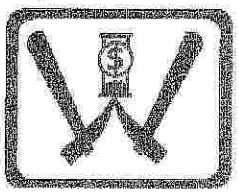
SCOPING STUDY
RED CLOUD MINE
MARIPOSA COUNTY, CA
YIELDS
GROSS REVENUE ESTIMATES
(100 Ton/Day Operation)



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for
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October 30, 2008

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EXECUTIVE SUMMARY:

The Red Cloud mine is located in the NW-1/4 of Section 27, T.2 S., R. 17E in Mariposa County, CA. The mine was discovered prior to 1880, but serious operations were not undertaken until 1895.The bulk of the production was mined before 1895. The estimated production during this period was a reported $1,500,000 (~79,000 ounces) based on a gold price of $18.94/oz. Red Cloud Mine reports prepared in 1987 and 1992, and cited in the section below report that the grade of material left in the mined stopes, as back-fill on the 100 through 500 levels contain 1.0 ounce per ton gold values. If this material indeed carries this grade of ore, then the mine should be profitable.

The vein at the Red Cloud mine is traceable on the surface for more than 4,500 feet, and suggests there is potential to discover additional zones of gold bearing mineralization with grades and vein widths that extend beyond the known extent of the vein mineralization that had been mined and developed.

Whitney & Whitney, Inc. (W&W) a Reno, Nevada consulting firm specializing in geology and mineral economics was contacted to review technical data and reports on the property held by Red Cloud LLC, and to update the 1992 cost estimate (referenced below) to re-open the mine. W&W organized a site visit with the mine owners and brought in Don Magorian, a mining engineer, and a licensed California and Nevada mining contractor for his expertise. Magorian commented that the property could support a 100 – 200/ton per day operation, and could be accessed by a 10x10' or 12x12' ramp.

Magorian stated that driving a decline would be cheaper than trying to refurbish the old 700' shaft. The ramp could be driven at a -15% grade and a length of 3,190' is needed to reach the 600' level. Magorian reported that the cost to drive a 10x10' decline 3,190' is $1,914,000 ($600 per foot) and would include an additional $175,000 for air, water and electrical line at approximately $55 per foot for these utilities. There would also be additional costs for surface support facilities that would bring the cost of driving the decline to approximately $2.1 million.

The reports reviewed by W&W call for a 100 ton per day mine and mill. Unfortunately all of the equipment specified in the reports is no longer onsite, and would have to be replaced and serviced before the old estimates could be reasonably updated; thus the estimated historical costs are no longer relevant and it may not be practical to replace the

old equipment considering today's equipment prices. Procurement of ore processing equipment for both gravity recovery and milling (if necessary) should be delayed until bulk sampling and metallurgical testing has been completed and analyzed in order to optimize selection of crushing, and grinding equipment, and to determine what percent of gold can be recovered using gravity concentration, and to determine what needs to be done to produce a concentrate that can be trucked offsite for refining.

The reports provided by Red Cloud LLC, contained references to historical mine production; and reported mine development and assays via narratives cited by former mine employees and operators. From the reports it was possible to make assumptions based on reported assay grades, vein thicknesses; and planned production rates (100 tons per day) to estimate an annual revenue that could be achieved from the mine. The lack of bulk metallurgical test results and documented ore extraction, processing and recovery reports using equipment that is no longer onsite makes it impractical to estimate reliable mining and milling costs, and to work up a an operating schedule and cash flows in advance of not having received permits to start construction and mining, and to have not selected and procured processing equipment sized to support the mine plan.

Based on mining 100 tons per day, and working 250 days per year with an average ore grade of 0.50 ounces of gold per ton and a $800 per ounce gold price, the mine would produce an annual revenue of $10,000,000 (see page 6 for other cases).

TERMS OF REFERENCE:

W&W was contacted in April, 2008, by Gloria Gewelke, one of the owners of Red Cloud LLC regarding the hiring of W&W to update the cost of re-opening the Red Cloud Mine, which is located in Mariposa County, California, and working up a schedule for development. The previous cost estimate (*Developmental Procedure and Costs Estimate Report)* had been prepared on April 11, 1992 by Gene F. Phillips (this report was emailed to W&W for review). The Phillips estimate was prepared for Mr. Richard Walker, President of Aurum Technologies Inc. and Mr. Ray Schilber, one of the owners of the Red Cloud mine. Aurum Technologies was investigating the re-opening of the mine and Mr. Phillips managed Aurum's operations and had also acquired a sublease on the property. Mr. Schilber continues to have an ownership interest in the mine which consists of a patented claim, and 5 unpatented claims.

W&W was also provided a December, 1987 *Report on Red Cloud Gold Mine, Mariposa County, California* by Yung Sam Kim, PhD that discussed the geology, the mine, and contained limited assay reports and various resource determinations, and an EM-16 geophysical survey conducted by W&W in 1982.

W&W geologist Mike Mapa reviewed the reports, contacted a mining engineer to assist in the preparation of cost and scheduling estimates. The property was visited on May 7, 2008 with owners Don and Gloria Gewelke, and Ray Schilber. The mining engineer, Don Magorian, of Magorian Mine Services of Auburn, CA, a California and Nevada licensed underground mining contractor was also present.

The above reports are very general with respect to mine site geology, assay values and locations. The report mentions 3 core holes. Ray Schilber can provide geological core logs and maps showing locations of the drill holes and information as to length, bearing, and inclination of the core holes. These logs, maps, and additional reports in Mr. Scilber's files that haven't been seen by W&W could be helpful in developing additional gold resources.

If the average grade of the un-mined vein is greater than 1.0 opt gold, as reported on pages 5-8 on the section, *In-place Value Estimation* in Dr. Kim's report then the Red Cloud mine should provide a good rate of return on the investment. The idealized long section in Dr. Kim's report (refer to the Appendix to see a modification of his section) shows developed probable ore on either side of the inclined shaft. These blocks of developed ore are each 400'in length along the vein which in the report has been assumed to have a 5 ft. width. These blocks in the W&W report will be designated as a 400 x 532' ore panels and will include ore from the 100' level to the 500' level (adjusted for the inclined length of the vein). Each panel will contain 73,380 tons of ore if unbroken. At a gold grade of approximately 1.0 opt, the contained ore converts into approximately 74,000 ounces.

The idealized sections in Dr. Kim's report (identified respectively as Figures 9a & 9.b for Proven and Probable Ore) shows ore over 800 feet of vein that has been developed by two shafts, by stopes, and 7 production and development drifts. Based on Dr. Kim's assessment of the mine's reported production history, his calculations (shown on his text pages 6 & 7, and reflected by Figure 11, a 4,500 foot Long View Cross Section) indicate that the Red Cloud Mine could contain an additional 3,330,000 tons of ore at 0.50 ounces per ton. It is probable that additional gold resources will be discovered along this 4,500 feet of the vein that has been traced on the surface, but the lack of documented sampling, and drilling along this 4,500 ft of vein mineralization, precludes it from being classified as Probable Ore as reported by Dr. Kim.

Additional gold resources could be present as gold mineralization in siliceous wall rocks tied up within disseminated sulfides. Dr. Kim's calculations of reserves as previously noted on pages 6 & 7, paragraph #2, page 6, described drill core that had no recoverable gold by fire assay, but x-ray analysis indicated the presence of gold (average detectable values >0.50 opt Au). Gold values that are not recoverable by fire assay may not be economically recoverable. Metallurgical testing needs to be done.

If metallurgical testing determines that siliceous ore containing gold bearing sulfides can be treated economically, it may be warranted to consider a 200 ton per day operation.

PROPOSED DEVELOPMENT PHASES:

The owners of the Red Cloud Mine are anxious to get the mine back into operation. It may take a few months to get the necessary permits. Thus it is recommended that the investors take advantage of this time for site preparation. This would include site surveys,

road improvements, fencing, building repairs and security systems and should consider tasks that will provide data that will minimize the investment risk and provide data to maximize the return on investment. The suggested phases are:

Phase 1: Geology. If no surface disturbance occurs, no permitting is required. Surface sampling and mapping could be conducted to assess the mineral potential on the unpatented claims. At a minimum, the previously drilled core holes should be plotted to determine the vein position at depth to "fix" the location of the vein in order to facilitate location of the decline to optimize the distance of cross cuts from the ramp to the vein.

Phase 2: Submit Mariposa County mining permit and reclamation plan.

Phase 3: Construct Ramp (10x10' opening by 3,190' of length).

Phase 4: Select, locate, buy mine and processing equipment; and install. Phase 4 can run concurrently with Phase 3.

Phase 5: Pre-production Tasks & Mine Development.

DEVELOPMENT ASSUMPTIONS:

The following development assumptions are based on a limited knowledge of some of the mines in the area of the south end of the Mother Lode trend; particularly the larger Sutter Gold Mine in Amador County. These assumptions are:

- Gold occurs as free milling coarse gold, recoverable by modern gravity or flotation methods.
- A 100 ton/day operation, working 5 days per week (250 days/year).
- Equipment costs to be based on new equipment prices.
- Mine to be accessed by a 10x10' decline driven to the 600' level (3,190')
- Rock going to the mill has an average work index for the area, but needs to be confirmed.
- 90% gold recovery.
- Minimum ore grade of 0.45 OPT gold at 90% recovery before dilution.
- Dilution of no more than 25 – 30%
- Competent rock, requiring little timber support for mining.
- Vein width averaging 5-feet---very critical.
- Suitable tailings area can be located for the 22,000 tons of ramp waste and tailings from mining 75,000 tons of ore over 3 years.

NOTE: The cost to complete a ramp to the 600 foot level with air, water and electricity installed by the ramp contractor is approximately $2.1 million. An office for ramp supervision, company personnel, along with a shower and change room for miners will be an additional cost. The time to drive the ramp to total depth is, approximately nine to twelve months at 12-feet per day.

Driving a 5x8' opening, 100' along the vein at the 300 level (A-B turn) could provide early production (~275 tons of ore that can be shipped after adding a 10% moisture factor). Drilling of long-holes (percussion drilling) along the vein for panning of the cuttings and assays could be an inexpensive way to check the grade of the vein at various locations along the ramp.

If high-grade 1-ounce per ton ore is encountered in the prospect drift, continue drilling and develop a stope to mine several hundred tons of ore to be shipped to Newmont in Nevada. After applying a 90% recovery factor the value of the shipped 275 tons @ 1 OPT gold times recovery of 90% by Newmont = ~250 ounces.

At the 300' level, after drilling and assaying, a decision could be made whereby the prospect can be evaluated for additional investment, abandonment, sale/farm-out to recover initial investment and a carried participation (40%?) in the development of the mine or continuation of the ramp to total depth.

At the 400' level, the ramp will be a short distance (50'?) from the ore panel. A short drive to the vein could provide another bulk sample for metallurgical testing.

Obtaining samples for metallurgical testing by drilling and gathering bulk samples by driving prospect drifts concurrent with driving the decline is important for making decisions regarding the selection of crushing, grinding, and milling equipment; and the shipping of bulk samples for processing could yield early cash flow.

GROSS REVENUE CASES:

Three Red Cloud Mine revenue models cited below as Cases A, B, and C are presented below to demonstrate how much revenue could be produced by placing the mine into production according to the following assumptions.

1. Recoverable Ore – It may be possible to develop up to 1 million tons along the 4,500' of vein length with successful exploration along vein strike and to depth.

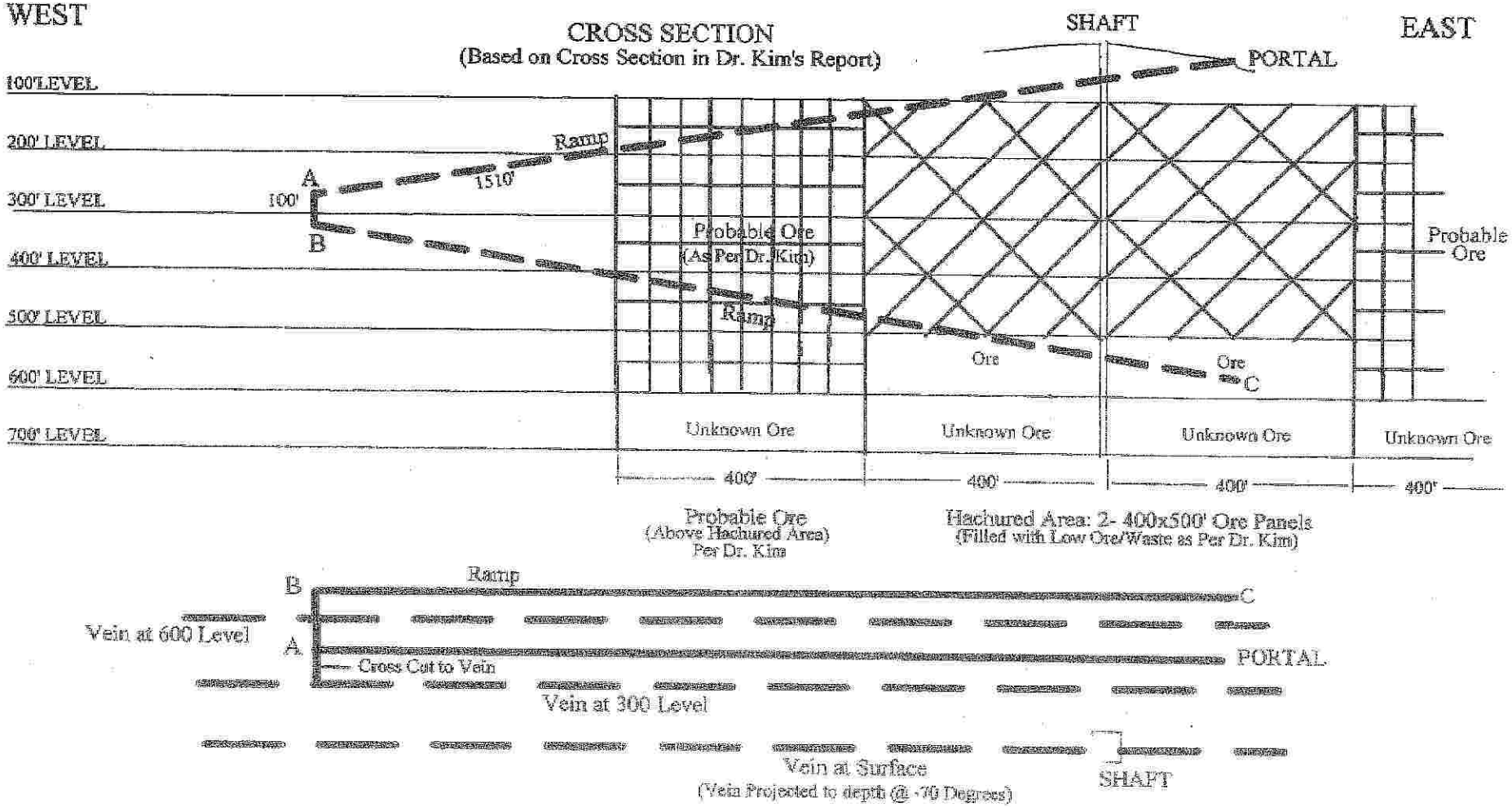
2. Mill Head Grade – Gold – ½ oz./Ton Average

3. Mining Rate – 100 Tons Per Day – 250 days/year = 25,000 Tons/Yr.

4. Mine Life – Up to 25 years (625,000 Tons at 25,000 Tons/Yr.)

Ore Grade: 0.50 opt Gold	Case A	Case B	Case C
Price/Ounce	$600/Ounce	$800/Ounce	$1000/Ounce
Ore Value	$300/Ton	$400/Ton	$500/Ton
Daily Revenue	$30,000	$40,000	$50,000
Annual Revenue	$7,500,000	$10,000,000	$12,500,000

APPENDIX



HORIZONTAL VIEW
(Not to Scale)

RED CLOUD RAMP CROSS SECTION AND RAMP VIEW IN PLAN IN RELATION TO DIPPING VEIN