

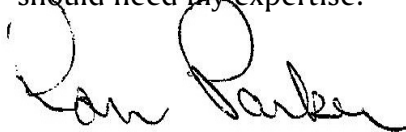
**Ron Parker**  
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Storm Gill  
4338 S. E. 122nd Avenue  
Portland, Oregon 97236

Dear Mr. Gill:

You will find accompanying this letter the evaluation of the material you sent to me concerning the alluvial plain between Tucson and Florence, Arizona. There are minor differences in some of the numbers, however these can be attributed to the rounding of numbers. I found that the material furnished to me was good quality and could be verified by several sources. I found after scrutinizing your report and checking then rechecking the sources and numbers provided with them that the resulting figures were astronomical. This is only to be expected when dealing with area that encompasses the alluvial basin. I feel under good management and efficient processing of the material a good profitable operation could be established.

I would look forward to working with your group in the future on this venture or others if you should need my expertise.

A handwritten signature in black ink that reads "Ron Parker". The signature is written in a cursive style with a large, prominent initial "R".

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**ANALYSIS OF REPORT DATED AUGUST 13, 2002**

**NOTICE:** Because of the dramatic increase in value of Precious Metals, National Gold, Inc has modified this report to reflect the new values based on the spot price of gold as of the close of business on June, 11, 2010 – about \$1,240.00 per troy ounce.

**TUCSON, ARIZONA**  
September 2002



## INTRODUCTION

Mr. Storm Gill retained the services of Ron Parker, Consulting Geologist (AIPG Cert. # 6163), to evaluate the contents of a report dated August 31, 2002.

Mr. Gill's report outlined and quoted from the available reports and furnished me with the material. Previously I did an evaluation (Report of Analysis of Previous Reports) on the Sovereign drilling; the Magnetite Placer Deposits between Florence and Tucson, Arizona, Pinal County, the Bureau of Mines Circular 8236; and a report by Krupp International, Inc (Black Mountain Alluvial Iron Ore Project, Pinal County, Arizona). In this report I used the available information at the time. With Mr. Gill's report came updated information. The re-calculation of tonnages of the sand and gravel, magnetite and ilmenite was done. By doing the re-calculation, the resulting numbers were more in line with the suggested numbers used by others in reports. Calculations in the furnished reports were checked and found satisfactory.

The following values are the in-ground values found for one square mile to a depth of 100 feet.

Gold @ \$ 320/ounce	\$1,473,763,739	<b>\$1.239/Oz</b>	<b>\$ 5,687,806,930</b>
Silver @ \$ 5.10/ounce	\$ 48,445,348	<b>\$19.56/Oz</b>	<b>\$ 185,802,153</b>
Platinum @ \$ 532/ounce	\$ 1,510,568,801	<b>\$1,742/Oz</b>	<b>\$ 4,946,260,862</b>
Palladium @ \$ 324/ounce	\$ 584,860,954	<b>\$ 544/Oz</b>	<b>\$ 981,988,560</b>
Rhodium @ \$ 770/ounce	\$ 736,296,422	<b>\$2,800/Oz</b>	<b>\$ 2,677,441,508</b>
Magnetite @ \$ 22/ton	\$ 209,297,088	<b>\$ 80/Ton</b>	<b>\$ 761,080,320</b>
Ilmenite @ \$ 73/ton	\$ 17,807,328	<b>\$ 120/Ton</b>	<b>\$ 29,272,320</b>
Sand & Gravel @ \$ 9.76/ton	\$ 1,808,286,480	<b>Same</b>	<b>\$ 1,808,286,480</b>
Total in-ground value per square mile	\$ 6,389,326,159		<b>\$ 81,120,209,447</b>

According to the metallurgical reports, the average recovery from the magnetite concentrate for gold was 95%+, silver was 95%+, platinum was 95%, palladium was 91%, and rhodium was 91%.

Indications in the updated information, provided by Mr. Gill in the letter by Mr. Cattany, are that the recovery rate for the magnetite from the sand and gravel will be 90%.

The following values are the recoverable values found for one square mile to a depth of 100 feet.

Gold @ \$ 320/ounce	\$1,473,763,739 X .95 = \$1,400,075,522
Silver @ \$ 5.10/ounce	\$ 48,445,348 X .95 = \$ 46,023,081
Platinum @ \$ 532/ounce	\$ 1,510,568,801 X .95 = \$1,435,040,361
Palladium @ \$ 324/ounce	\$ 584,860,954 X .91 = \$ 532,223,468
Rhodium @ \$ 770/ounce	\$ 736,296,422 X .91 = \$ 670,029,744
Magnetite @ \$ 22/ton	\$ 209,297,088 X .90 = \$ 188,367,379
ilmenite @ \$ 73/ton	\$ 17,807,328 X .90 = \$ 16,026,595
Sand & Gravel @ \$ 9.761ton	\$ 1.808,286,480 X1.0 = \$1.808.286,480
Total recoverable value per square mile	\$6,096,072,630

**Recovery - based on current values** **\$77,064,199,030**

### SUMMARY

The report furnished by Mr. Gill was complete and accurate for the calculations made in the report. The report was thoroughly examined and found to be straightforward in the description of the alluvial plain and the contents of the bulk material. The values derived in the calculations appeared to be astronomical in amounts and value. But when the facts and the values shown in the reports were checked and recalculated, they were found to be in order. There appeared to be no misrepresentation of facts in the reports furnished. The early reports dealt with the presence of magnetite with the same tonnages and were compared to the more recent reports and calculations. The difference was the discovery of gold, silver, and the platinum group minerals in the bulk material and in the concentrate of magnetite.

In Mr. Mathwig's letter, dated June 2001, and subsequent telephone conversations with Mr. Gill, a description of the extent to which his thirteen samples were taken across the alluvial area. The letter contained the assays of the samples. The average grade of the samples per ton was .0046 oz./ton gold and .24 oz/ton silver. According to his description of sample gathering, he covered an area of about 100 square miles. Every sample indicated that gold and silver were present in small amounts. The metallurgical reports and assays gave assay results on the magnetite after concentration. This illustrates that the precious metals (gold, silver, and the platinum group) were concentrated along with the magnetite. It is very probable that the precious metals with the magnetite and are not combined with the magnetite. According to history, prospectors would look for the concentration of heavy minerals (such as magnetite) in creeks and washes in their quest to find gold.

Mr. K. Robert James, Mining Consultant, estimated the cost of extraction of a 150-ton-per-hour operation would be \$2.75 per ton. The total tons for one section of material is 195,148,800 tons. Thus, the extraction cost is \$536,659,200 (\$2.75 times 195,148,800 tons).

The total in-ground value is \$6,389,326,159, and the extraction cost is \$536,659,200. The extracted value (in-ground value minus extraction cost) is \$5,852,666,959.

## CONCLUSION

In the process of examining the report by Mr. Gill and the letters and reports furnished by him, I found that the information brought forth by the report was as accurate as possible, given the scale of the area and the large amount of information with which the reports had to deal. The assumptions that were made are acceptable in the assessment of the area. All of the work done on claims by various entities on a wide scale over the alluvial basin lead to the same general conclusion. There is definitely a sufficient amount of magnetite to support an operation in itself if the commodity price would continue to be stable. When the added values of the precious metal are added to the formula, an operation becomes feasible. The scale of an operation in the area could be very large. An ideal situation presents itself in this type of operation. All of the material in this type of operation is potentially a product of saleable value. The benefit of this situation is that there would be no waste dumps to consume areas of mining; therefore it should be easier to permit and do reclamation.

## PROCEDURE

The process of determining the validity of the report furnished was to take into consideration the reference material, the quality of the assays, the method of conducting the metallurgical studies, and the experience of the professional people who prepared the reports. All of the material proved to be copies of authentic reports. Reputable assay laboratories and metallurgical facilities conducted the assay analysis. The credentials of the professionals involved were very good and were familiar to me in my career as a geologist.

The reports, assays and metallurgical reports, and letters contained in Mr. Gill's report were thoroughly examined for content and pertinence to the area of interest. All referenced the same area of interest. A thorough examination of the numbers used in the available reports were reviewed and recalculated to determine if any errors were present. In cases where there were no beginning numbers or the price of the commodity was not listed, the volume and contained tons of material were calculated. Given the total value of the property, the procedure was to work back to the price-per-ton of the commodity and to recalculate the numbers for accuracy. In the case of the report originally furnished by Ron Parker a weight-per-cubic-foot factor for the bulk material was listed as 120 pounds/cubic foot (the volume weight of sand & gravel). However, the weight-per-cubic-foot factor in the present report was listed as 140 pounds/cubic foot. To verify the actual volume weight of the cubic foot, the volume weights of the known constituents of the bulk material was recalculated and defined as 141 pounds/cubic foot (see Table 1). For the sake of continuity with the calculations checked within the reports, the value of 140 pounds/cubic foot was used. The checking of the calculation of figures followed the values placed on the commodities at the time Mr. Gill wrote the report. The calculations of the volumes were of the accepted standard math practices.

On issues of understanding, Mr. Gill was called upon to clarify wording or the source of information.

## APPENDIX

The report contained reports of previous evaluations, drilling results, assays, ore reserve calculations, and location maps describing the physical environment of the area.

The report included:

- The main report by Mr. Gill, which contains a background on evaluations done in recent years, and calculations based on the area tonnages per square mile, and the current price of the contained metals plus the sand & gravel as a byproduct.
- Letter from Warren Mathwig, Placer Mining Engineer, to Marcus White, Vice President of Arizona Magnetite Project.
- Assay report from Chris Christopherson, Inc.
- Two letters from Robert E. Cattany, Attorney at Law and previous geologist.
- Letter from Robert W. Hinds.
- Assay and metallurgical reports by Vortex industries, Inc. requested by Mr. Cattany, dated June 7, 1992 and June 25, 1992.
- Assay and metallurgical reports dated January 17, 1992 and March 7, 1992.
- Letter from Maya B. Dunkel.
- Report by Arizona Metal Resource Corp.
- Letter to The Martin Group from Brian Kirk, General Manager, K-2 Limited Partnership.
- Sovereign Industries report on drilling and test pits in the Black Mountain Arizona Alluvial Iron Deposit.
- Willard D. Pye, Report of Magnetite Placer Deposits between Florence and Tucson, Arizona, Pinal County.
- Arizona Metal Resources Corporation, Business Plan.
- Ron Parker, Consulting Geologist, Report of Analysis of Previous Reports.
- Cascade Acceptance Group, LLC, Audit Report, September 30, 2001.
- Letter to Storm Gill from K Robert James, Mining Consultant.
- Audit for an unknown group, July 6, 1994.