

PREVIEW OF THE EXECUTIVE SUMMARY

Before you proceed with the reading of the executive summary, I was asked to write a short and basic preview that will explain the background for the project, its merits and why I think it is an excellent deal. I have prepared an easy to understand question and answer process. Please read this first, then all will become clearer.

Why invest in a gold mine

Gold mining is the cheapest way to “buy” gold. You can buy gold in the market at best with 10-20% discount. (this discount is for gold dust with 85-92% purity, but when the gold purity is 99,95%, then the discount is maximum 7-10%). When you make your own gold you have the following advantages:

1. Your “discount” on a 99,95% pure gold is 50-60%!
2. Financial privacy- even in today’s tight control on currency transfer, gold is still a safe haven for many big investors.
3. Mining production privacy – no government can know how much gold you really produce. Only the owner.
4. Once a gold mine is profitable, it can expand to other regions and increase its production levels.
5. With current technological advantages, it is very easy to control it even at great distances at very remote regions via internet or satellite communication.

Why not invest in a gold mine?

The same rules apply to this kind of business as any. If you don’t know what you are doing, don’t get into it, but with so much on the up-side, if you do desire to invest in this business model, then hire the best and most experienced professionals with filed experience in this business. No pencil pushers.

Also, if your gold mine is located in Africa, where Islamist are around, it is best not to open the gold mine there. In South America, mining is much safer, especially I Brazil because it has a stable government and economy.

What are Tailings?

“Tailings” are the “waste” material of the mine. After a mine processes its ore, the waste material is a fine sand. This fine sand or so called “waste” still contains within it 65%-70% of the gold contained in the ore. Because it is so fine and requires 5 steps, only big companies can use this process. This is why many mines were abandoned with their precious “waste” or tailings.

How much gold is there in the tailings?

Usually a 0,5 – 0,44 grams per ton is the average gold concentration in the tailings. Today some mining companies consider even 0,15 grams per ton as still profitable.

What type of gold mining are there?

HARD ROCK MINING:

A.) Digging into rocks, (usually using tunneling) crushing them with crushers. The powder is mixed with water, then crushed further until a fine powder containing gold is made. Then the powder is filtered using centrifuges, and after that, the gold is purified even further using a process called electro winning. (using electricity and electrodes). This process is expensive for the following reason:

1. The hard rocks require big crushers that suffers frequent wear and tear and require high energy cost.
2. Tunneling into the earth is an expensive process. It carries also very serious risks of tunnels collapse and other problems.

For these major reason and others, **the average cost of hard rock mining is about \$700-\$900 per ounce.** In today's prices (December 2014 –gold price is about \$ 1200 per ounce), the production cost margin is narrow and made several companies in the past few years making it not as profitable or desirable.

OPEN PIT MINING

B.) The second type of mining is an open pit type. These mines are quite common because they can be started with a smaller investment. Usually these type of mining requires moving great amounts of ore. This type of mining is cheaper because the gold is spread throughout the area with thin veins which vary greatly from 1 cm to few meters wide. These mines can be quite profitable but because the veins are irregular, some months the more profitable then others. **Usually the cost of processing of this type of ore is about \$500-600 per Once.**

OPEN PIT MINING FOR TAILINGS

C.) This is the same as the second type with ONE big difference. Instead of processing irregular vein material, this mine processes ONLY tailings which is a very fine dust which is MUCH cheaper. The cost of processing tailings only os about \$ 300-400 per ton.

How do we know a mine has the gold it says it has?

Before any serious investor risk their money, they want to know if there is gold in the claim. They then contract an independent company that does only this using a process called **NI-43-101 process** (accepted by Canadian companies) or a **JORC process** report accepted by Australian companies.

To determine the scope of a mine's potential these research companies use diamond drillings in a determined area. These drillings are quite expensive. In today's prices, it cost about \$200-300 per vertical meter with a minimum required of 2000 continuous meters. (It does not mean a company will go as deep as 2000 meters, but rather drill 20 probes of 100 meters each or drill 100 probes of 20 meters deep).

Is there a cheaper way to determine the gold reserve of a certain claim?

No, there is not! The only thing that will guarantee a proper size of your gold reserve can be done ONLY with diamond drillings which is quite expensive BUT...

This is true if only for hard rock mining. When it comes to tailings, determining gold reserve is very easy and cheap. This is because the investor will drill into a very soft sand ore. There are no rocks. Any 2 men drill can do this. Today a drill carried by 2 men can go as deep as 30 meters. The samples are quite uniform as well. This facilitates the measurements of the tailings. If you drill 100 probes down to 20 even 30 meters deep, a crew of 4 men can finish it in 1-2 months and the uniformity of the ore can facilitate the calculation of the reserve. If you have a tailing pile 500 meters by 400 meters and 40 meters high at an average concentration of 0,5 grams per ton, the gold volume contained within the pile will be:

$400 \times 500 \times 40 = 8,000,000$ cubic meters $\times 2,7$ tons per cubic meter (specific weight of the ore), then 21,6 million tons of ore $\times 0,5$ grams per ton = 10,8 tons of gold contained only in this pile. The Poconés tailing piles that we have calculated have at least 200 million tons of tailings ore.

Can we count on the report presented by a mine owner?

Yes and no, It depends. If the report had used the NI-43-101 process or by a third party, yes you can trust it. If not, then you should commission your own research. Some reports do not use the NI-43-101 process because it is too expensive but they are accepted as serious reports if they were conducted by a serious 3rd party research company. For example if you have a working mine that already produces X amount of gold, it is good enough indicator for any investor. Nevertheless, an investor should ALWAYS measure the size of its gold reserve unless he has a third party report recognized by the international community.

Why mines that used gravimetric process were de-activated?

Some of the mines in the Pocones gold belt are deactivated because mining them using only gravimetric process does not make economical sense for it recovers only 30-35% of the gold contained within the ore. This means that 65% -70% of the gold contained in the ore is still there and could be processed. If your recovery process cost \$500-600 per ounce, and you recover only 30% of the gold in the ore, (for example you will recover 0,15 grams per ton of a 0,5 gram per ton ore); If One Ounce = aprox 30 grams. You will need to process 200 tons to get 1 ounce using gravimetric process. This is a losing proposition;

What type of mining is needed to make a tailings project profitable?

To make these mines profitable, another modern type of mining is required. This mining process has 4 steps and this is our intent in to use this process in the Salinas mine. Here are the 5 step mine we intend to use:

1. **Gravimetry Process-** the ore is mixed with water and passes through centrifuges and spiral separators.
2. **Floatation Process-** The ore is then mixed with chemicals compound that create foam which carries the gold then separated. The mixture we get in this point is a mud concentrate of 150 – 200 grams per ton which is carried by trucks to the next step
3. **The Leaching** – The mixture is then placed in big pools or tanks filled with cyanide compound which separate the gold into a 85-92% pure gold.

4. **Electrowinning** - The gold then is passes through an electrical process which brings it to a 99,5% purity grade

OVERVIEW

The Salinas Mine is located in a geographical area of Brazil which is called the Poconés Gold belt. (see power point presentation) This is because it is about 120 km long by 15 -20 km wide. The region has several deactivated gold mines. These mines are open pit style mines that do not require breaking hard rocks, but rather a Saprolite rocks (a softer type of ore which is softer) and tailings.

When the Salinas project came to my attention, I was developing another project called the Pocone's gold belt project. **The idea was to build a mine that will process only tailings from all the deactivated mines in the region.** The mining concept I have developed together with a team of geologist and a mining engineer, is called **THE QUAD MINING MODEL.** Please read the executive summary that explains it. The Salinas mine is a great opportunity because it is located in the Poconés gold belt region and will serve as a spring board to expand the mine into a very large mining project within 2-3 short years.

PHASE 1: Bring the Salinas Mine within 6 Months to full production of 30,000-40,000 ounces per year. (\$40,000,000-\$48,000,000 per year gross production)

PHASE 2: Use part of the revenues from the Salinas mine to process the tailings from all the mines in the Pocones gold belt using the Quad Mining Model (read exec summary). This will bring our annual production to \$200,000,000 per year.

PHASE 3: Using the Quad mining Model in other regions in Brazil and expand our operations.

Considering theses factors, the Salinas Mine will use the second type of mining with an average cost of \$ 500-600 per conce. Then in phase 2, we will mine all the tailings in the region using the 3rd type of mining process.