of Sacramento, California. Mining is not prohibited within National Forest lands. The Central orebody is located in an area of high relief, along the crest of an east-trending ridge approximately 2000 feet above the level of the Feather River (Fig. 3). The Virgilia orebody is located in an area previously covered by patented mining claims, which have subsequently been divided into private parcels. Four neighboring parcels, ranging from 1.6 to 13.7 acres and containing mineral rights, cover the area of the proposed Virgilia open pit.

HISTORY

Placer deposits that were discovered at Rich Gulch early in the period of the California Gold Rush were played out by the 1880's. The gold was found to

originate in quartz veins beneath the placer workings and underground operations to exploit the vein deposits began about this time. The earliest work was on the Hallsted properties, which covered vein exposures from the present-day Virgilia property northwest through through the present day Central property. During the period 1927-1930, Homestake Mining Company conducted a thorough examination of the western Hallsted claims that included mapping, sampling, diamond drilling, opening of closed tunnels, and driving of new drift. A total of 1,032 samples collected from the underground workings during 1929 and 1930 averaged 0.11 ounces per ton gold (with a high of 11 ounces), consistent with historic Mother Lode underground production. Much of this work was done in the area of the present Central orebody, which is located over the underground workings of the old Blacksmith, Higgins, and Trails End mines. In 1934, the Virgilia Mining Corporation, in the part funded by Consolidated Goldfields, was formed to explore the eastern Hallsted ground. The veins in this area are located just north of the Feather river in the area of the Virgilia property and the cross the Feather River to the south. Shafts were sunk and tunnels driven along the vein to a depth of 600 feet under the Virgilia area and along the vein under the river. Production up to the time of World War II was 70,000 ounces from orebody averaging 0.22 ounces a ton. The economics of the mining operation required that substantial tonnages of lesser grade ore be left in place. Most gold mines were closed during the War and the Virgilia never reopened.

In 1980, Inca Mining Corporation acquired options on claims and parcels covering the present-day Central and Virgilia properties. Between 1980 and 1984, Inca spent over \$5 million acquiring property and evaluating gold resources. This included geological, geophysical, and geochemical surveys, metallurgical tests, environmental studies, economic analyses, and mining feasibility studies. A total of 241 diamond and percussion drill holes, totaling 75,941 feet, were completed. All data were entered into a computer data system. Total and mineable gold resources were calculated by International Geosystems Corporation (IGC).

With the collapse of the price of gold in 1984, Inca's plans to mine the Central and Virgilia orebodies were terminated and over the next decade the claims were allowed to lapse. In 2006, William Johnson located new claims over the Central property. The IGC data is the basis for the plan and

cross-sections included with this report. These figures reproduce exactly the IGC cross-sections, upon which the ore reserves were calculated.

GEOLOGY

The Melones Fault, the main structural feature of the Mother Lode Gold Belt, is located 500 feet west of the linear zone of quartz veins that hosts Central and Virgilia orebodies. West of the fault are ancient (Triassic-age) submarine basalts that have been metamorphosed to serpentinites. East of the fault, the rocks consist of marine sediments of the Cedar Formation. These rocks strike 55 degrees north (thus the orientation of the local mine grid to this direction) and dip 55 degrees east. The Cedar formation is also metamorphosed and consists of thin bedded slates, a dacitic flow, and minor limestone. The veins are hosted by the dacite flow and the adjacent shales. The dacite ranges from 3 to 80 feet wide and averages 35 feet. Ore-grade widths are primarily in the dacite and range from 10 to over 70 feet. Gold values in the quartz veins and silicified zones are the same from the deepest levels of the Virgilia Mine workings to the highest surface exposures above the Central orebody, a vertical distance of over 2400 feet. Continuity of the mineralized zone along strike is governed by the presence or absence of the dacite horizon.

Data Sources

Following a lead, Johnson contacted Mr. Mauro Berretta of the now defunct Ager, Berretta & Ellis Inc., the Vancouver based engineering company that put together the Operating Plan for Inca Mining in 1984. Mr. Berretta had retained a copy of the International Geosystem's maps that were used to calculate the ore reserves and agreed to sell them. These maps, totaling over 100 cross-sections on 100-foot spacing contain both a plan and cross-section views of the drill holes. Gold values are plotted at 5-foot intervals down the drill holes and, because the directions of the holes are at a small angle to the sections, the depth of the intervals can be accurately measured. From the plans and cross-sections the location, elevation, azimuth, dip, and total depth of each hole can be measured or calculated. Included on each cross-section is a penciled-in boundary of the open pit, presumably taken from the detailed pit model. Finally, a copy of the Plan of Operation for the

Rich Gulch Project was obtained from the Plumas County Planning Department in Quincy, along with several other reports and maps.

In the cross-section provided by Mr. Berretta was a copy of a geologic report by Lawrence B. Wright, the geologist who oversaw the work by Homestake starting in 1927. The report, dated 1969, includes discussions of the operations on all properties in the area up to WWII, summaries of sample data, and geologic maps of most of the underground workings west of the Virgilia Mine; that is, the area of the Central orebody and west. Information of the Virgilia Mine is present in California State publications and some photos of the mine are present at the Plumas County Museum in Quincy.

EXAMPLE DATA FOR THE CENTRAL PROPERTY

The drill hole cross-sections are oriented north-south on the local mine grid, which is oriented about 50 degrees east of true north. Cross-sections are available across the width of the proposed Central open pit and for hundreds of feet to each side. Only one cross-section within the pit boundary is missing (47,700 East). This section contained several drill holes for which analytical data could not be recovered (evidence of the drill holes is present in bottom intervals that pierce adjacent cross-sections). Figure 4 is a reconstructed plan view of the Central open pit, with topography, pit boundaries, and location and projection of drill holes all extracted from the IGC cross-sections. The orebody, if displayed, would be an irregular east-west-trending wedge at the center of the pit. Mining of the orebody would be facilitated by the rapid fall-off of the elevation on the north side of the ridge. Typical cross-sections through the pit are shown in Figures 5 through 8. Each is orientated north-south along the mine grid, with view to the west. The pit-boundary, named of each drill hole, and a common datum (9200 N) have been added, in addition to color coding of the gold values which are presented in the form of histograms. The location of the cross-sections can be identified on Figure 4. Gold values corresponding to the color codes are presented on the legend page preceding the cross-sections.

Examination of the drill hole identifiers indicates 3 types of drilling during 3 periods of time. The initials RC, DH, and AT presumably refer to reverse circulation, diamond hole, and air-track, respectively. Reverse circulation

and air-track are rotary-air methods that lift pulverized sample material to the surface by compressed air. This type of sampling is not recommended for quartz vein material that contains particulate gold, such as Mother-Lode quartz veins. Fortunately, the majority of the drilling was done by diamond coring, which is highly reliable.

Figures 5 through 8 demonstrate the irregular distribution of gold values that is typical of quartz vein deposits. Despite the irregularity, gold values usually carry between drill holes that contain demonstrable gold values, and drill holes that are widely spaced may contain ore-grade values in pockets between them. Calculating an average grade and tonnage from the drill hole data is based on sophisticated mathematical models that involve statistical inferences about 3-dimensional grade distribution. International Geosystems was world renowned for its level of expertise in this field at the time. The values that they calculated for the Central and Virgilia orebodies should be reproducible, considering that current computer models are based on some of IGC's methods.

Inca mining conducted a feasible study that concluded that Central and Virgilia properties could be mined at then-existing gold prices and costs. The plan was to move ahead and various engineering and environmental firms were engaged to undertake the many studies that would be required.

The resource calculations that were the basis for the feasibility study are listed below. It should be considered that 0.02 ounces of gold per ton is currently 'mineable ore', whereas at the time of Inca's activities, this was not a viable cutoff grade except in exceptional circumstances. For the reason, we report the figure of 511,000 ounces as the accurate gold resource for the Central property. At current value of \$800 per ounce, 0.02 ounces per ton has a value of \$16 per ton, comparatively rich ore compared to what is presently being mined at some locations in Nevada.

Estimated ore reserves based IGC modeling and calculations

A) Indicated Reserve at 0.02 ounces per ton cut-off grade

	<u>Tons</u>	<u>Grade</u>	<u>Ounces</u>
Central	8,659,000	0.059	511,000
Virgilia	<u>8,565,000</u>	<u>0.112</u>	<u>959,000</u>
Total	17,224,000	0.085	1,470,000

B) Pitiable Reserve at 0.04 ounces per ton cut-off grade

	<u>Tons</u>	<u>Grade</u>	<u>Ounces</u>	<u>Strip Ratio</u>
Central	3,090,000	0.072	222,480	5.5 to 1
Virgilia	<u>1,361,000</u>	<u>0.135</u>	<u>183,735</u>	4.8 to 1
Total	4,451,000	0,091	406,215	

Mining Considerations:

California State law forbids open pit mining for metals unless the pit can be refilled and brought back to original condition. This is not practical for the central deposit except perhaps for a small area at the west end of the property. Accordingly, the Central deposit was examined as an underground operation, taking advantage of the two large tunnels which are open (English and Blacksmith) and several small tunnels which are caved at the portals. All Inca drill hole data was utilized, consisting of 114 holes and 1,647 analytical values, as well as hundreds of underground channel samples from the 1930's which were modeled as individual drill holes.

The Central deposit was found to consist of 4 parallel 'veins' or silicified zones, all confined to a single tuffaceous horizon that pinches and swells and contains thick selvages of slate. The silicified zones dip 65 degrees

northeast and varies from 5 to 70 feet wide. Veins 2 and 3 contain the bulk of the tonnage. The veins are exposed discontinuously at the surface and much of the richer ore is located just below outcrop.

The English Tunnel follows Veins 2 and 3 for over 600 feet. Two hundred feet above the English Tunnel are the smaller Upper, Middle, and Trails End Tunnels which are caved at the portals. The Blacksmith Tunnel is 500 feet in lower in elevation than the English Tunnel but was driven on the veins from a point 2000 feet east. This tunnel is open for 1000 feet and could be extended 1000 feet west to provide access to lower reaches of veins 2 and 3. Gold values within the blacksmith tunnel are low but could potentially offset the costs of new tunneling. The various tunnels provide access to parts of mineralized system over a vertical range of 833 feet.

There is no location at the Central property that is practical cyanide leach operation unless it is fully contained and confined to tanks. A possible alternative would be to ship the ore out of California to Nevada where a leach operation could be established or the ore sold to another mining company. The rail lines passes near the Nevada border 120 miles east at Hallelujah Junction. The same rail line passes through Gerlach (Hog Ranch mine) at 159 miles, Sulfur (Hycroft mine) at 200 miles, it connects to the main Union Pacific line at Winnemucca at 257 miles. Oroville, 45 miles east of the Central Mine, is the closest shipping point.

Highgrade mining of the deposit via the English Tunnel is a viable consideration. An application to twin diamond drill holes in the vicinity and to highgrade mine in existing tunnel networks is now pending approval with the USDA Forest Service office in Quincy, California. Also, a forest fire swept the area in 2008 and eliminated many of the environmental concerns regarding protection of existing native vegetation.

An open road from the Rush Creek Road connect the portal to the English Tunnel some 300 yards distant. Pacific Gas and Electric Company provide power, and lines are installed along Rush Creek Road adjacent to the property. A water well with pump and stand pipe is present about 100 feet from the English Tunnel portal.

Representation

William T. Johnson is the owner of the Central Mine and represents that this report is summary only and generalizes certain descriptions and resource estimates. This report is not to be considered accurate on the subject of are reserves and production schedules, or potential opportunities for mining. The information in this report is not compliant with Canadian National Instrument 43-101 and does not intentionally contain statements which should be interpreted as 'forward looking.' This report was constructed without the active participation of the owner or anyone else connected with the Central Mine property.

References

Inca Mining Corporation. Operating Plan, Rich Gulch Project, Plumas County, California. Prepared by Ager, Berretta, & Ellis Inc., Vancouver, B.C., Canada. November, 1964 (revised).

Wright, Lawrence B. (no title, report on the Hallsted and adjoining properties written in 1945). 45 pages. Transmittal dated September 12, 1969.

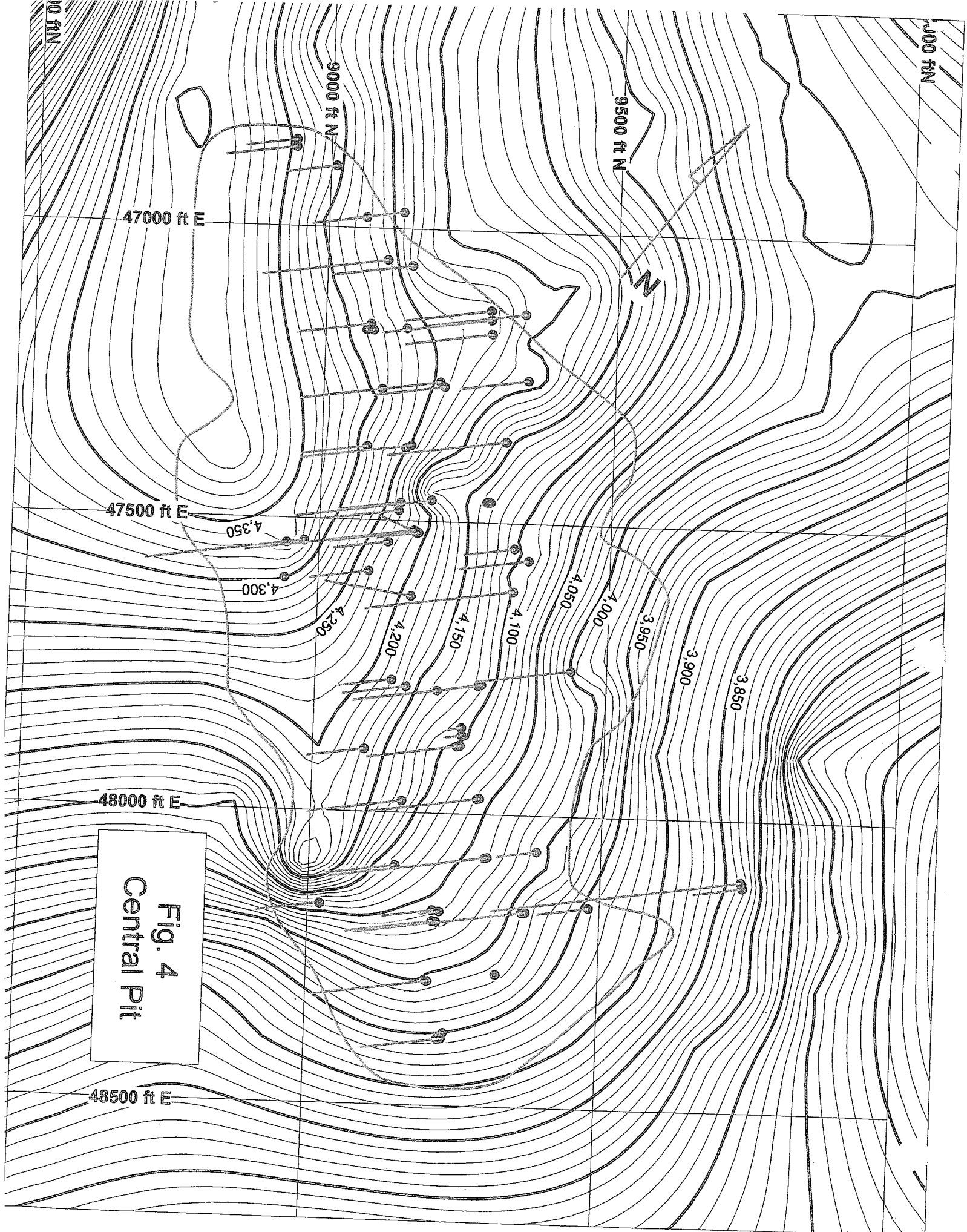


Fig. 4
Central Pit

A: DEVELOPING RESERVES
 100,000' HQ Diamond Drilling 1983 Program
 on Central, Virgilia and Cameron Zones.

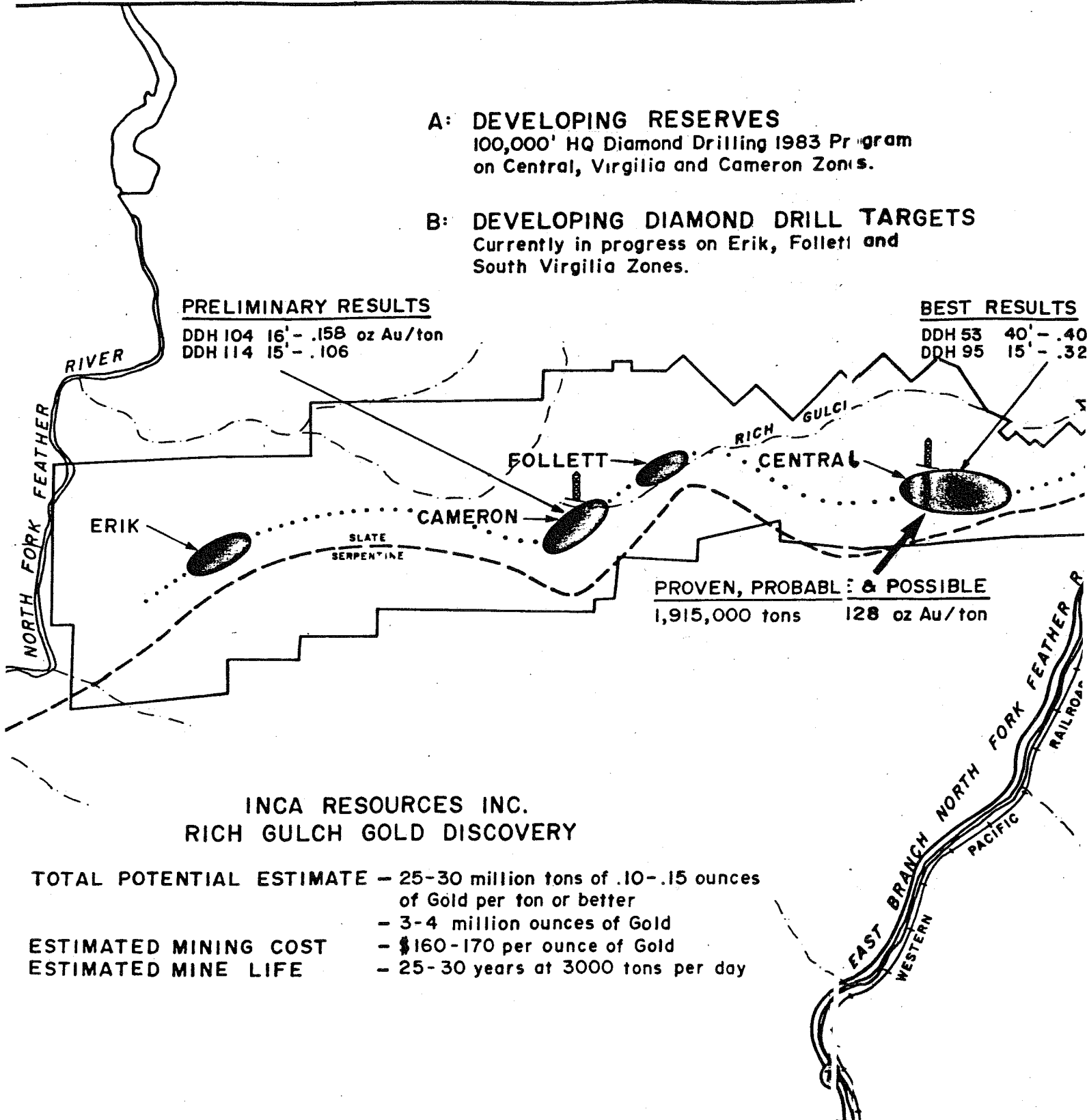
B: DEVELOPING DIAMOND DRILL TARGETS
 Currently in progress on Erik, Follett and
 South Virgilia Zones.

PRELIMINARY RESULTS

DDH 104 16' - .158 oz Au/ton
 DDH 114 15' - .106

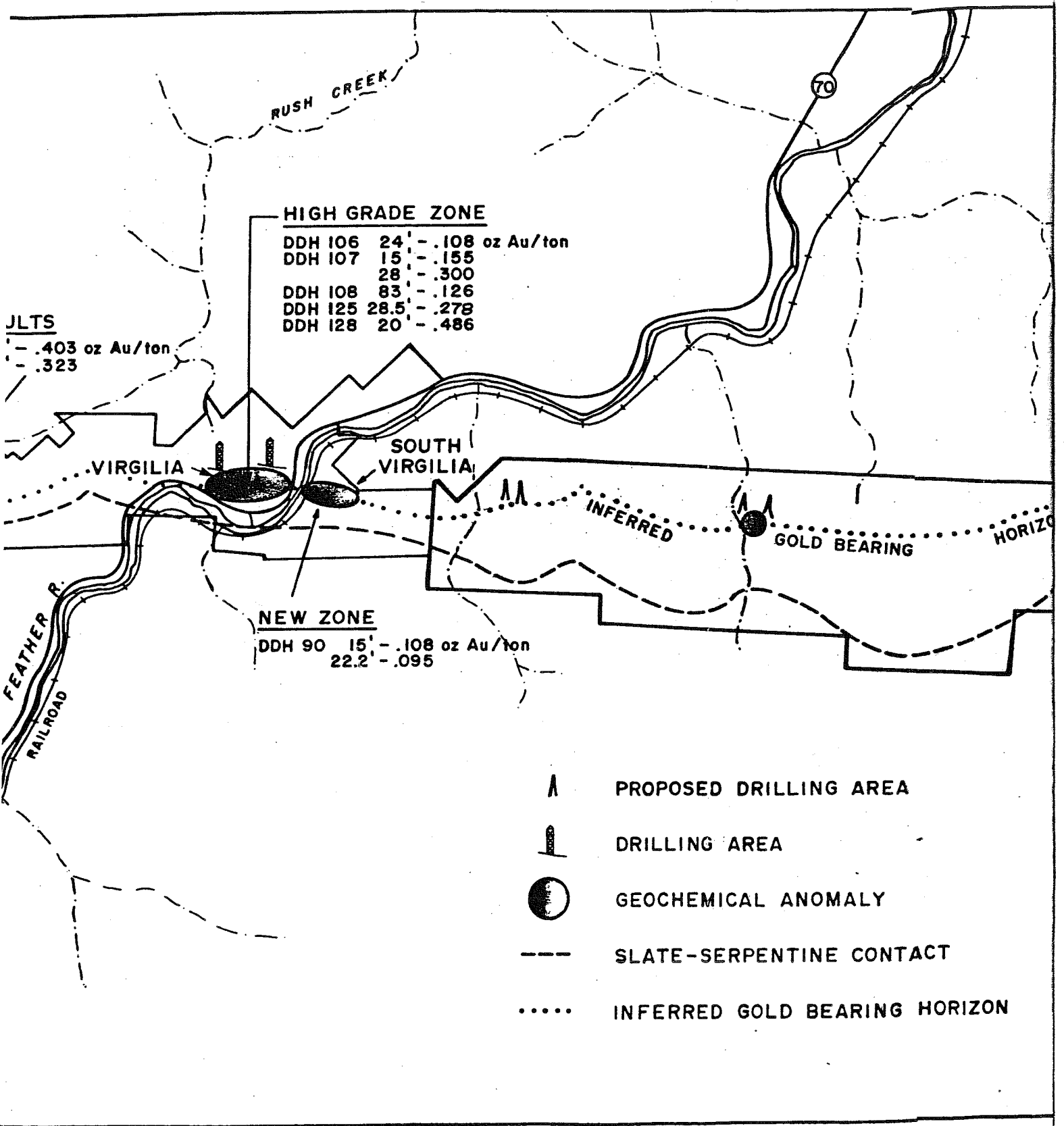
BEST RESULTS

DDH 53 40' - .40
 DDH 95 15' - .32



**INCA RESOURCES INC.
 RICH GULCH GOLD DISCOVERY**

- TOTAL POTENTIAL ESTIMATE - 25-30 million tons of .10-.15 ounces of Gold per ton or better
- 3-4 million ounces of Gold
- ESTIMATED MINING COST - \$160-170 per ounce of Gold
- ESTIMATED MINE LIFE - 25-30 years at 3000 tons per day



HIGH GRADE ZONE






DDH 106	24'	- .108 oz Au/ton
DDH 107	15'	- .155
	28'	- .300
DDH 108	83'	- .126
DDH 125	28.5'	- .278
DDH 128	20'	- .486

JLTS

-	.403 oz Au/ton
-	.323

NEW ZONE

DDH 90	15'	- .108 oz Au/ton
	22.2'	- .095

-  PROPOSED DRILLING AREA
-  DRILLING AREA
-  GEOCHEMICAL ANOMALY
-  SLATE-SERPENTINE CONTACT
-  INFERRED GOLD BEARING HORIZON