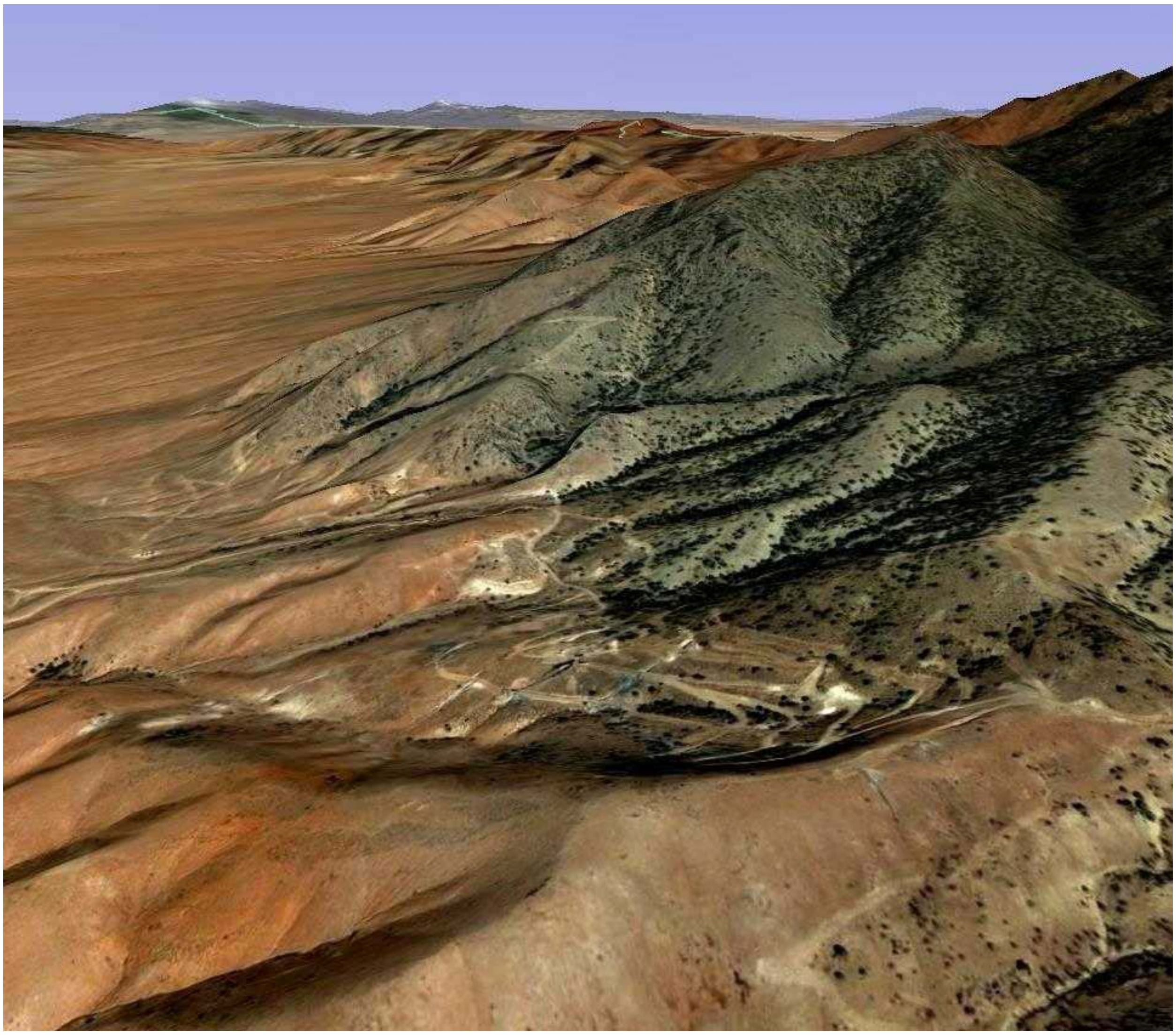
NI 43-101 TECHNICAL REPORT FOR THE NEW PASS PROJECT, CHURCHILL COUNTY, NEVADA

Prepared for US Gold Corporation



December 23, 2009

Telesto Nevada Inc.

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3.0 SUMMARY

On June 30, 2009, US Gold Corporation ("USG") engaged Telesto Nevada, Inc. ("Telesto") to undertake the preparation of a National Instrument 43-101 ("NI 43-101") compliant Technical Report on the New Pass Project. The work by Telesto consisted of reviewing historical mineral reports prepared by earlier workers/companies on the project and updating their interpretations and conclusions with new information and data received from USG.

Earlier reports on the project include work by DEPCO, Inc. ("DEPCO"), DEKALB Mining, Inc. ("DEKALB"), Northern Illinois Coal, Oil and Resources Mineral Ventures, Inc. ("NICOR"), Westmont Mining Inc. ("Westmont"), Consolidated Ramrod Gold (U.S.A.) Inc. ("Ramrod"), Santa Fe Pacific Gold, Inc. ("Santa Fe"), Bonaventure Enterprises Inc. ("Bonaventure"), and White Knight Gold (U.S.) Inc ("WKG"). Telesto's current review is documented in the present report as required under the terms of NI 43-101.

None of the historic resource estimates cited conform to modern NI 43-101 standards. This report includes them for historical reference only and because the author did not perform the resource estimates, the author does not infer or assert that the resource estimates were performed under current NI 43-101 guidelines, or that the historical gold resource estimates are reliable or accurate.

Table 3.1 – Corporate Structure

US Gold Corporation
US Gold Canadian Acquisition Corporation
White Knight Resources Ltd.
White Knight Gold (U.S.) Inc.

For the purpose of this report, Telesto generated a drill hole database consisting of records for 263 conventional, reverse circulation ("RC") and core drill holes, and 19,923 assays from hardcopy graphic drill hole logs and Excel spreadsheet assay sheets given to Telesto by USG. The drill hole logs originated from several companies which have controlled the property in the past and from laboratory assay certificates. After review, Telesto concluded that the database was sufficient to support a resource estimate for the property within the current New Pass Project area land holdings control by USG.

3.1 Property Description (*By Jonathan Brown, C.P.G., Telesto Nevada, Inc.*)

The New Pass Project, which encompasses approximately 3.5 square miles of mineral rights, is located on the western flank of the New Pass Range in Churchill County, Nevada, about 86 road miles east of Fallon, Nevada. The approximate center of the project area is latitude 39° 38' 15" N, longitude 117° 31' 05" W. Elevations range from 5,650 feet at the foot of the range to over 7,500 feet at the upper reaches of the project area. The location is depicted in Figure 3.1.

The New Pass Project is accessed via U.S. Highway 50 by traveling approximately 80 miles east from Fallon or 30 miles west from Austin. Turn north on Alpine East Road, a well-maintained dirt road, and travel approximately 6 miles. The property lies just east of the Alpine East Road. Reno, the nearest major city to New Pass, is approximately 62 west of Fallon. See Figure 3.1 for location.

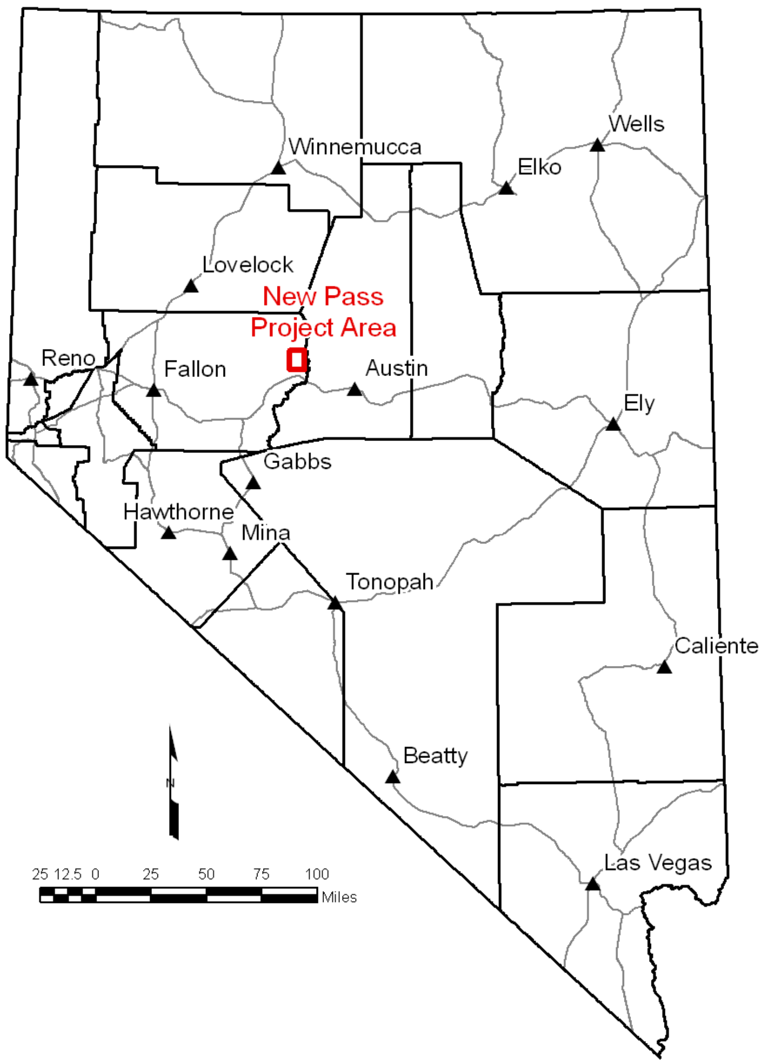

Figure 3.1 Location Map of New Pass Project

New Pass Mining History

No known historical production, shafts, adits or prospect pits or other exploration work had been completed on the property prior to 1980 (Pelke and Arentz III, 2006). Since 1980 only exploration activities have occurred at the project area.

Geology

Regional Geology

The regional geology has been described adequately in several historical reports. The following description is taken from Hughes, 1998A.

> The New Pass Mountains of west-central Nevada are largely cored by late Paleozoic and Triassic age metasedimentary, sedimentary, and minor volcanic rocks. Overlaying the late Paleozoic Stratigraphic sequence is an assemblage of weakly metamorphosed fine to coarse grained clastic sedimentary rocks and intercalated siliceous volcanics of Late Permian to Triassic in age (Willden and Speed, 1974). Mesozoic sedimentary units are the most widespread lithologies in the immediate region of the New Pass property. A 1,000 to 2,000 feet thick sequence of conglomerate forms the basal unit of the Triassic sedimentary assemblage. The base of the conglomerate appears to be a depositional disconformity and the top may be gradational with a transgressive sequence of siltstones and limestones in the overlying Favret Formation of Middle Triassic age. Conformably overlying the Favret in the New Pass Mountains is the Middle to Late Triassic Augusta Mountain Formation.
>
> Tertiary volcanic rocks are extensive throughout the region and locally overlap the flanks of the New Pass Mountains. Extrusive units dominate the landscape and are mainly represented by a bimodal suite of rhyolite and basalt. Middle Miocene (22-34 Ma) felsic pyroclastics probably represent the most widespread accumulations, and local rhyolitic flows and intrusive rocks occur within the extensive ashflow deposits. Quaternary deposits blanket much of the region but are thickest and most continuous in the present valleys.

New Pass Geology

The following description is from Hughes, 1998A.

> Lithologies exposed at the New Pass property can be assigned to two major groups; the oldest being represented by a thick sequence of Triassic sedimentary rocks and the other dominated by Tertiary felsic volcanic and small intrusive. Various modifications of these units are the results of overprinted hydrothermal processes and local deformation effects.

Type of Deposit

The New Pass Project is a Carlin-type deposit. Carlin deposits are sediment-hosted, with disseminated gold. Gold is commonly micron-sized, and is associated with hydrothermal alteration of carbonate and clastic sedimentary, and to a lesser degree volcanic, host rocks. Alteration commonly consists of removal of carbonate and addition of silica. Trace elements associated with Carlin deposits include As, Sb, Hg, Tl and Ba.

3.2 Ownership (*By Christine Ballard, Telesto Nevada, Inc.*)

USG, through its wholly-owned subsidiary WKG, controls 107 mining claims in the New Pass Project areas. All claims at New Pass are unpatented. A summary list of pertinent claim numbers for New Pass is shown in Table 6.1. A complete list of these claims may be found in Appendix 1. USG's 107 claims at New Pass cover 2,212 acres (895 hectares). A map of claims which are pertinent to this resource estimate is shown in Figure 1 of Appendix 2.

A confidential report detailing the title condition and ownership, "Title Report for New Pass Project Area, Churchill County, Nevada", was prepared by Harris and Thompson, an association of attorneys, in May, 2009. The report indicates that an outstanding 10% Net Profits Royalty Interest is held by NICOR on the Pass claim group. However, USG believes that these royalties may no longer be valid.

The New Pass Project is currently subject to an option agreement between WKG and Bonaventure, with Bonaventure as operator. Should the agreement be exercised, a 50-50 joint venture will be created, with Bonaventure as operator.

3.3 Resources (*By Kim Drossulis, Telesto Nevada, Inc.*)

The resulting resources reported herein for New Pass were estimated in accordance with the Canadian Institute of Mining, Metallurgy and Petroleum ("CIM") definitions. Resources are reported as measured and indicated. There are no inferred resources included in this report

Because gold is the primary economic commodity at New Pass and silver is considered a by-product, all resources (both gold and silver) were calculated with a gold cutoff grade of 0.411 grams per tonne (0.012 troy ounces per short ton, "opt"). The grams of silver reported below are those which are associated with the in-situ gold resource.

The resource was modeled using a mean density of 2.55 tonnes/cubic meter (2.15 tons/cubic yard). Results of the modeling indicate the presence of an estimated mineral resource at New Pass as shown in Tables 3.2 (gold), 3.3 (silver) and 3.4 (gold equivalent).

Table 3.2 – Gold Resources at New Pass

METRIC	Cutoff Grade (Au g/tonne)	Tonnage (tonnes)	Au (g)	Avg. Grade (g/tonne)
Measured	0.411	9,955,000	9,677,000	0.972
Indicated	0.411	153,000	90,000	0.590
Measured + Indicated	0.411	10,108,000	9,767,000	0.966
IMPERIAL	**Cutoff Grade (Au opt)**	**Tonnage (ton)**	**Au (oz)**	**Avg. Grade (opt)**
Measured	0.012	10,973,000	311,000	0.028
Indicated	0.012	169,000	2,900	0.017
Measured + Indicated	0.012	11,142,000	313,900	0.028

Note: Rounding of tons as required by Form 43-101F1 reporting guidelines (Item 19) results in apparent differences between tons, grade and contained ounces of gold in the mineral resource.

Table 3.3 – Silver Resources at New Pass

METRIC	Cutoff Grade (Au g/tonne)	Tonnage (tonnes)	Ag (g)	Avg. Grade (g/tonne)
Measured	0.411	9,955,000	82,096,000	8.25
Indicated	0.411	153,000	418,000	2.73
Measured + Indicated	0.411	10,108,000	82,514,000	8.16
IMPERIAL	**Cutoff Grade (Au opt)**	**Tonnage (ton)**	**Ag (oz)**	**Avg. Grade (opt)**
Measured	0.012	10,973,000	2,639,000	0.24
Indicated	0.012	169,000	13,400	0.08
Measured + Indicated	0.012	11,142,000	2,652,400	0.24

Note: Rounding of tons as required by Form 43-101F1 reporting guidelines (Item 19) results in apparent differences between tons, grade and contained ounces of gold in the mineral resource.

Table 3.4 – Total Gold-Equivalent Resources at New Pass

METRIC	Gold (g)	Silver (g)	Tonnage (tonnes)	AuEq (g)	Avg. Grade (g/tonne)
Measured	9,677,000	82,096,000	9,955,000	11,045,267	1.110
Indicated	90,000	418,000	153,000	96,967	0.634
Measured + Indicated	9,767,000	82,514,000	10,108,000	11,142,234	1.102
IMPERIAL	Gold (oz)	Silver (oz)	Tonnage (ton)	AuEq (oz)	Avg. Grade (opt)
Measured	311,000	2,639,000	10,973,000	354,983	0.032
Indicated	2,900	13,400	169,000	3,123	0.018
Measured + Indicated	313,900	2,652,400	11,142,000	358,106	0.032

Note: Rounding of tons as required by Form 43-101F1 reporting guidelines (Item 19) results in apparent differences between tons, grade and contained ounces of gold in the mineral resource.

3.4 Metallurgy and Processing (*By Kim Drossulis, Telesto Nevada, Inc.*)

To date, there has been very little metallurgical work done to indicate the potential recoveries of gold and silver from oxide, sulfide or carbonaceous material. Metallurgical testwork has been limited to six metallurgical tests that were conducted by Westmont in 1988.

Samples Met-1 and Met-2 were bottle roll tests which were conducted on two crush sizes: as received and 100 mesh. Samples Met-3 through Met-6 were subjected to cyanide solubility analysis (shake tests) and crushing appears to have been done on these samples prior to testing (Wilkinson and Cline, 1989). Result of metallurgical testing is shown in Table 3.5.

Table 3.5 – Results of Metallurgical Test Work on New Pass Ore Samples (1988)

Samples	Lithologies	Estimated Assay Grade (opt)	Calculated Head Grade (opt)	Gold Recovery (%)	
				As Received	100 mesh
NP-Met-1	Carbonaceous jasperoid + minor siltstone	0.080	0.042	4.8	14.9
NP-Met-2	Carbonaceous jasperoid + minor siltstone	0.067	0.068	54.4	59.2
NP-Met-3	Carbonaceous jasperoid + minor siltstone	0.075	0.062	12.9	
NP-Met-4	Mixed oxidized and carbonaceous jasperoid	0.080	0.080	32.5	
NP-Met-5	Oxidized jasperoid	0.100	0.098	74.5	
NP-Met-6	Oxidized jasperoid	0.085	0.074	77.0	

Note: Table 18.1 is adapted from Table 2, Wilkinson and Cline, 1989.

3.5 Permitting (*By Doug Willis and Christine Ballard, Telesto Nevada, Inc.*)

USG currently has no active authorized mineral exploration notices or plans of operations in effect within the New Pass Project area. However, the current operator of the project, Bonaventure, has a plan of operations ("POO") for exploration activities approved by the U.S. Bureau of Land Management ("BLM") (BLM, 2009). A copy of the current exploration POO can be found in Appendix 3. A Finding of No Significant Impact and Decision Record ("FONSI/DR") was issued by the BLM on July 22, 2009 for Bonaventure's Environmental Assessment (DOI-BLM-NV-C010-2009-0010-EA) and Plan of Operations (NVN-84610). The FONSI/DR can be found in Appendix 4. According to the FONSI/DR, the POO replaced a previous Notice-level exploration permit (NVN-80107) (Kern, 2009). Under the terms of the existing option agreement, all permitting and reclamation is to be handled by Bonaventure.

3.6 Environmental (*By Doug Willis, Telesto Nevada, Inc.*)

The New Pass Project is located on unpatented mining claims on BLM-managed land. As such, the BLM will be the primary land manager for the New Pass Project in the event that any future mine development is undertaken. The BLM will be responsible for determining the significance of mining-related impacts to the air, land, and surface waters under the procedural requirements of the National Environmental Policy Act ("NEPA").

A POO for exploration has already been approved by the BLM for disturbance of up to 50 acres. The BLM released a Finding of No Significant Impact regarding the POO (BLM, 2009). Currently there is no known reason why permits for potential future mining could not also be obtained.

3.7 Construction (*By Kim Drossulis, Telesto Nevada, Inc.*)

There are no current plans to construct a facility to process any ore extracted from any open pit mining site/s within the New Pass Project boundary. With additional drilling, the initial development concept could call for open pit mining from multiple satellite pits and extraction of the gold through heap leaching or milling with cyanide solution in a central location along the project's strike length. Nevertheless, other scenarios are available and may be developed in the future.

3.8 Project Economics (*By Kim Drossulis, Telesto Nevada, Inc.*)

Because the reviewed portions of the New Pass Project boundary are still in an exploration stage, no economics on the viability of the project were run at this time.

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4.0 INTRODUCTION (By Jonathan Brown, C.P.G., Telesto Nevada, Inc.)

On June 30, 2009, USG engaged Telesto to undertake the preparation of a Technical Report for the New Pass Project in Churchill County, Nevada. The work by Telesto consisted of:

- reviewing historical mineral reports prepared by earlier companies on the project,
- reviewing the database which was provided by USG that contains data from previous operators up to and including Bonaventure,
- creating new resource estimates from the reviewed database, and
- updating interpretations and conclusions.

This report is intended to comply with the requirements of NI 43-101, including Form 43-101F1.

This report has been prepared using data obtained from field observations taken during site visits, drill hole assays, laboratory test work, and data obtained from numerous prior reports, as detailed throughout the report.

This report is the product of technical contributions from the professionals listed below. All contributions to the report were compiled by Telesto but it did not supervise the preparation of, or verify all the information provided by USG, and takes no responsibility for any sections of this report that were prepared by persons other than those listed below.

Contributors:

John Welsh, P. E.	Reviewer	Telesto Nevada Inc.
Kim Drossulis, Senior Engineer	Mineral resource estimate	Telesto Nevada Inc.
Jonathan Brown, M.B.A., C.P.G.	IQP, Principal author	Telesto Nevada Inc.
Doug Willis, Geologist	Geology & drill hole data	Telesto Nevada Inc.
Christine Ballard, Project Geotechnical Engineer	Report collaboration, history, drill hole data review	Telesto Nevada Inc.

4.1 Terms of Reference

The major units used in this report are metric – metric tonnes of 1,000 kilograms (tonnes), grams (g), kilometers, meters, etc. Units of parts per million are equivalent to grams per tonne, and both terms are used interchangeably in this report. Where Imperial units are used – dry short tons of 2,000 pounds (tons), troy ounces per short ton (opt), miles, feet, etc. – such is noted.

4.1.1 Unit Conversion Factors

1 ounce (oz) [troy] = 31.1034768 grams (g)

1 short ton = 0.90718474 metric tonnes

1 troy ounce per short ton = 34.2857 grams per metric tonne = 34.2857 ppm

1 gram per metric tonne = 0.0292 troy ounces per short ton

1 foot (ft) = 0.3048 meters (m)

1 mile (mi) = 1.6093 kilometers (km) = 5280 feet

1 meter = 39.370 inches (in) = 3.28083 feet

1 kilometer = 0.621371 miles = 3280 feet

1 acre (ac) = 0.4047 hectares

1 square kilometer (sq km) = 247.1 acres = 100 hectares = 0.3861 square miles

1 square miles (sq mi) = 640 acres = 258.99 hectares = 2.59 square kilometers

Degrees Fahrenheit (^{o}F) – 32 x 5/9 = Degrees Celsius (^{o}C)

4.1.2 Acronyms and Abbreviations

The following acronyms and abbreviations are used throughout this report:

AEG: *Association of Environmental and Engineering Geologists*
Ag: *Silver*
AIPG: *American Institute of Professional Geologists*
Au: *Gold*
AuEq: *Gold equivalent*
BLM: *U.S. Bureau of Land Management*
BMP: *Best management practices*
Bonaventure: *Bonaventure Enterprises Inc.*
CIL: *Carbon-in-Leach*
CN: *Cyanide*
CPG: *Certified Professional Geologist*
DEPCO: *DEPCO, Inc.*
DEKALB: *DEKALB Mining, Inc.*
DOE: *U.S. Department of Energy*
EA: *Environmental Assessment*
FA: *fire assay*
FA/AA: *fire assay extraction with atomic absorption finish*
FONSI/DR: *Finding of No Significant Impact and Decision Record*

***G&A**: General and Administrative*
***g/T**: Grams per tonne*
***IMC**: Independent Mining Consultants*
***MDB&M**: Mount Diablo Baseline and Meridian*
***NDWR**: Nevada Division of Water Resources*
***NEPA**: National Environmental Policy Act*
***NI 43-101**: Canadian National Instrument 43-101*
***NICOR**: Northern Illinois Coal, Oil and Resources Mineral Ventures, Inc.*
***NSR**: Net smelter return*
***ODE**: Consolidated Odyssey Exploration Inc.*
***opt**: Troy ounces per short ton*
***oz**: Troy ounces*
***P.E.**: Professional Engineer*
***POO**: Plan of Operations*
***ppm**: Parts per million*
***QA/QC**: Quality Assurance and Quality Control*
***Quest**: Quest U.S.A. Resources Inc.*
***Ramrod**: Consolidated Ramrod Gold (U.S.A.) Inc.*
***Santa Fe**: Santa Fe Pacific Gold, Inc.*
***SEM**: Scanning Electron Microscope*
***SME**:* Society of Mining, Metallurgy and Exploration
***T**: Metric ton = 1,000 kg*
***Telesto**: Telesto Nevada, Inc.*
***ton**: Dry short ton of 2,000 pounds*
***US$**: U.S. Dollars*
***USG**: US Gold Corporation*
***Westmont**: Westmont Mining Inc.*
***WKR**: White Knight Resources Ltd.*
***WKG**: White Knight Gold (U.S.) Inc.*

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5.0 RELIANCE ON OTHER EXPERTS (By Jonathan Brown, C.P.G., Telesto Nevada, Inc.)

Telesto has relied on data and information derived from work done by various operators including Bonaventure, USG's staff and consultants, and wholly-owned subsidiaries of USG.

Jonathan Brown, principal author, and contributors Kim Drossulis and Christine Ballard have visited the New Pass Project area or have prior personal knowledge of the area. Telesto personnel were accompanied by USG staff (Robin Hendrickson and Steve Brown) and Paul Noland, a contract geologist for Bonaventure. In addition, the author and the other contributors have made extensive use of information contained in geological reports prepared by other scientists. All such reports are listed in Section 23.

5.1 Tenure/Ownership (*By Christine Ballard, Telesto Nevada, Inc.*)

This discussion of USG's property holdings at New Pass refers to certain legal issues and proceedings. The authors are not qualified persons with respect to legal matters. Telesto believes that USG's property holdings are as stated herein, but this is not a legal opinion.

The project area at New Pass is comprised of a group of 107 unpatented mining claims held by USG through its wholly-owned subsidiary WKG. The 107 claims consist of 2,212 acres (895 hectares) of land.

Telesto's preliminary review of claim ownership at New Pass using BLM's LR-2000 online database system indicates that all of the claims are valid and in good standing in regards to federal claim maintenance fee requirements. A search of Churchill County, Nevada records also indicates the claim group is currently in compliance with county fee requirements.

A confidential title report (Harris and Thompson, 2009) provided to Telesto by USG confirms that the claims at New Pass are owned by WKG. The claims have generally been located and maintained in accordance with state and federal mining law, and the claims are presently valid and defensible. A joint venture agreement is pending with Bonaventure. Telesto is unaware of the status of the agreement. More details of the Title Report are given in Section 6.2.1 Mineral Rights, and Section 8.1 Ownership History.

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6.0 PROPERTY DESCRIPTION AND LOCATION (By Jonathan Brown, C.P.G., Telesto Nevada, Inc.)

The New Pass Project Area lies within a block of 107 unpatented mining claims controlled by USG through its subsidiary WKG. The Project area lies in Sections 25 and 36, Township 21 North, Range 39 East, Sections 5 through 8, Township 20 North, Range 40 East, and Sections 29 through 32, Township 21 North, Range 40 East, Mount Diablo Baseline and Meridian ("MDB&M") (See Figure 6.1).

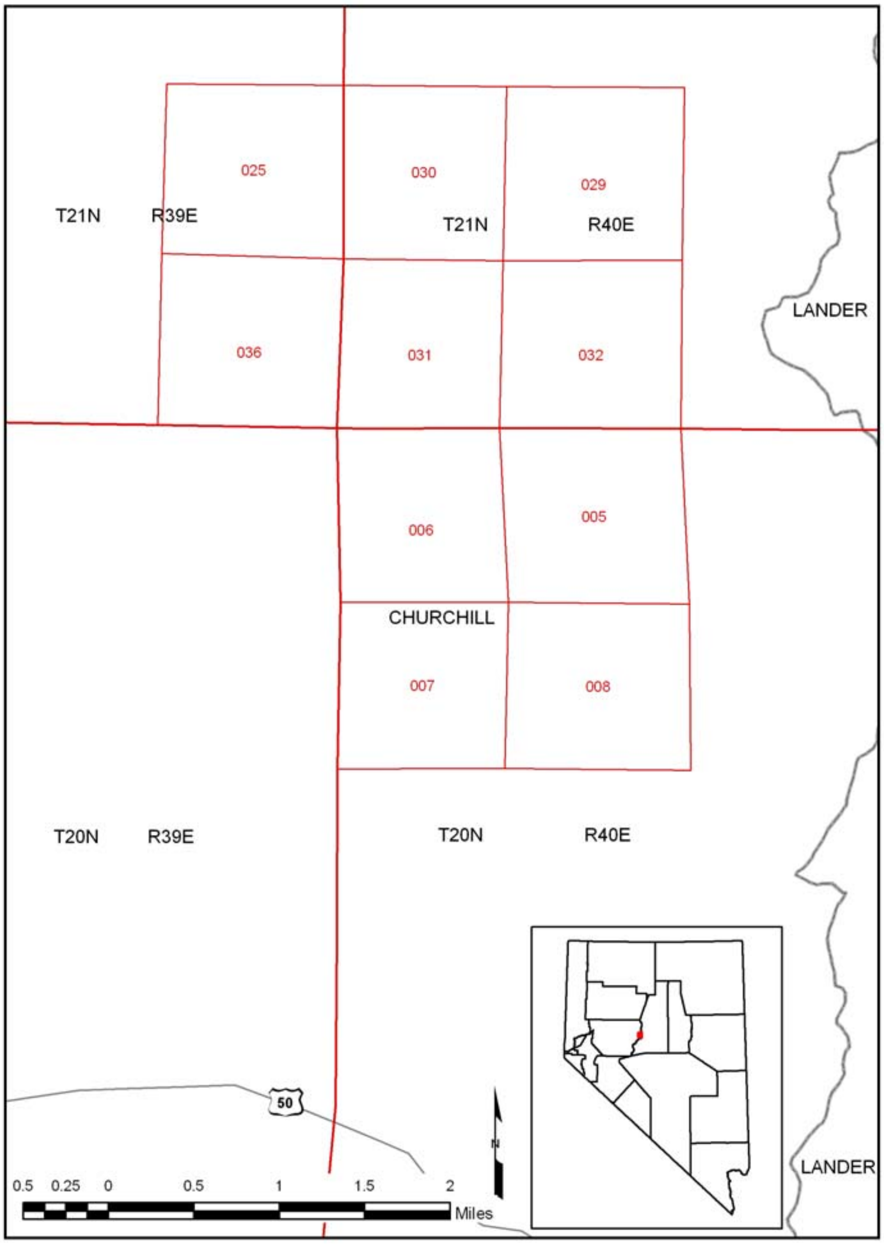

Figure 6.1 Townships, Ranges and Sections of the New Pass Project

6.1 Introduction

The New Pass Project, which encompasses approximately 3.5 square miles of mineral rights, is located on the western flank of the New Pass Range in Churchill County, Nevada, about 86 miles east of Fallon, Nevada. The approximate center of the project area is latitude 39° 38' 15" N, longitude 117° 31' 05" W. Elevations range from 5,650 feet at the foot of the range to over 7,500 feet at the upper reaches of the project area. The location is depicted in Figure 3.1. At Austin, Nevada, the nearest town to the New Pass Project area, the average annual precipitation is 12.47 inches, the average maximum annual temperature is 60.9° F, and the average minimum annual temperature is 34.5° F (Western Regional Climate Center data).

6.1.1 Permitting

USG currently has no active authorized mineral exploration notices or plans of operations in effect within the New Pass Project area. All current exploration notices or plans of operations are held by Bonaventure. On July 22, 2009, the BLM approved a POO for Bonaventure at New Pass for approximately fifty (50) acres of disturbance and released a Finding of No Significant Impact and Decision Record ("FONSI/DR") for Bonaventure's Environmental Assessment (DOI-BLM-NV-C010-2009-0010-EA) and POO (NVN-84610) (BLM, 2009). A revision of the POO was submitted to the BLM on August 10, 2009 which included a reclamation cost estimate which had not been included in the original POO. A revised reclamation cost estimate was sent to the BLM on August 13, 2009.

According to the FONSI/DR, the POO replaced a previous Notice-level exploration permit (NVN-80107). Bonaventure conducted exploration activities in 2006 under this Notice. The POO is a ten-year exploration plan which allows for a total disturbance of approximately 50 acres. Details about planned disturbance, exploration activities, reclamation bonding and schedules are available in the POO, which can be found in Appendix 3.

6.1.2 Environmental Issues

The New Pass Project is located on unpatented mining claims on BLM-managed land. For this reason, the BLM will be the primary land manager for the New Pass Project in the event that any future mine development is undertaken. They will be responsible for determining the significance of mining-related impacts to the air, land, and surface waters under the procedural requirements of the NEPA. Currently there is no known reason why permits for mining could not be obtained.

Under the terms of the current exploration POO, best management practices ("BMP"s) will be employed to address such operational issues as fugitive dust, spills, discovery of cultural resources and reclamation.

Because there are no current mining plans, the potential environmental impacts of mining have not been studied. In the event that future mining plans develop, additional environmental studies will be required. In addition, local, state and federal permits will need to be obtained.

6.1.3 Reclamation

Disturbance under the existing POO is limited to 50 acres or less. Current Notice-level disturbance after exploration in 2006 by Bonaventure stands at 4.76 acres. During Phase 1 of the POO, an additional 8.24 acres will be disturbed, bringing the total disturbance after Phase 1 to 13.00 acres. Using the Nevada Standardized Reclamation Cost Estimator, the grand total reclamation costs for Phase 1 plus the Notice-level disturbance is $37,010 (Enviroscientists, 2009).

Full details about bonding requirements and reclamation plans for exploration disturbance are given in the current POO. Any potential future mining at New Pass will require a POO for mining. Reclamation activities and schedules related to mining will be outlined at the time that a new POO is prepared.

6.1.4 Surface Rights

Telesto has not reviewed or been made aware of any agreements or rights of way that might be acquired or added to the holding within the claim group controlled by USG at the New Pass Project area.

6.2 Ownership

This discussion of USG's property holdings at New Pass refers to certain legal issues and proceedings. The authors are not qualified persons with respect to legal matters. Telesto believes that USG's property holdings are as stated herein, but this is not a legal opinion.

<u>Introduction</u>

The New Pass Project is currently subject to an unrecorded option agreement for the acquisition of a 50% interest in the property by Bonaventure. As of the date of this report, Telesto is unaware of the status of any joint ventures that may result from the exercise of this option agreement.

6.2.1 Mineral Rights

<u>Land Position</u>

USG, through its wholly-owned subsidiary WKG, controls 107 mining claims in the New Pass Project area. All claims at New Pass are unpatented. USG's claims at New Pass cover 2,212 acres (895 hectares). A summary list of claim numbers at New Pass is shown in Table 6.1. Figure 6.2 shows the location and details of the claim block.

Table 6.1 – Summary List of Unpatented Mining Claims at New Pass

Pass 1-15[1]	15
Pass 24-36[1]	13
Pass 83-92[1]	10
Pass 94-97[1]	4
Pass 99[1], 101[1], 103[1]	3
NP 16-23	8
NP 53-62	10
NP 67-78	12
NP 100, 102, 104, 107	4
NP 109-123	15
NP 125	1
NP 127-129	3
NP 205, 206	2
NP 241-246	6
N 16	1
TOTAL	**107**

[1] Subject to an outstanding Net Profits Royalty Interest.

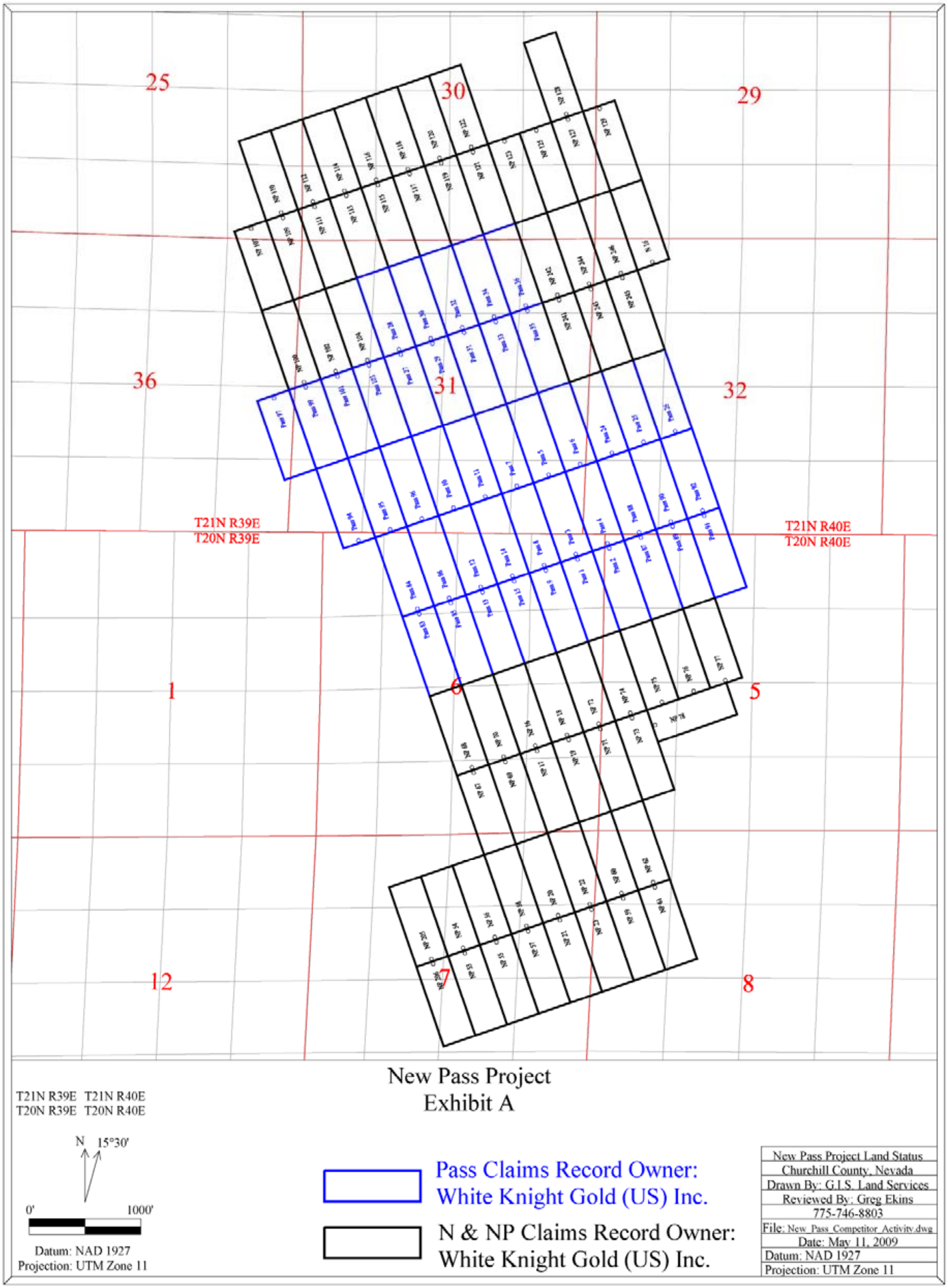

Figure 6.2 New Pass Claims Map

A confidential report detailing the title condition and ownership, "Title Report for New Pass Project Area, Churchill County, Nevada", was prepared by Harris and Thompson, an association of attorneys, in May, 2009. The conclusions of the report are summarized as follows:

A. Title Condition. The claims have generally been located and maintained in accordance with state and federal mining law, and the claims are presently valid and defensible.

B. Ownership. The above described mining claims are owned by WKG, a wholly-owned subsidiary of US Gold Corporation.

The claims are subject to:

C. Joint Venture. This office has been provided with unrecorded copies of the following documents: (1) an Option Agreement (the "Option Agreement") dated September 30, 2004 between Consolidated Odyssey Exploration Inc., ("ODE"), and WKG and White Knight Resources Ltd., ("WKR") giving ODE the right to acquire fifty percent of the interest of WKG in the Claims Under Search; (2) an unexecuted version of an Assignment Agreement (the "Assignment") dated February 15, 2005 by which ODE assigned to Bonaventure all of its right title and interest under the Option Agreement; (3) a press release dated April 27, 2005 stating that the TSX Venture Exchange has accepted for filing the Assignment, which would establish by implication that the Assignment was actually executed; and (4) a Consent dated February 15, 2005 by which both WKG and WKR consented to the Assignment by ODE to Bonaventure.

D. Outstanding Royalty. There is an outstanding 10% Net Profits Royalty Interest on the Pass claim group held by NICOR. This royalty interest may also apply to other claims at New Pass. Furthermore, according to the title report previously referenced, there may be an additional 10% Net Profits Royalty Interest due to NICOR but not enough information was provided in the report for Telesto to make a determination as the validity of this interest. Note: USG believes that these royalties may no longer be valid.

E. Claim Conflicts. No claim conflicts were found concerning the claims under search.

F. Liens and Encumbrances. We found no record of unreleased liens or encumbrances.

Claim Maintenance Fees

On federal lands in Nevada, holders of unpatented mining claims pay annual claim maintenance fees to the federal government, in lieu of the performance of annual assessment work. As of June 29, 2009, the fees were raised from $125 to $140 per claim. The fees, which are collected by the BLM, are due annually on September 1st. State and County fees total $10.50 per claim per year. The amount of the fees may vary from time to time by legislation or regulation.

A review by Telesto of the BLM's claim records on their LR-2000 online database system, as well as Churchill County records, show that the claims listed above are active and valid.

Appendix 5 is a detailed list from LR-2000 showing active claims in the New Pass area. The list is grouped by Township and Range.

6.2.2 Surface Ownership

Patented Claims

No patented claims in the New Pass Project area were identified in the Title Report (Harris and Thompson, 2009).

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7.0 ACCESSIBILITY, CLIMATE, LOCAL RESOURCES, INFRASTRUCTURE AND PHYSIOGRAPHY (*By Doug Willis, Telesto Nevada, Inc.*)

7.1 Access to the Property

The New Pass Project is accessed via U.S. Highway 50 by traveling approximately 80 miles east from Fallon or 30 miles west from Austin. Turn north on Alpine East Road, a well-maintained dirt road, and travel approximately 6 miles for a total of 86 road miles. The property lies just east of the Alpine East Road. Reno, the nearest major city to New Pass, is approximately 62 miles west of Fallon. See Figure 7.1 for location.

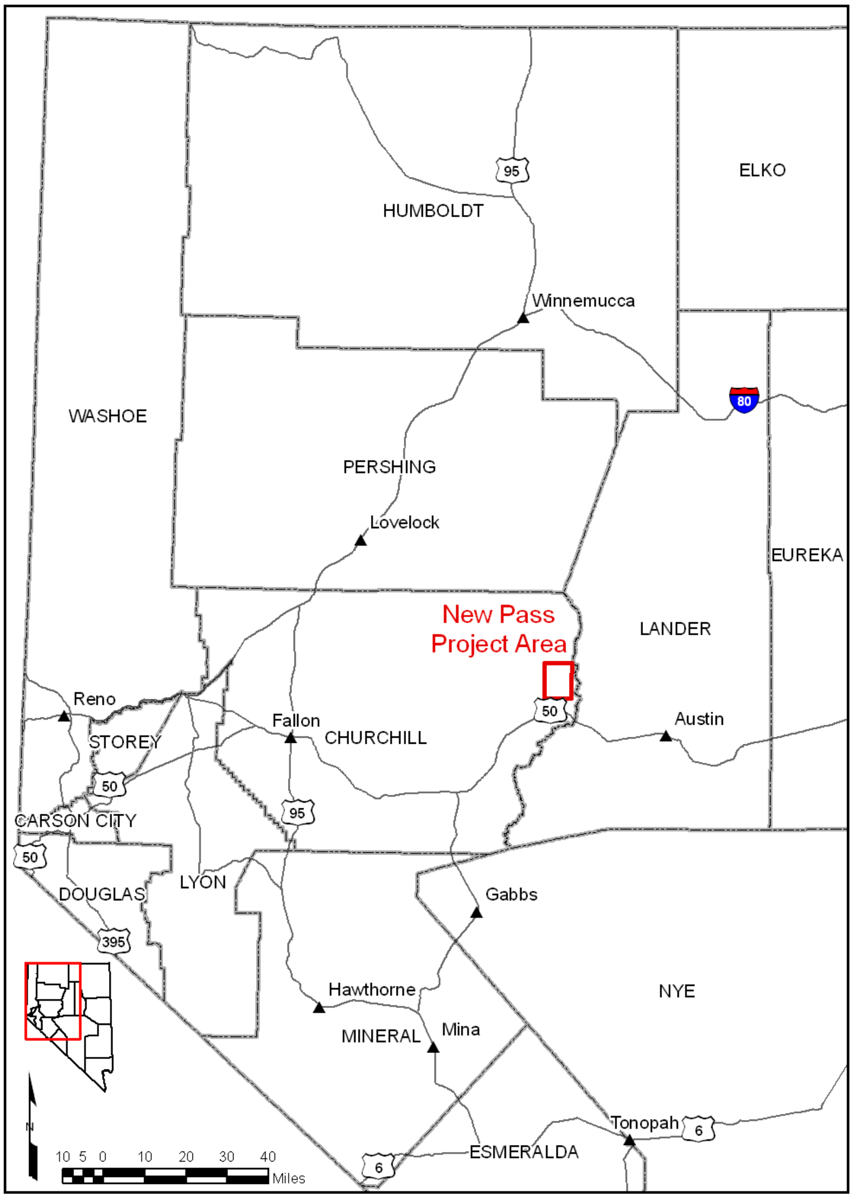


Figure 7.1 New Pass Project Location

7.2 Climate and Physiography

The New Pass Project lies within the Basin and Range province, a major physiographic region of the western United States. The region is typified by north-northeast-trending mountain ranges separated by broad, flat, alluvium filled valleys.

The Project is located on the western flank of the New Pass Range and is bounded on the west by Edwards Creek Valley in eastern Churchill County, Nevada. Regionally, elevations range from 5,000 feet in Edwards Creek Valley to over 9,000 feet on the ridge tops. Elevations at the project area range from 5,650 feet to 7,500 feet. The climate is typical of high mountain desert; summers are warm while winters are marked by occasional snowfall. At Austin, Nevada, the nearest town to the New Pass Project area, the average annual precipitation is 12.47 inches, the average maximum annual temperature is 60.9° F, and the average minimum annual temperature is 34.5° F (Western Regional Climate Center data). Most precipitation falls in the winter months. The general area is drained by numerous stream channels originating in the mountains. These are typically dry, but carry some runoff onto alluvial fans and into playas during summer thunderstorms. Access to the property is available most of the year.

7.3 Local Resources and Infrastructure

Local resources in the immediate area are limited to those needed by a small ranching population. The broader area of northern Nevada in general has a thriving mining industry and most related services are available. Many residents have experience working in mining and related industries. Local commercial centers such as Fallon, about 86 road miles to the west, Winnemucca, about 173 road miles to the northwest, and Elko, about 189 road miles to the northeast, have the usual spectrum of services found in larger towns of the western U.S. Austin, 30 miles to the east offers limited services, but basic supplies such as fuel and sundries are available.

There are no electric transmission lines in the vicinity of the project area. Other mining operations in the region have used locally generated power. Potential water sources for any future mining are unknown at this time.

8.0 HISTORY (By Christine Ballard, Telesto Nevada Inc.)

8.1 Ownership History

The following discussion of USG's property holdings and royalty obligations at New Pass refers to certain legal issues and proceedings. The authors are not qualified persons with respect to legal matters. Telesto believes that USG's property holdings and royalty obligations are as stated herein, but this is not a legal opinion.

Information in this section is summarized from a confidential title report by Harris and Thompson (2009). See Table 8.1 for a summary of major events such as location of claims and changes of ownership. A flowchart of ownership from the Harris and Thompson title report is included as Appendix 6.

Table 8.1– Timeline of Claims Location and Ownership

July 7 and 8, 1980	Pass 1 through Pass 9 claims located by DEPCO, Inc.
	DEPCO, Inc. becomes DEKALB Mining, Inc. in an unrecorded merger
March-May, 1982	Pass 10 through 15 and 24 located by DEKALB Mining, Inc.
	DEKALB Mining, Inc. becomes NICOR Mineral Ventures Inc. in an unrecorded merger
June 22, 1983	Pass 27 through 36 located by NICOR Mineral Ventures Inc.
May 22-24, 1984	Pass 83 through 92, 94 through 97, 99, 101 and 103 located by NICOR Mineral Ventures Inc.
March 4, 1987	NICOR Mineral Ventures Inc. changes its name to Westmont Mining Inc.
January 4, 1988	Westmont Mining Inc. conveys the Pass claims to Westmont Gold Inc.
January, 1994	NP 16 through 23, 53 through 62, 67 through 77, 100, 102, 104, 107, 109 through 123, 125, 127 through 129, 205, 206, and 241 through 246 are located by Ramrod Gold (U.S.A) Inc.
June 30, 1996	Westmont Gold Inc merges with Ramrod Gold (U.S.A) Inc., surviving corporation being known as Quest U.S.A. Resources Inc.
February 2, 1998	Quest U.S.A. Resources Inc. forms joint venture on Pass and NP claims with White Knight Gold (U.S.) Inc.
September 16, 1998	The N 16 claim is located by White Knight Gold (U.S.) Inc.

8.1.1 Property Royalties

The New Pass Project is subject to various royalty obligations that are detailed in the previously referenced confidential title report by Harris and Thompson, which is on file with USG. Note: USG believes that these royalties may no longer be valid.

8.3 General Mining and Exploration History of the Region

No known historical production, shafts, adits, prospect pits or other exploration work had been completed on the property prior to 1980 (Pelke and Arentz III, 2006). Work in the New Pass area was initiated through evaluation of the U.S. Department of Energy ("DOE") stream sediment sampling by K.J. Stanaway in the spring of 1980. Follow-up work in May 1980 by Stanaway and R. Seidl showed anomalous concentrations of As, Sb, Au and Ag located in and around a jasperoid occurrence in Triassic limestone units.

McCoy-Cove Mine (approximately 50 miles northeast of the New Pass Property) is the closest large-scale historically producing gold mine near New Pass, having produced several million ounces of gold and more than 100 million ounces of silver during production. Mining at McCoy-Cove ended in 2001 although drilling has continued to occur through at least January 2008. See Figure 7.2 for location of New Pass and the McCoy-Cove Mine.

The following additional information is from Hughes, 1988A.

> The known mineral deposits in eastern Churchill County and adjacent Lander County are notably small. Gold, silver, tungsten, antimony and mercury have had limited production in the past mainly from operations in the Stillwater, Clan Alpine and Augusta Mountains. Many of the occurrences of these metals are associated with Tertiary volcanic and intrusive rocks. Additional iron and base-metal deposits have been identified in a wide range of Mesozoic rocks including the Cretaceous intrusive.
>
> Major gold occurrences closest to the New Pass property include the Cove and McCoy deposits located about 50 miles to the north-northeast in Lander County. Both are gold-enriched skarn deposits mainly hosted by the middle and upper members of the Augusta Mountain Formation, and spatially associated with 40 Ma old intrusive rocks. Ore grade mineralization has also been recognized in the underlying Favret and Dixie Valley Formations (Kuyper et al, 1991). At start-up, the reserves for both deposits were about 60-65 million tons grading 0.055 oz/t Au and 2.5 oz/t Ag.

One smaller gold mine has operated nearby the New Pass Project close to the Lander/Churchill county line. This small-scale mine, known as the New Pass Mine, was a heap leach operation which processed 0.4-0.5 opt material with approximately 50% recovery in the early 1980s (Kuhl, 1982). The underlying land owner of the New Pass Mine was Donald Jung. Because it is a small-scale operation on private property, very little is known about the New Pass mine, including the style of mineralization, host rock type(s), what years it was active and what its total production was.

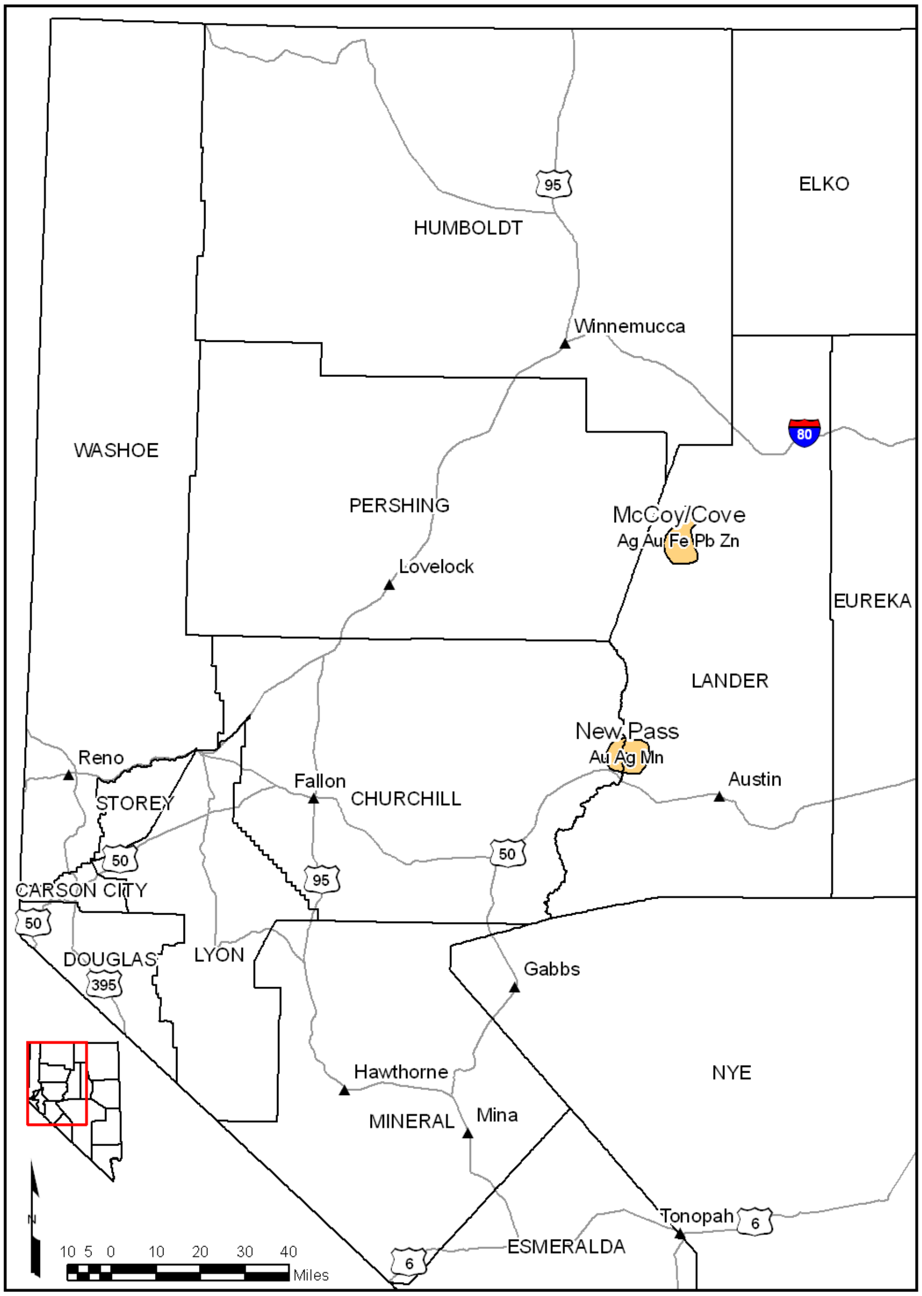


Figure 7.2 Map Showing Nearby Properties

8.4 Historic Reserve and Resource Estimates

With the exception of the resource estimate prepared by Pelke and Arentz III, none of the historic resource estimates conform to modern NI 43-101 standards. This report mentions them for reference only and does not represent in any manner that the historical gold resource estimates are reliable or accurate.

Bonaventure indicated that it has recently completed a NI 43-101-compliant report on the New Pass Project, but it has chosen not to release it publically as of the writing of this document. The results and conclusions of that report have not been made available to Telesto, and are not included in this report.

A number of resource estimates have been conducted since the beginning of drilling at New Pass in 1982. Table 8.2 presents a summary of many of the estimates.

Table 8.2 – Summary of Resource Estimates

	Tons	Au Grade	Ounces Au	Ag Grade	Ounces Ag	AuEq Ounces
Pelke and Arentz III (2006)	11,500,000	0.0226	NA	0.2214	NA	~300,000
Westmont Mining (June, 1989)*	3,371,000	0.042	142,000	NA	NA	NA
Independent Mining Consultants (1988)*	2,683,000	0.041	110,000	NA	NA	NA
Westmont Mining (September, 1988)*	992,000	0.067	~66,500	NA	NA	NA
NICOR Mineral Ventures (1986)*	700,000	0.08	~50,000	NA	NA	NA
DEPCO (1980)*	~3,000,000	0.020	60,000	0.160	480,000	NA

* These resources do not comply with CIM NI 43-101 definitions and standards for mineral resources.

DEPCO, Inc. – 1980

The initial report on the New Pass Project by DEPCO Minerals Division included a reserve calculation. Assumed dimensions and results are summarized below:

Density of Jasperoid	159 lb/ft^3
Length	1,500 ft
Depth	500 ft
Thickness	50 ft

(1,500) (500) (50) = 37,500,000 ft^3
37,500,000 ft^3 (159 lb/ft^3) = 5,962,500,000 lbs
5,962,500,000 lbs / 2,000 lb/ton = 2,981,250 tons, or
Approximately 3 million tons

NICOR Mineral Ventures – 1986

A report by NICOR in 1986 describes "resource reserves that have been defined to date...approximately 50,000 ounces in the jasperoid at an average grade of 0.08 opt" (Dummett, 1986). Later in the report, Dummett states that the resource contains approximately 700,000 short tons at an average grade of 0.08 opt Au. He does not indicate when or how this resource estimate was derived, nor does he say where the resource was first reported.

Westmont Mining Inc. – September, 1988

An internal Westmont memo by Wilkinson dated September 13, 1988, describes the criteria used for a resource estimate which was derived using a polygonal method. A range of influence of half the distance to the next hole was used provided that the hole was within 150'. If the next nearest hole was greater than 150' away, the range of influence was limited to 75'. Results of this estimate were "reserves" of 992,000 tons of 0.067 opt Au (Wilkinson, 1988B). This equates to ~66,500 ounces of gold.

Independent Mining Consultants for Westmont Mining Inc. – 1988

IMC updated the resources in 1988, based on drilling performed up to and including 1988 (Welhener, 1990). IMC calculated the resources at several different grade cutoffs (0.025 opt, 0.020 opt and 0.015 opt) as shown in Table 8.3. Modeling parameters and methods are not known.

Table 8.3 – Total Geologic Resource for New Pass (January, 1990)

Resource @ 0.025 opt	Tons	Grade
Oxide	1,132,000	0.053
Non-oxide	750,000	0.043
Total	1,882,000	0.049
Resource @ 0.020 opt	**Tons**	**Grade**
Oxide	1,626,000	0.044
Non-oxide	1,057,000	0.037
Total	2,683,000	0.041
Resource @ 0.015 opt	**Tons**	**Grade**
Oxide	2,507,000	0.034
Non-oxide	1,638,000	0.030
Total	4,145,000	0.032

A floating cone reserve estimate at $420 gold was also done at that time. It yielded 646,000 tons of 0.057 opt Au at a 4:1 strip ratio and 71% recovery. Mining cost was assumed to be $1.50/ton, process costs were $4.50/ton and G&A costs were $0.50/ton.

Westmont Mining Inc. – June, 1989

Wilkinson (1989B) reported that the drill program in 1989 added 600,000 tons of new geologic resource at a grade of 0.044 opt Au. This made a total geologic resource at New Pass of 3.4 million tons at 0.02 opt Au, or 142,000 contained ounces as of June 1989. Of that resource, 2.25 million tons at 0.044 opt (92,400 contained ounces) are reported as oxide resource. Results for the 1989 resource estimate are shown in Table 8.4.

Table 8.4 – Total Geologic Resource for New Pass (June, 1989)

Type	Tons (millions)	Au Grade (opt)	
Oxide	1.626	0.044	
Non-Oxide	1.057	0.037	I.M.C. Reserve Estimate
1988 Total	2.683	0.041	
1989	0.633	0.044	Geologic Resource
Total	**3.371**	**0.042**	

Note: Table 8.2 is adapted from Table 1 in Wilkinson et al., 1989.

There is nothing in either the monthly report (Wilkinson, 1989B) or the annual report (Wilkinson et al., 1989) which describes the estimation methods.

Pelke and Arentz III – 2006

Pelke and Arentz III (2006) generated a NI 43-101-compliant resource estimate at New Pass for Bonaventure and WKG in 2006. Resources were calculated using a cutoff grade of 0.01 AuEq and are as follows:

Tonnage	Gold Grade	Silver Grade	Gold Equivalent Grade
11,500,000 short tons	0.0226 Au opt	0.2214 Ag opt	0.0262 AuEq opt

This equates to approximately 300,000 ounces of inferred gold resources.

An additional deep resource was also outlined based on two deep holes, although details about this resource are minimal. The deep resource, which was classified as inferred, was outlined as follows:

Tonnage	Gold Grade	Silver Grade	Gold Equivalent Grade
800,000 short tons	0.015 Au opt	0.1806 Ag opt	0.0180 AuEq opt

There is no breakdown by oxide versus sulfide resources and the resource was characterized as total gold or gold equivalent. There is no indication what estimation method was used (polygonal, inverse-distance weighting, etc.).

9.0 GEOLOGICAL SETTING (By Doug Willis and Christine Ballard, Telesto Nevada, Inc.)

This description of the regional geological setting of the New Pass deposits is adapted, in large part, from Hughes, 1998A. Other sources are acknowledged where used in the text.

9.1 Regional Geology

The following description is from Hughes, 1998A.

> The New Pass Mountains of west-central Nevada are largely cored by late Paleozoic and Triassic age metasedimentary, sedimentary, and minor volcanic rocks. The oldest Paleozoic assemblages consist of chert, siliceous shale, siltstone, sandstone and conglomerate. Conformable greenstones occur sporadically within in the section. The units are undated but resemble lithologic assemblages in the Sonoma Range to the north that correlate with the Ordovician Valmy Formation, and the Pennsylvanian-Permian Havallah Sequence. The most likely correlation is with the Havallah Sequence (Silberling and Roberts, 1962).
>
> Overlaying the late Paleozoic Stratigraphic sequence is an assemblage of weakly metamorphosed fine to coarse grained clastic sedimentary rocks and intercalated siliceous volcanics (Willden and Speed, 1974). These units are probably Late Permian to Triassic in age and may be correlative with the Koipato Formation which crops out extensively to the north.
>
> Mesozoic sedimentary units are the most widespread lithologies in the immediate region of the New Pass property. A 1,000 to 2,000 feet thick sequence of conglomerate forms the basal unit of the Triassic sedimentary assemblage. The base of the conglomerate appears to be a depositional disconformity and the top may be gradational with a transgressive sequence of siltstones and limestones in the overlying Favret Formation of Middle Triassic age. The top of the Favret Formation is defined by beds and lens-like bodies of chert-pebble conglomerate. The thickness of the Favret is quite consistent and ranges from 500 to 800 feet.
>
> Conformably overlying the Favret in the New Pass Mountains is the Middle to Late Triassic Augusta Mountain Formation. This formation is typically subdivided into three members that comprise a lower member of mainly massive, gray limestone ranging from 800 to about 1,700 feet thick; a middle member consisting of about 650 feet of thin-bedded limestone and calcareous shale; and an upper member of massive limestone and dolomitic limestone approximately 700 feet thick.
>
> Tertiary volcanic rocks are extensive throughout the region and locally overlap the flanks of the New Pass Mountains. Extrusive units dominate the landscape and are mainly represented by a bimodal suite of rhyolite and basalt. Middle Miocene (22-34 Ma) felsic pyroclastics probably represent the most widespread accumulations, and local rhyolitic flows and intrusive rocks occur within the extensive ashflow deposits. Local lacustrine and fluvial sediments with abundant volcaniclastic debris are present in the tertiary section as well.

Quaternary deposits blanket much of the region but are thickest and most continuous in the present valleys. Older gravels form local alluvial fan and terrace deposits that can be quite deeply dissected. Younger alluvial fan deposits form extensive range-bordering accumulations that coalesce into broad pediment cover. Many of the larger valleys are also occupied by lacustrine sediments from Lake Lahontan, playa deposits, and even some dune sands.

9.2 Local and Property Geology

The following description is from Hughes, 1998A.

Lithologies exposed at the New Pass property can be assigned to two major groups; the oldest being represented by a thick sequence of Triassic sedimentary rocks and the other dominated by Tertiary felsic volcanic and small intrusive. Various modifications of these units are the results of overprinted hydrothermal processes and local deformation effects.

9.2.1 Local Stratigraphy and Tectonic History

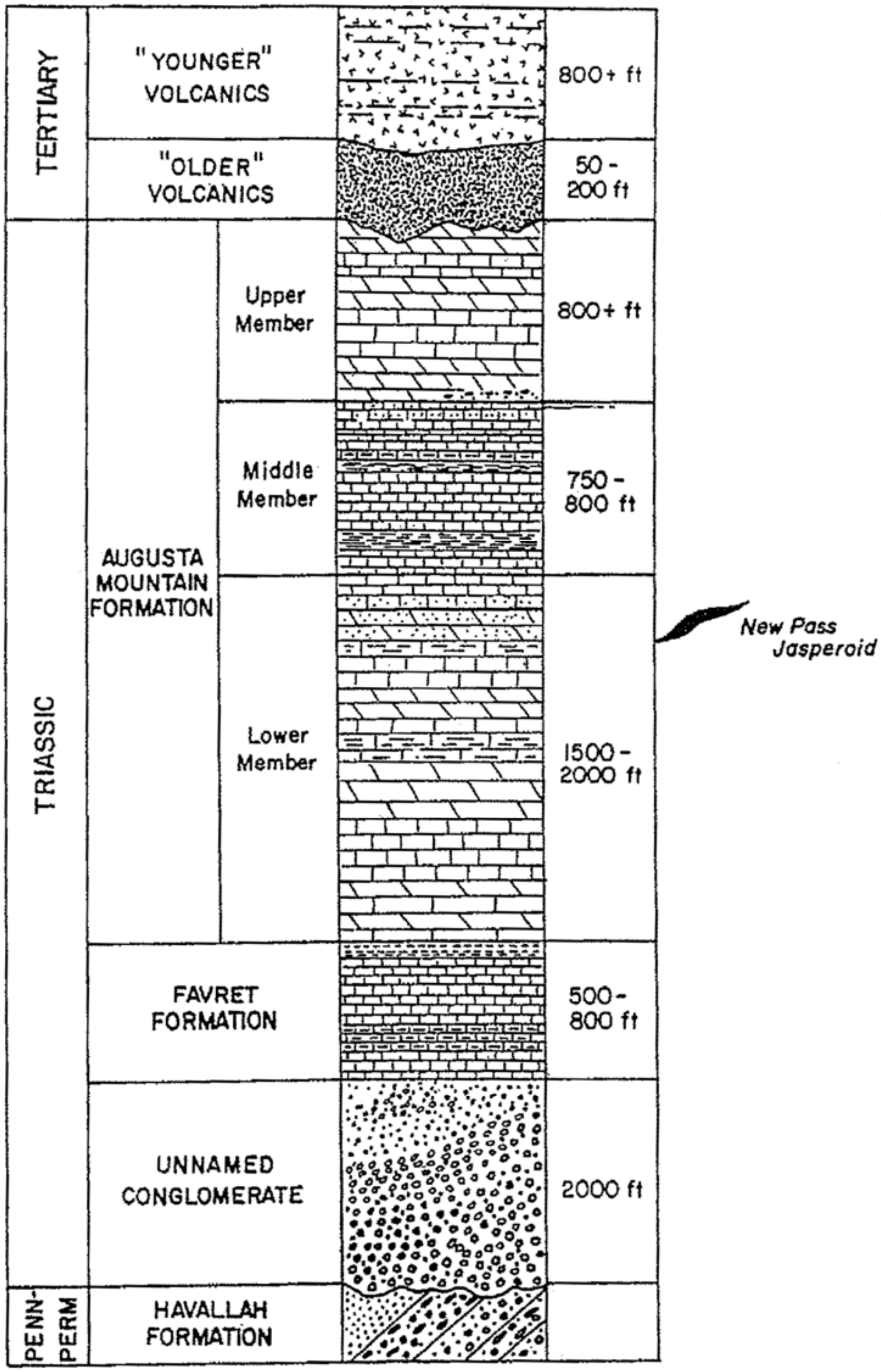
Figure 9.1 is a generalized stratigraphic section for the New Pass area which shows the approximate position of the New Pass jasperoid.

The following description of the stratigraphy at New Pass is from Hughes, 1998A.

Triassic sedimentary rocks are widely exposed at the New Pass property where they form the westward-plunging nose of a very broad, open anticline (Willden and Speed, 1974). Three major stratigraphic units have been recognized and most of their subsequent descriptions are summarized from previous reports by NICOR and Westmont geologists.

<u>Triassic Conglomerate.</u> The oldest rocks at the New Pass property are represented by a 2,000 feet thick sequence of conglomerate with mixed intervals of quartzite and somewhat less indurated sandstones. Pebble to cobble size clasts in the conglomerate are mainly comprised of chert with lesser amounts of quartzite and siliceous argillite. The fine-grained silica-rich matrix ranges from 5% to 50% of the sedimentary mixture. Outcrops generally display a weak ocherous buff color whereas fresh range from tannish-gray to light greenish-gray.

Process-generated depositional units in the conglomerate dominated sequences are typically quite thick (+10-15 ft.). Bedding has an overall westerly dip averaging about 40° in the sequence located immediately east of the main jasperoid. Some preferred orientation of clasts along with apparent local grading suggests deposition from subaqueous, fluid-sorted debris-flows. The sequence also displays an overall fining and thinning upward character that implies deposition during a transgressive phase of marine conditions.



Note: Adapted from Hughes, 1998A

Figure 9.1 Generalized Stratigraphic Section for New Pass

No significant alteration affects were recognized in the conglomerate and quartzite beds though some sparsely-developed sulfide lined fractures are denoted by now limonite-coated surfaces. Some local development of foliation (shear?) in the fine-grained matrix material indicates significant strain on these rocks probably during folding and thrusting events.

Favret Formation. Most of the Middle Triassic Favret Formation east and northeast of the New Pass jasperoid appears to be depositionally conformable with the underlying conglomerate sequence. However, some outcrops of Favret, close to where the contact should be located, display significant shears thus implying that the lower contact may be structural in places. Overall, the formation may thin slightly from north to south on the New Pass property.

The Favret consists of thin to medium bedded, gray to dark gray limestone and silty limestone interbedded with variably colored siltstone and shale. Some thin, laterally discontinuous (lens-shaped?) pebble-rich conglomerate beds occur within the formation as well. Graded beds of fine-grained sand to silty shale suggest deposition of some sequences from distal turbidity currents.

Limestone and calcareous shale sequences in the Favret range in thickness from less than one foot up to about 50 feet. These appear to be laterally persistent through the formation for at least a thousand feet or more thus serving as useful markers when followed along strike. The Favret appears to be largely undeformed except near crosscutting faults where the rocks show significant shears and local breccias. Some apparent weak bleaching accompanied by limonite coated fractures denotes zones that were occasionally overprinted by hydrothermal fluids.

Augusta Mountain Formation. A 3,000 feet thick sequence of carbonate-dominated lithologies depicts the Augusta Mountain Formation north of the main jasperoid at New Pass (see 1"=400' Geologic Map dated 9-28-88). The formation was originally mapped at New Pass by Dummett (1987) who subdivided it into two separate units; a lower "transitional unit" and an upper unit of massive, cliff-forming limestone. A subsequent re-evaluation of the stratigraphy by Bryant and Postlethwaite (1989) led to the current subdivisions representing lower, middle, and upper members of the formation.

The lower member of the Augusta Mountain Formation appears to conform with the underlying beds in the Favret Formation. However, the contact zone east (i.e. down-section) of the main jasperoid is only very poorly exposed in a few places where the rocks appear to be significantly deformed by bedding-parallel shears. Even some mylonitic appearing intervals are present in this area. Thus, a fault (thrust?) contact between the Augusta Mountain Formation and the Favret should not be ruled out here.

The lower member is made up of about 1,500 to 2,000 feet of medium to thick bedded, medium gray limestone and locally dolomitic limestone. Many beds are bioclastic but micritic sequences are also present. Local facies variations include thinner-bedded sequences of calcareous shale and silty limestone. Several intervals containing relatively thin chaotic sedimentary breccias were observed in the lowermost 200-300 feet of the lower member just east of the New Pass jasperoid.

Westmont geologists (Wilkinson et al, 1989) interpreted a lateral facies change in the lower member located about 2,500 feet north-northeast of the main jasperoid. A brief field examination of the area showed a very rapid lithologic change, but coinciding with a significant number of east-trending shears and intense fracture zones. Also, an easterly "band" of small felsic intrusive was previously mapped through the same area (see 1"=200' Geologic Map dated 4-8-86). Thus the likelihood of an east-trending, deep-seated fault zone should not be ruled out for explaining the apparent "facies transition" in the lower member.

The middle member of the Augusta Mountain Formation gradationally overlies the lower member. It consists of about 750-800 feet of generally thin-bedded silty limestone with occasional shaley interbeds. Local, thicker beds of bioclastic limestone and some dark-colored dolomitic limestone are also present.

The upper member of the Augusta Mountain Formation also appears to represent a gradational change from the middle member. It is comprised of thickly-bedded, massive gray limestones that are similar to those in the lower member. A few thin beds of chert-pebble conglomerate occur near the contact with the middle member. Parts of the unit have been subjected to solution-weathering at different times as indicated by silt-filled solution cavities and more recent caverns. The member is best exposed north of the New Pass jasperoid in an area referred to as Paul Taylor Hill. Here, the top of the unit is cut-off by a range-front fault but still displays a minimum thickness of about 800 feet. The upper member also contains a significant amount of sparry calcite that appears related to local breccias that formed along range-front faults

Tertiary Volcanics. A westward thickening sequence of rhyolitic tuffaceous rocks lies unconformably on the Triassic sedimentary units along the west side of the New Pass Mountains. At the New Pass property, however, it appears that a north-northwest trending range-front fault system juxtaposes the two diverse lithologies over a distance of at least 3.5 miles. Dummett (1987) reports that the age of the volcanics is about 27-28 Ma thus correlating them with regionally extensive Miocene felsic units.

Two separate map units have been recognized in the Tertiary stratigraphy by NICOR and Westmont geologists (Dummett, 1987 and Wilkinson and Cline, 1989). The older unit consists of white to light pinkish-gray, fine to medium grained tuffaceous rocks. Several individual cooling-units are recognized by variations in the amounts and types of included clasts. Most of the older ash-flows are poorly welded, or appear to be so due to hydrothermal alteration. Similarly, some locally overprinted silicification gives the impression of welding in the tuffs. Attitudes cannot be determined accurately from outcrops but drill hole intercepts suggest a westerly dip for the older sequence of about ±10°.

The younger sequence of felsic tuffaceous rocks is defined by a basal, black, lenticular vitrophyre ranging from 0-20 feet in thickness (Dummett, 1987). Reddish-gray to gray colors prevail in units that are densely welded, crystal-rich, and display a crude internal cross-stratification. Reddish-colored, hematite-rich units that are poorly welded are also present. Most units contain lithic fragments that are locally large and abundant suggesting these pyroclastics are close to their source(s).

Some younger air-fall and water-lain tuffaceous rocks, as well as local re-worked lacustrine sediments can be found on the pediment apron west of the New Pass property. These units are fairly flat-lying and record evidence of some very young hot-spring activity in the area.

Tertiary Intrusives. Quartz-eye (rhyolite) porphyry intrusives are recognized in the area just north of the main jasperoid. The largest of these is outlined on the 1"=200' Geologic Map at about grid point 22,300N and 13,400E. It was intruded into the older volcanic sequence, possibly along a northwest-trending range-front structure. The rock is well fractured and has a carapace-like shell of crackle-breccia along its southern contact that probably indicates a high level of emplacement. Fractures are limonite-coated with some locally high jarosite contents thus indicating the presence of significant sulfides (pyrite). Rounded to broken, angular quartz-eye phenocrysts are set in a very dense, siliceous matrix. Feldspar phenocrysts and euhedral "books" of biotite are phyllically altered to shiny sericite.

A number of smaller intrusives are located along an easterly trending zone at about 23,500N on the grid. These were emplaced within the Augusta Mountain Formation where the lower member is mapped as having a major facies change (see 1"=400' Geologic Map). These rhyolitic intrusives are also altered and contain cubic limonite casts after pyrite. Contact effects in the immediate wall-rocks appear to be minimal though abundant calcite-veining in the vicinity of the intrusives may, in part, be due to local thermal anomalies.

Quaternary Deposits. Alluvial fan gravel and bouldery deposits occur on the pediment along the west side of the New Pass property. These range from zero to less than 100 feet in thickness where they have been penetrated by drill holes. An east-northeast trending "boundary" appears to exist between older pediment gravels and younger alluvial fan deposits along a line that projects through the area containing the main jasperoid deposit. This feature is especially prominent on high-altitude aerial photographs.

9.2.2 Structural Geology

The following description about structural geology at New Pass is from Hughes, 1998A.

Structural deformation in the New Pass area has occurred during at least two significant tectonic events. The oldest probably represents a Middle Jurassic compressional event that resulted in important folding and local thrusting of the Triassic sedimentary rocks. A subsequent period of extensional block-faulting occurred after Miocene deposition of the main volcanic sequences. Some structural modifications appear to have occurred between these two major events but may be indicative of more local processes related to Cretaceous and Early to Middle Tertiary igneous activity.

Folds. Triassic sedimentary rocks at New Pass have been folded into a regionally broad, moderately west-northwest plunging anticline. Willden and Speed (1974) report that the axis for this anticlinorium strikes N70°W and plunges 42° to the west. The axial plane is said to dip steeply (±70°) to the north. North-northwest trending crossfolds are present at the New Pass property and indicate either a rotational stress field during the Mesozoic, or a separate, younger folding event.

Field mapping by NICOR and Westmont geologists also show the presence of northeast-trending fold axes at New Pass. These appear as small, discontinuous structures occurring within the Favret Formation and the lower member of the Augusta Mountain Formation

All folding, with associated bedding-shears and jointing, predate the alteration and mineralization observed on the New Pass property.

Faults. At least four different sets of faults have been recognized at the project site. Faults and fault zones are depicted by a) lithologic offsets, b) sheared and locally mylonitized slippage planes, and c) breccia and crush zones that generally show some effects from fluid interactions. The faults at New Pass are discussed below in order of their apparent age relations.

The oldest faults appear to be mainly intraformational thrusts that are located within the lower and middle members of the Augusta Mountain Formation. They occur mainly between two easterly-trending, high-angle tear faults located at about 28,500N and 14,500N on the map grid. The southernmost of these tear-faults has been called the Second Canyon fault by Wilkinson et al (1989). The thrusts are associated with numerous bedding-parallel shears and very thin (±1-1.5 in.) mylonitized zones that locally grade into cataclastic bands in thick limestone beds in the lower member of the Augusta Mountain Formation. Locally intense bedding-parallel shears near the base of the lower member may indicate a thrust fault separating it from the underlying Favret Formation.

A low-angle fault was originally mapped by Westmont geologists north of the main jasperoid where it separated lower and middle members of the Augusta Mountain Formation. Later mapping by Westmont reinterpreted the structure as a reverse fault of limited extent, and perhaps terminating against a younger, northeast-trending high-angle fault. No other reverse faults have been recognized in the project area.

The two main easterly-trending tear-faults that bound the structural block containing the New Pass jasperoid show evidence for significant left-lateral movements, perhaps thousands of feet. Additional east-west faults and shears also occur within the structural block containing the jasperoid. Some of these smaller faults were recognized by the writer near the north and south ends of the main jasperoid (Figure 4). Lateral offsets across these faults are probably not more than a hundred feet and some dip-slip or oblique movement may have occurred as well. Field evidence indicates these fault/shear zones predate jasperoid mineralization.

North-northwest trending faults form much of the range-front structural belt across the New Pass property. The highly irregular trends of some of the faults along this zone may indicate local influence by pre-existing structures. Westmont geologists have speculated that some of these structures may be the result of extensional collapse along the margin of a caldera (Wilkinson and Cline, 1989).

The fault contact between the Triassic sedimentary rocks and Tertiary volcanic units is part of the main range-front fault system. This fault zone represents the primary control for the New Pass jasperoid. Drilling shows that the fault system is locally manifested as a complex pattern of crisscrossing fault planes and associated rupture (breccia) zones. Brecciation of the jasperoid and rehealing by quartz ± sulfides reveal seismic activity along this zone during the mineralizing process.

The youngest faults at New Pass appear to be steep northeast-trending structures that locally offset the range-front faults. Similarly, a portion of the range-front about a mile north of the main jasperoid is controlled by a northeast fault. The north sides of these faults appear to be consistently downdropped across the entire project area. Subsurface data indicate the presence of northeast-trending structures associated with the New Pass jasperoid suggesting that some are probably also pre-mineral in age.

A northeast-trending geochemical anomaly (Au-Ag-As-Hg±Mo) in the Paul Taylor Hill area north of the main jasperoid roughly corresponds with the contact between the middle and upper members of the Augusta Mountain Formation. Mild alteration associated with brecciation along this zone implies that the unexposed contact may actually be a fault. If it is, then a pre-mineral age is definitely ascribed to some of the northeast-trending faults, and perhaps a number of these follow older precursor structures.

Regional scale deformation affected the older Paleozoic sedimentary rocks prior to deposition of the Triassic sequences. Pervasive shear foliations, folding, and possible thrusting in these older rocks are likely affects from the Permian Sonoma orogeny. Mesozoic rocks are also strongly deformed and exhibit folds that are locally cut by thrusts as a result of a Middle Jurassic orogenic phase (Willden and Speed, 1974).

The Upper Paleozoic and Triassic sedimentary rocks of the New Pass Mountains occur along the regional projection of a major N60-70°W trending uplifted belt that crosses the northeast corner of Churchill County. In the New Pass Mountains, the Triassic beds have been folded into a very large N70°W trending anticline that plunges about 40° to the west (Willden and Speed, 1974). North to northeast-trending crossfolds occur in Triassic rocks on a more limited scale that includes the area around the New Pass property.

Thrust faults are recognized regionally throughout the Triassic and Lower Jurassic assemblages. Most appear to have limited displacements, are mainly intraformational, and tend to cluster within the more incompetent, thin-bedded units. Thrust faults as well as numerous bedding-parallel slip (shear) zones probably formed in the Triassic sequence during the regional-scale folding event that took place in Middle Jurassic time.

A series of Cretaceous intrusions occurs along the N60-70°W uplifted zone that crosses northeastern Churchill County. Their exposures in the Clan Alpine and Stillwater Mountains define a N65°W trend that projects eastward into the New Pass Mountains through the area that includes the New Pass property. Uplift along the N60-70°W belt may have been contemporaneous with the emplacement of the

Cretaceous granodiorite and granite stocks, and perhaps it reflects some major, deep-seated crustal structure.

Middle to Late Tertiary high-angle faults represent the dominant structures throughout the region. Normal dip-slip displacements are indicated on most though some local strike-slip offsets can also be observed. The north-northeast trending mountain ranges in eastern Churchill County are the product of these Tertiary block-faults. The east sides of the ranges appear to be bounded by large master faults while the back-tilted west sides are flanked by more local, structure-modified pediments. Some of the steep normal faults offset lithologies as young as Pliocene, and modern seismic activity relates to them as well (Willden and Speed, 1974).

The following discussion is from Dummett, 1987:

Much of the structural evidence generated thus far would suggest that the jasperoid has been emplaced into a major fault zone. Replacement textures of the sediments in the jasperoid, interfingering with sediments by the jasperoid at its up-dip and lateral limits, and alteration and mineralization of the overlying rocks, means that timing of the mineralization at New Pass is intermediate in age between the sediments and the overlying volcanic. In addition, however, the fact that the upper unit of the Edwards Creek is unaltered, particularly in the vitrophyre, implies that the mineralization must be older than 26.9 ± 1 Ma, i.e. it is intermediate in age between the upper and lower units of the Edwards Creek Tuff.

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10.0 DEPOSIT TYPE (By Kim Drossulis, Telesto Nevada, Inc.)

This description of the New Pass deposit is adapted, in large part, from Pelke and Arentz III, 2006.

The New Pass Project is a Carlin-type deposit. Carlin deposits are sediment-hosted, and contain disseminated gold. Gold is commonly micron-sized, and is associated with hydrothermal alteration of carbonate, clastic sedimentary, and to a lesser degree volcanic, host rocks. Alteration commonly consists of removal of carbonate and addition of silica. Trace elements associated with Carlin deposits include As, Sb, Hg, Tl and Ba.

Mineralization at New Pass is characterized by elevated levels of Sb, Hg and As, and is largely contained within silicified host rocks, notably jasperoid which developed in a decalcified limestone. The first alteration event is thought to be decalcification of Triassic carbonate sediments, followed by the silicification which produced the jasperoid. Probable decalcification of the carbonate sediments increased the permeability, thus preparing the host rock for the influx of several stages of silica-rich fluids. Fluids commuted along faults and fault breccia zones that cut through the Triassic sedimentary sequence.

The passage of the hydrothermal fluids caused argillization and bleaching of the rocks surrounding the New Pass jasperoid. The argillization and bleaching occurs in both the sedimentary sequence and in the Tertiary volcanic. Silicification of the felsic tuffs also occurred. In addition, zones of sulfide concentrations ranging from less than 1% to more than 10% by volume have been noted in the drill logs.

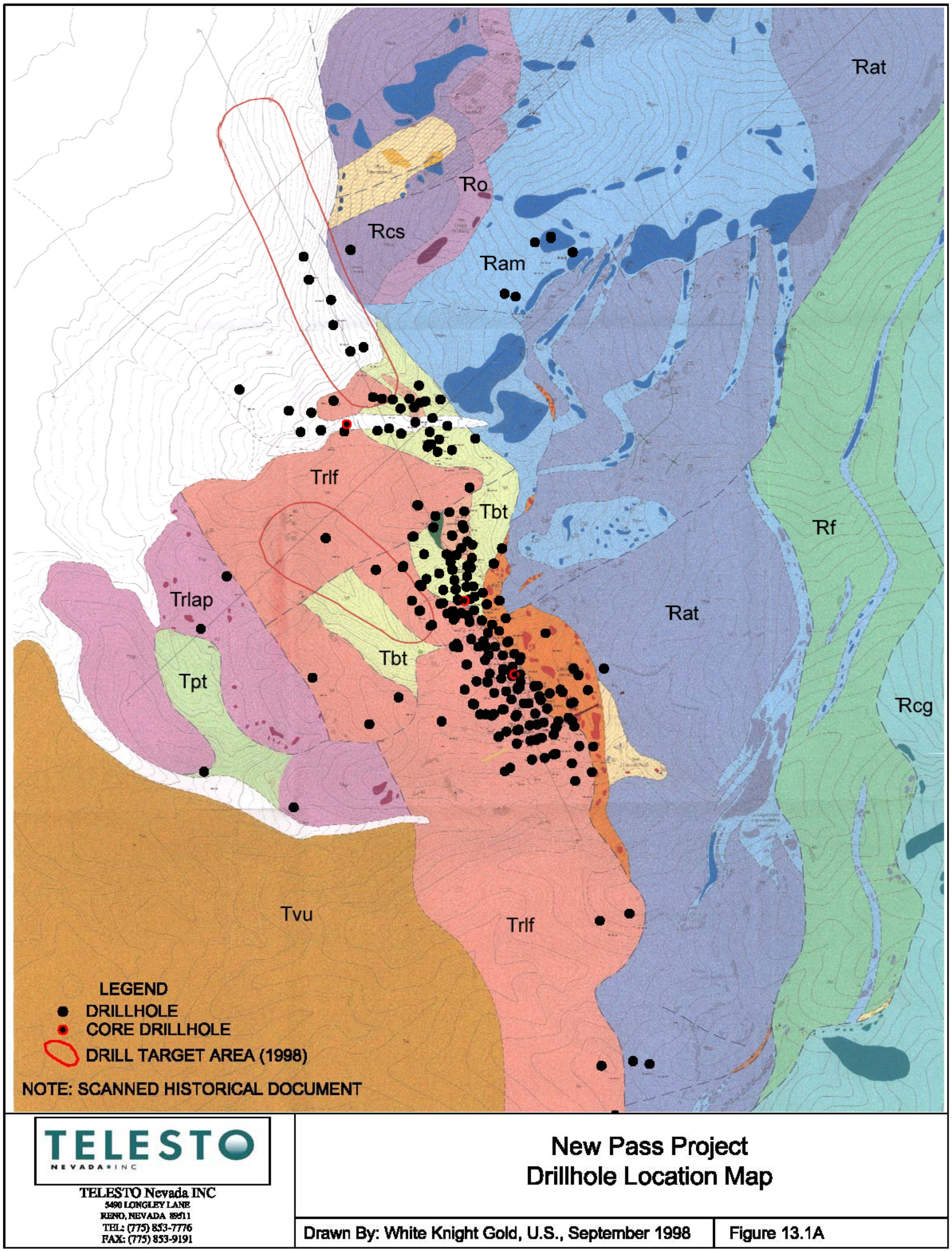
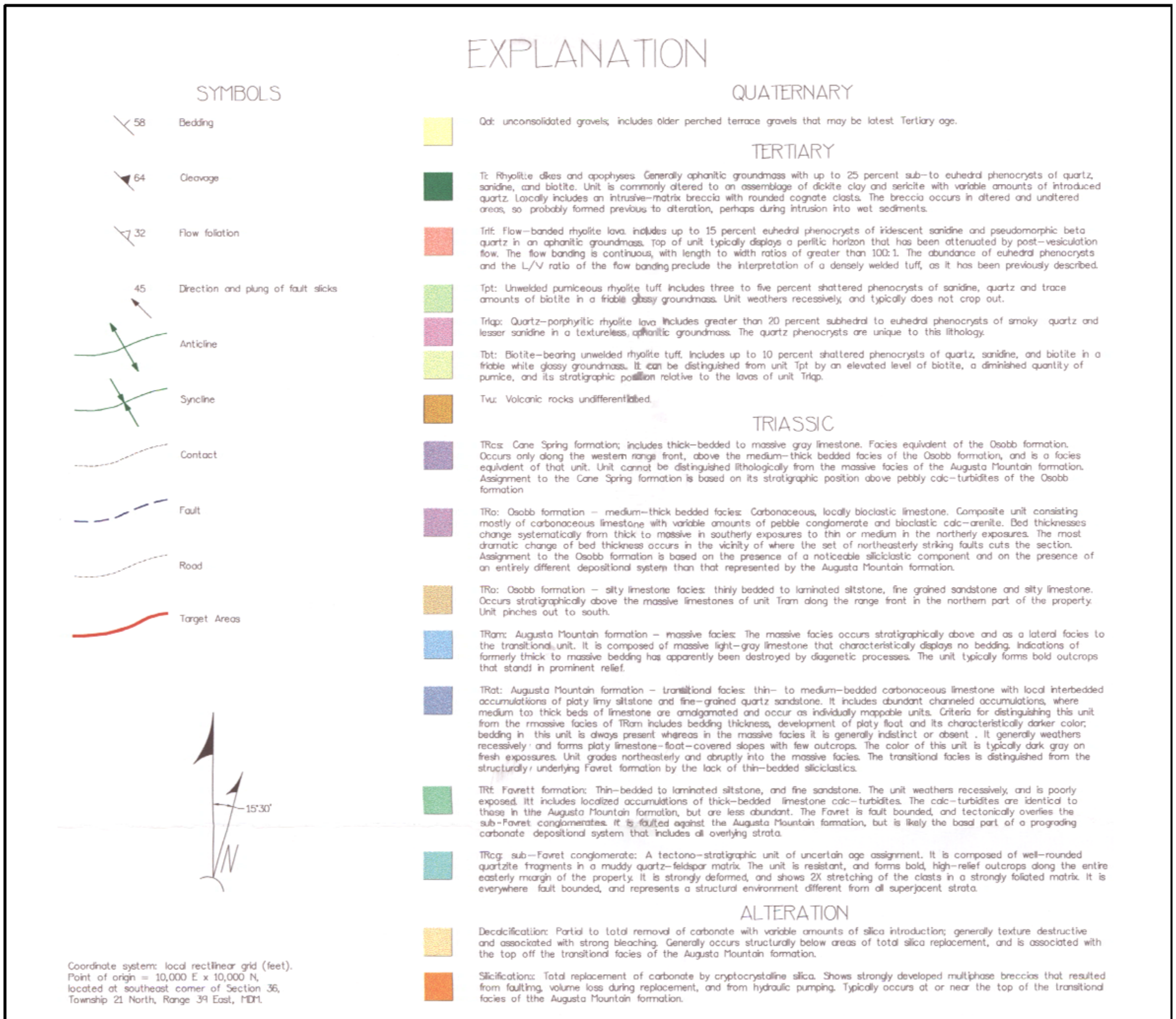


Figure 9.2A Geologic Map of New Pass



NOTE: SCANNED HISTORICAL DOCUMENT

TELESTO Nevada INC 5490 LONGLEY LANE RENO, NEVADA 89511 TEL: (775) 853-7776 FAX: (775) 853-9191	New Pass Project Drillhole Location Map Legend	
	Drawn By: White Knight Gold, U.S., September 1998	Figure 13.1B

Figure 9.2B Explanation for Figure 9.2A

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11.0 MINERALIZATION (By Christine Ballard, Telesto Nevada, Inc.)

This description of the regional geological setting of the New Pass deposit is adapted, in large part, from the (1986) Annual Report of the New Pass Project (Dummett, 1987). Other sources are acknowledged where used in the text.

Epithermal gold and silver mineralization at New Pass has been emplaced into a major NNW-SSE-trending, west-dipping structure that is preferentially located at the contact between Triassic calcareous sediments and Tertiary ash flows. The mineralization accompanied fluids that were responsible for the development of a large, tabular replacement jasperoid within the structure as well as a number of zones of jasperoid and silicification in adjacent sediments and overlying volcanic rocks. Alteration accompanying the mineralization is predominantly kaolinization of the volcanic rocks and carbon alteration of the sediments. Timing of mineralization/alteration is believed to be ±27 Ma.

The principal host for gold and silver mineralization at New Pass is jasperoid (silicified carbonate rocks). In addition, gold and silver also occurs in silicified zones in the overlying volcanic rocks. Gold concentrations in outcrop range from trace to 21.957 ppm (0.75 opt) gold and are commonly greater than 0.1 ppm. There is little evidence of supergene enrichment of gold at New Pass.

The following discussion is taken from Dummett, 1987:

> At least three episodes of silicification are indicated in the jasperoid:
>
> - Early, very fine-grained, black silica that forms at least 95% of the jasperoid;
> - Younger microveinlets of very fine-grained, dark silica that cut the jasperoid;
> - Very fine-grained, white silica that sometimes occurs as the youngest veinlets cutting the jasperoid or as matrix to clasts of black jasperoid in brecciated parts of the jasperoid.

Wilkinson (1989C) describes gold occurrences at New Pass as follows:

> Based on results from the multi-element geochemical study of the jasperoid, size fraction analysis, and petrographic studies, the following conclusions can be drawn regarding the distribution and occurrence of gold at New Pass:
>
> 1. An earlier phase of gold deposition introduced subordinate amounts of gold as very fine-grained particles (<micron) distributed along very tight, chert grain boundaries during pervasive silicification of limestones (jasperoid). This gold mineralization is represented geochemically by an Hg-Au-Mo-As elemental association. Physically, this gold mineralization shows little variation in gold grade vs. size fractions and represents the lower grade (<.04 opt) population in

distribution diagrams. The presence of very fine-grained gold along tight interstitial fractures indicates low metallurgical recoveries.

2. A second phase of gold introduced greater amounts of gold as coarser grains (<1 to 10 microns) distributed along coarser, quartz grain boundaries associated with breccia cement and quartz veins. This gold mineralization is represented geochemically by Mo-Au-Ag-Sb-As-Hg elemental association. Physically, this gold mineralization shows great variation in gold grade vs. size fractions and represents the higher grade (>.04 opt) population in distribution diagrams. Although this gold is higher grade, it is more spatially restricted because it is more structurally controlled. The presence of coarser-grained gold particles along more open grain boundaries indicates good metallurgical recoveries.

In 1984, four polished thin sections of a high-grade drill intercept were studied by Fuchs (1984A). All four samples were taken from the 170' – 180' interval of Hole NP-22. Assays ranged from 0.45 – 0.48 opt in this interval. Opaque minerals were determined to include pyrite, anatase and orpiment. Overall sulfide content was very low («0.1%). No gold was observed under high magnification despite the fact that the interval from which the sample was taken averaged 0.45 – 0.48 opt Au. Fuchs suggested Scanning Electron Microscope ("SEM") work on the samples to confirm orpiment and to identify another opaque mineral on one slide.

Fuchs performed the SEM work and reported his findings in a memo to NICOR (Fuchs, 1984B). The unidentified opaque mineral was determined to be a contaminant (aluminum) on the slide. The mineral which had been reported as orpiment by Fuchs previously turned out to be titanium oxide (anatase). Most interestingly, no gold was detected by SEM either in pyrite/pyrite pseudomorphs or gangue. Since the sample ran in the range of 0.45 – 0.48 opt Au, and since no gold was detected in pyrite, Fuchs concluded that the bulk of the gold does not reside in the pyrite.

Five polished thin sections from Hole NP-28 were examined by Fuchs in 1985: two from white quartz vein material, two from limonitic-stained jasperoid and one from non-limonitic jasperoid. The samples were from the 135' – 140' interval, which ran 0.720 opt Au, 0.72 opt Ag, 10 ppm Hg, 260 ppm Sb and 81 ppm As. Fuchs reported that, "Some gold was found in one limonitic-stained jasperoid section and considerable gold was found in the non-limonitic jasperoid sample." He further reported that, "Gold is typically in the 2 micron size range and found on the edge of vugs in gangue (probably quartz)." Gold was not found in pyrite. The quartz vein material appeared to be barren. In the limonite-stained jasperoid, gold was observed in some of the grains, but it was usually in the gangue. In one case, gold was found attached to goethite. In the black, non-limonitic jasperoid, 13 grains of gold were observed at 1000X magnification. Additionally, several probable gold grains just below the 0.5 to 1 micron limit of resolution were seen (Fuchs, 1985A).

Follow-up microprobe and SEM work was done on the slide that Fuchs analyzed. Several interesting results were outlined in a memo from Fuchs to NICOR on June 6, 1985 (Fuchs, 1985B). On one slide, several pyrite grains were checked by probe for gold, but none was found. Another section which was high in sulfides was first thought to contain pyrargyrite (Ag_3SbS_3) or polybasite ($(Ag,Cu)_{16}Sb_2S_{11}$) actually contained stibnite (Sb_2S_3). On that slide, on (grain of stibnite was found to contain gold in substantial amounts, possibly up to 0.1%. The sample on that slide came from an interval which ran 0.074 opt (2.5 ppm) Au. Fuchs concluded that stibnite may possibly hold a significant portion of the gold at New Pass (Fuchs, 1985B).

One core hole (NP 87-1) from Westmont's 1987 program was reported to have zones of massive pyrite in the bottom 20' of the hole, which was abandoned at a depth of 766' (Clarke, 1987). Clarke noted, however, that despite the high sulfide content, the highest gold assay from the jasperoid body was 0.54 ppm over a five-foot interval.

In 1989, 21 samples from drill cuttings and outcrops were analyzed petrographically by Theodore Paster. Ten high-grade samples, ranging from 0.054 to 0.625 opt, were submitted, as well as eleven lower-grade samples (0.003 to 0.028 opt). In the high-grade samples, Paster was specifically asked to determine where the gold is, in addition to the petrography.

Gold was reported to be occurring in two different associations. The predominant occurrence is as 1 micron-sized grains pervasively dispersed along chert grain boundaries in pervasively silicified limestone (jasperoid). In the second association, gold occurs in vugs, quartz veins and veinlets, and in quartz cement in brecciated jasperoid. In these occurrences, grain size reaches 3 to 10 microns. Since most of the gold grains identified were from unoxidized rocks, gold occurs as primary, free gold (Paster, 1989).

Electrum was only found on one slide. It was from a high-grade sample which ran 0.333 opt. Other slides showed that gold was often associated with anatase, and sometimes rutile. Gold is sometimes encapsulated in the rims of individual chert grains, which may significantly reduce recovery. This relationship was noted in 6 of 17 sections containing gold and may be a significant factor in overall recovery.

Another factor which could reduce gold recovery is the occurrence of gold along 3- to 30-micron chert particle boundaries where there is no anatase and/or pore space. Alternatively, some chert appears to have an interstitial pore network which may be very conducive to leaching (Paster, 1989).

Fuchs (1985B) provided a list of minerals found in the New Pass samples that he had observed. They are listed in Table 11.1 in general order of abundance.

Table 11.1 –Minerals at New Pass in Order of Abundance

Pyrite	FeS_2
Marcasite	FeS_2
Goethite	FeO(OH)
Lepidocrocite	γ-FeO(OH)
Anatase	TiO_2
Arsenopyrite	FeAsS
Stibnite	Sb_2S_3
Sphalerite	(Zn,Fe)S
Rutile	TiO_2
Hematite	Fe_2O_3
Ferroan tetrahedrite	$(Cu,Fe)_{12}Sb_4S_{13}$
Argentiferous stibioluzonite	Silver-bearing Cu_3SbS_4
Gold	Au

Fuchs also noted that the SEM and microprobe work discredited earlier reports of the presence of orpiment, realgar, cinnabar and pyrargyrite (Fuchs, 1985B).

12.0 EXPLORATION (By Christine Ballard, Telesto Nevada, Inc.)

Exploration at New Pass has been nearly continuous since the discovery of a stream sediment arsenic anomaly led geologists to a gold-bearing jasperoid in 1980. Several operators have conducted exploration on the property including DEPCO, DEKALB, NICOR, Westmont, Ramrod, Santa Fe, WKG, and Bonaventure.

Work in the New Pass area was initiated through evaluation of the U.S. Department of Energy ("DOE") stream sediment sampling by K.J. Stanaway in the spring of 1980. Based upon the initial evaluation by Stanaway, a small claim block of 9 claims (Pass 1 through Pass 9) was located by DEPCO in April 1980 (Bradley, 1980; Collins, 1984).

DEKALB Mining, Inc., the successor of DEPCO, staked the Pass 10 through Pass 26 claims prior to June 1982. Ownership of these claims was transferred to NICOR in August 1982. Additional Pass claims were staked in 1983 and 1984, bringing the contiguous block of Pass claims to 132 (Collins, 1984).

After NICOR changed its name to Westmont in March 1987, Westmont staked 114 additional claims in June 1987. Then, in September 1987, 58 more claims were added, bringing the total claim block at New Pass at the end of 1987 to 304 claims (Wilkinson, 1988A). Ramrod added more claims in the New Pass area in January 1994. Ramrod acquired the rest of the claims at New Pass through the purchase of Westmont in 1996.

In 1998, after WKG purchased the property, WKG completed 1:6000 scale mapping, collected 250 rock chip samples, prepared geochemical overlays for all surface rock chip data, and constructed 100' cross sections with an Interdex mining software program. Though October 2004, WKG incurred a total of US$150,000 in exploration expenses. Additional exploration expenses amounted to US$200,000 in year 2005 by Bonaventure (Pelke and Arentz III, 2006).

A NI 43-101-compliant technical report was written for Bonaventure and WKG by Pelke and Arentz III in 2006. Subsequent to that report, an additional 64 RC holes have been drilled by Bonaventure.

To date, a total of 263 drill holes (4 conventional rotary, 256 RC and 3 core holes) have been drilled, numerous rock chip samples and soil geochemistry samples have been analyzed, and various geophysical methods have been employed to define the extent and manner of mineralization. See Figures 2A, 2B and 2C of Appendix 2 for drill hole locations. Section 13 explains the details of the various drill campaigns that have been conducted.

Bonaventure conducted exploration at New Pass during 2006 under a Notice-level permit (NVN-80107) which was originally submitted to the BLM on March 31, 2005. Two amendments to the original Notice brought the total disturbance to 4.76 acres. The Notice has been supplanted by a POO which received approval from the BLM on July 22, 2009.

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13.0 DRILLING

13.1 DEKALB Drilling

DEKALB Mining began a core drilling program at New Pass in April of 1982. Eight holes (NP-1 through NP-8) were completed for a total of 1,329 feet. None reached the depths necessary to test subsurface target zones. It was noted that the core drill had great difficulty penetrating the jasperoid, due to badly broken ground above the jasperoid (Spinner, 1982B). The best intercept in the initial drill program was 10' of 0.036 opt Au in DH-3 (Collins, 1984).

13.2 NICOR Drilling

NICOR completed a six-hole RC drilling program (NP-9 through NP-14) in late 1982. These holes were intended to penetrate the full thickness of the jasperoid. All holes were bottomed in carbon-rich carbonates beneath the jasperoid. Most holes had gold intercepts in the range of 0.01 opt to 0.02 opt, with the best intercept being 5' of 0.09 opt Au in NP-12 (Collins, 1984). No drilling was done in 1983.

NICOR continued drilling in 1984 with 10 more holes (NP-15 through NP-24), this time starting out with a conventional rotary percussion drilling method in an effort to reduce RC drilling costs. However, drilling difficulties in the fourth hole (NP-18) led NICOR to change to a RC percussion drill to complete the program. The best intercept from the early 1984 program was 30' of 0.221 opt Au from NP-22 (Collins, 1984).

Encouraged by the previous results, another round of seven RC (NP-25 through NP-31) holes was drilled in late summer 1984. Most of those holes were offsets to NP-22. Hole NP-28 yielded an intercept of 75' of 0.204 opt Au, and most other holes had notable intercepts. A third round of drilling in fall 1984 saw three RC holes (NP-32 through NP-34) completed. The best intercept from the third round was 20' of 0.123 opt Au in NP-33 (Collins, 1984).

NICOR continued RC drilling through 1985 (NP35 – NP61). An eight-hole RC drilling program was completed by NICOR in 1986 (Holes 86-1 through 86-8). Six of the drill holes were located in the outcrop area of the main New Pass jasperoid, while the other two drill holes were south of the main jasperoid. All of the holes were drilled dry (except for parts of 86-4 and 86-8, which were drilled with water) so recoveries for these holes were very low, generally less than 20%. Wet sample intervals had higher gold grade than dry sample intervals, which suggests that the water depressed the dust-sized gold particles for better recovery. However, even wet intervals had total chip recovery of less than 40% so confidence in the gold values for all eight drill holes was not high. Holes 86-5 and 86-6 were the two southernmost holes in the program and they did not contain ore grade or even anomalous grades of gold mineralization. No updated estimate of the total resource was calculated as a result of the 1986 drilling program (Dummett, 1987).

In March 1987, NICOR changed its name to Westmont Mining Inc.

13.3 Westmont Drilling

Drilling in early 1987 consisted of three diamond drill holes (NP 87-1 through NP 87-3) totaling 899' (June 1987 Appendix to Dummett, 1987). Because very little drilling was done in 1987, no updated estimate of the total resource was calculated as a result (Wilkinson, 1988A).

In 1988, 35 RC drill holes were completed, for a total of 11,041' (NP 88-1 through NP 88-35) (Wilkinson and Cline, 1989). Drilling consisted of both vertical and angled drill holes which both expanded the known resource and tested a target under the pediment which had been identified earlier. After the 1988 drill program, Independent Mining Consultants ("IMC") of Tucson, Arizona generated a floating cone reserve model for New Pass. Future drilling programs were designed to enlarge the reserves at the two planned pits (Wilkinson and Cline, 1989).

Westmont completed a thirty-one drill hole program totaling 8,555' (NP 89-1 through NP 89-31). This added to the geologic resource in the two planned pits. A size fraction analysis was undertaken to address ongoing questions about the effects of the potential loss of fine fractions on assay values. Gold was found to be disproportionately higher in the -100 mesh fractions relative to the size of the fraction. However, grade did not seem to be affected by the loss of fines during wet drilling (Wilkinson et al., 1989).

Fifteen exploration holes (4,205' total) were drilled at the New Pass Project in 1990 (NP 90-1 through NP 90-15). The purpose of these holes was to test five targets which had been defined in earlier drilling. The best interval was 5' of 0.023 opt Au. Overall, results were mixed, with some targets being recommended for more drilling and others being abandoned after 1990. Additional targets were identified for drilling in 1991, but no updated estimate of the total resource was calculated (Postlethwaite, 1991).

In 1991, six more RC exploration drill holes (2,525') were completed (NP91001 through NP91006). All holes were in a target known as the Cave Anomaly. Results from these holes were not impressive. plans were made for the 1992 exploration program, although no additional work was recommended for the future at the Cave Anomaly. No new resources were calculated as a result of the 1991 drilling (Bryant, 1992).

In 1992, seven drill holes (2,505') were completed (NP92001 through NP92007). As most of this drilling was collared in or near the main jasperoid, the intercepts were generally long and high grade. However, Hole NP92007 had a significant intercept in the Tertiary volcanic rocks. In previous drill holes, the Tertiary volcanic rocks had not been analyzed, as it was believed that they post-dated the gold mineralization. An 85' intercept in Hole NP92007 (155' to 240') assayed 0.018 opt Au. Rejects from nearby Hole NP89020 yielded 110' of 0.023 opt Au (190' – 300') in the Tertiary volcanic rocks, but no other holes with Tertiary volcanics were reanalyzed.

13.3 Santa Fe Drilling

After Ramrod acquired New Pass in 1994, Santa Fe entered into an agreement to explore New Pass. Under the agreement, Santa Fe completed 11 RC drill holes (9,790', DNE 01 through DNE 11) in 1995. Of the 11 holes, only four intercepted gold anomalies of 0.01 opt or better. The best interval was 1.250 parts per million ("ppm") (0.036 opt Au) from 910' to 915' in hole DNE 01. Santa Fe terminated the joint venture agreement with Ramrod after this drill program (Kortemeier, 1995).

13.4 Bonaventure Drilling

Bonaventure has drilled at total of 90 drill holes at New Pass (86 RC and 4 core) for a total of 39,497 feet. Twenty-eight RC holes were drilled in 2005, five in 2006, 32 in 2007, and 25 in 2008.

When comparing the drill hole logs side by side (NP-0520 vs. NP-0824C and NP-0525 vs. NP-0825C) conflicting assay results are noted (See Figures 3A and 3B in Appendix 2). In the first pair (0520/0824C), the total contained gold is higher in the RC drill hole from 2005 by approximately 39%. In the other pair (0525/0825C), the total contained gold is higher in the core hole from 2008 by approximately 36%. Note that NP-0825C is only 3 meters away from NP-0525, while NP-0824C is 8 meters away from NP-0520.

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14.0 SAMPLING METHOD AND APPROACH (By Christine Ballard, Telesto Nevada, Inc.)

14.1 DEKALB and NICOR Sampling Methods

Telesto has no information regarding sampling method and approach employed by DEKALB and NICOR during their drilling programs from 1982 through 1984.

14.2 Westmont Sampling Method

Westmont studied the reproducibility of one hole which had good assay results, NP-28, which was originally drilled dry in 1984 (Leibold, 1989). This hole intersected 140' of 0.116 opt Au mineralization. Two twinned holes, one drilled dry and one drilled wet, were completed in 1987. All three RC holes intersected a portion of the New Pass jasperoid and all samples were analyzed at Chemex Labs for Au and Ag. The program was designed to test (1) drilling methods (wet versus dry), (2) field sampling variance (sample homogeneity), (3) variance due to sample preparation, and (4) analytical reproducibility.

Information regarding sampling and preparation methods employed by Westmont during its drilling programs is described in a report by Leibold in 1989. The following statements are from Leibold, 1989:

> The original NP-28 hole was drilled in 1984 using a CP-650 rig for dry reverse-circulation drilling. A TH-60 rig was used to drill the two parallel holes completed in 1987. One of the 1987 holes was drilled wet and one was drilled dry.
>
> In 1984, the drill-chip samples were passed through a single cyclone and a Gilson splitter. In 1987, the drill chips were passed through a double cyclone and a Gilson splitter to produce two field samples, coded A and RA, for each 5' interval. Each field sample weighed about 15 pounds. Analytical control samples were included with drill samples submitted in 1987.
>
> At Chemex Labs in Reno, the A and RA samples from each interval were crushed to -¼ inch size, and 200-300 grams of material were ring-pulverized to -140 mesh. Each of the A and RA samples were then split to produce samples coded B and RB respectively. The B and RB samples were split again, and labeled B1, B2, RB1 and RB2. A total of six samples from each interval (A, B1, B2, RA, RB1 and RB2) were analyzed at Chemex labs.

Analytical methods are also described in Leibold, 1989. The following description is from that report:

> In 1984, Au and Ag were determined using a fire assay ("FA") extraction and gravimetric finish on a ½ assay ton sample.

In 1987, Au was determined on all six splits for each interval using a fire assay extraction with atomic absorption finish ("FA/AA") on a 10 gram subsample. Silver was extracted using aqua regia and determined by atomic absorption methods.

Analytical control was employed in the 1987 holes only and consisted of twenty standards and 12 blank samples, which were interspersed with the drill hole samples of the two twinned holes. Accuracy and precision of the gold data was satisfactory, but the silver values suggested fluctuations in laboratory procedures. Still, the overall variance was considered acceptable.

To ensure the accuracy of the 1984 data, pulps from NP-28 were submitted to Cone Geochemical and Bondar-Clegg for analysis. All three labs reported similar results, which verified the 1984 assays.

Results of the study showed that dry drilling provided reproducible drill hole profiles from 1984 to 1987, and Au and Ag were consistently higher than those from the wet drilling. Leibold concluded that because of the fine-grained nature of mineralization at New Pass, much of the gold and silver was probably suspended in the drilling mud and washed away. Therefore, dry drilling was recommended whenever possible.

Leibold also noted drill results from the 1984 hole were significantly higher than the results from the 1987 dry drilling, which was explained as being from (1) inconsistent sampling methods between 1984 and 1987, (2) inconsistent analytical procedures between 1984 and 1987, or (3) the naturally erratic gold mineralization in the New Pass jasperoid (Leibold, 1989).

Note, however, that the sampling methods and quality control measures described herein only apply to NP-28 and the two twinned holes drilled in 1987. It is unclear if other holes drilled during 1984 and 1987 were sampled in a similar manner or analyzed using the same techniques.

The 1986 Annual Report by Westmont provides only a very brief description of drilling methods employed in the 1986 drill program and says nothing about the sampling method (Dummett, 1987). Of the eight holes which were drilled in 1986, only short portions of two holes were drilled with water. The rest of the drill holes were drilled dry and all were drilled with an Ecklund track mounted RRC rig using a 4.5" button bit.

14.3 Santa Fe Sampling Method

Telesto has no information regarding sampling methods employed by Santa Fe during its drilling program in 1995.

14.4 Bonaventure Sampling Method

Telesto has no information regarding sampling methods employed by Bonaventure during its drilling programs in 2005-2008.

15.0 SAMPLE PREPARATION, ANALYSIS AND SECURITY (By Christine Ballard, Telesto Nevada, Inc.)

Thousands of samples have been analyzed over the life of the New Pass Project. These include rock chip, RC and core drilling, soil, and biogeochemical samples. Most of these samples were taken prior to the existence of NI 43-101 reports requirements, thus no information was recorded in the reports about sample preparation, analysis and security. The only information available to Telesto regarding sample preparation, analysis and security comes from the most recent operator on the property, Bonaventure. This information applies only to a small number of rock chip samples, and not to the drilling campaigns undertaken by Bonaventure from 2005-2008. Sample and security procedures for drill samples are not documented.

15.1 Bonaventure Sample Preparation and Analysis

The following discussion is from an unpublished NI 43-101-compliant report which has been prepared by Bonaventure. As of the date of this document, the report has not been made public. Bonaventure provided Telesto only with the sections regarding sampling method and approach, sample preparation analysis and security, and data verification.

> …9 samples (Nos. 198859 through 1988198867) were taken from various locations on the property by the author (Paul Pelke). All samples were placed into a sample bag and sealed and subsequently delivered to the BSI Inspectorate analytical laboratory in Sparks, Nevada. Sample Nos. 198859 through 198861 were from various locations in the main jasperoid zone. Sample No. 198862 was taken in the de-calcified limestone immediately beneath the jasperoid. Sample No. 198863 is from a silicified tuff about 1000 feet north of the main jasperoid and sample Nos. 198864 through 198867 were taken from a road cut along a reclaimed drill road about 2500 feet north of the main jasperoid zone…
>
> The samples were delivered to BSI Inspectorate Laboratories located in Sparks, Nevada by the author. The samples were then thoroughly dried, and then crushed to >80%> -10 mesh using a two stage crushing process, jaw and roll mill. A 300 gram split is then obtained using a Jones riffle splitter and reduced to >90% -150 mesh. Clean sand is used to clean the pulverizer between all samples.
>
> Gold determinations are made using fire assay with a gravimetric or Atomic Absorption finish. Trace element determinations are made using optimal acid digestions followed by Atomic Absorption Spectroscopy and Inductive Coupled Plasma. A minimum fifteen percent of all analyses performed are directly run for quality control. Every tenth sample is repeated and for every 20 samples run, a standard or blank is also analyzed. For gold determinations, a total of 9 certified gold standards purchased through 2 separate manufacturers (Rocklabs and CDN Resources) are implemented into our fire assay Quality Control program for gold analyses finished with both gravimetric and AAS methods.

BSI Inspectorate is ISO 9000 certified ABS Quality Evaluations, Inc. annually and the Quality Assurance Program meets all the established criteria as related to disclosure requirements for trading mining and exploration companies under NI 43-101.

16.0 DATA VERIFICATION (By Christine Ballard, Telesto Nevada Inc.)

Telesto compiled the database used in the current modeling from numerous assay sheets and drill logs provided by USG. Many of the drill data were derived from graphic drill logs generated by Bonaventure. On the Bonaventure logs, gold and silver were both recorded in ppm. The logs also contained drill hole numbers and information about location (easting, northing and elevation), orientation of the drill hole (azimuth and dip) and total depth.

USG also provided numerous Excel files which USG downloaded directly from Chemex's WebTrieve database. Each Excel file had a number which appeared to be a unique certificate number in the header, however, it should be noted that the files contained neither the name of the performing laboratory nor a signature of the technician who did the assays. Telesto treated the Excel files like signed assay certificates for the purposes of checking the database for discrepancies.

Data which only existed on the hardcopy pages was hand-entered into Excel, including collar information. Intervals where only one gold and silver assay value was reported for each 10 feet were split into separate 5' intervals and each new interval was given gold and silver values which matched the 10' interval values. This was necessary to ensure that every interval in the database was 5'. All hand-entered data was examined by Christine Ballard of Telesto to ensure data entry accuracy. Data entry error rate was less than 1%, and all incorrect values were corrected to match the values on the graphic logs.

When Telesto was later provided with the Excel spreadsheets, data was checked again for accuracy against the spreadsheets. The error rate between the graphic logs and the lab Excel certificates was significantly higher than 1% as a result of Bonaventure's compilation of the data. In the case of some drill holes, the error rate was as much as 15%. Telesto deemed that the Excel spreadsheets were more authoritative than the graphic logs so the entire database was corrected to match the Excel spreadsheets. Subsequently, Bonaventure agreed with this strategy in an oral conversation with Robin Hendrickson. The database which resulted from these efforts was used for modeling the resource reported herein.

Downhole surveys were not supplied by USG for this resource estimate.

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17.0 ADJACENT PROPERTIES (By Christine Ballard, Telesto Nevada Inc.)

No precious metal properties meet the NI 43-101 definition of adjacent to New Pass.

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18.0 MINERAL PROCESSING AND METALLURGICAL TESTING (*By Kim Drossulis, Telesto Nevada Inc.*)

18.1 Historical Metallurgical Testing

There has been very little metallurgical work done to indicate the potential recoveries of gold and silver from oxide, sulfide or carbonaceous material to date. Available metallurgical testwork is limited to six metallurgical tests that were conducted by Westmont in 1988. In September 1988, Westmont submitted 35 drill cuttings from New Pass to McClelland Laboratories, Inc., which were composited into two samples, Met-1 and Met-2, for bottle-roll testing. In November 1988, McClelland Labs received 72 more New Pass cuttings samples.

The test results from Met-1 and Met-2 were sent to Westmont in a report dated November 2, 1988 (McClelland, 1988A). A memo outlining the results from the second round of testing (Met-3 through Met-6) was sent to Westmont on December 15, 1988 (McClelland, 1988B). The report and the memo are both included in Appendix 7.

The detailed report by McClelland (1988A) describes compositing criteria for Met-1 and Met-2, but does not list which holes the samples came from or what the rock types were. The memo about Met-3 through Met-6 has no information about compositing methods, or even if compositing was done on the 72 drill cuttings. However, each of the 72 samples submitted was listed by drill hole number and interval. From this information, the rock types could be derived from the drill hole logs. Locations for the drill holes from which metallurgical samples Met-3 through Met-6 were derived are found on Figure 4 of Appendix 2.

Detailed metallurgical results for Met-1 are shown in Table 18.1 and results from Met-2 are shown in Table 18.2.

Table 18.1 – Bottle Roll Test Results, Sample Met-1 (1988)

Extraction: Percent of total	Feed Size			
	As Received		-100 Mesh	
	Au	Ag	Au	Ag
In 2 hours	4.1	23.7	11.2	23.0
In 6 hours	4.2	35.2	11.9	38.3
In 24 hours	4.4	49.2	12.6	52.2
In 48 hours	4.5	52.8	13.4	57.6
In 72 hours	4.6	58.6	14.1	63.3
In 96 hours	4.8	60.2	14.9	66.8
Extracted, opt	0.002	1.21	0.007	1.27
Tail Assay, opt	0.040	0.80	0.040	0.63
Calculated Head, opt	0.042	2.01	0.047	1.90
Head Assay, opt	0.044	2.18	0.044	2.18
Cyanide Consumed, lb/ton	2.75		2.13	
Lime Added, lb/ton	10.7		5.3	
Final Solution pH	10.3		10.8	
Natural pH (40% solids)	3.1		6.8	

Note: Adapted from Table 4 in McClelland, 1988A

Table 18.2 – Bottle Roll Test Results, Sample Met-2 (1988)

Extraction: Percent of total	Feed Size			
	As Received		-100 Mesh	
	Au	Ag	Au	Ag
In 2 hours	36.0	12.4	59.2	30.3
In 6 hours	52.6	14.7	59.2	35.8
In 24 hours	54.4	19.4	59.2	40.6
In 48 hours	54.4	20.0	59.2	41.9
In 72 hours	54.4	20.6	59.2	42.8
In 96 hours	54.4	20.6	59.2	44.4
Extracted, opt	0.037	0.07	0.042	0.16
Tail Assay, opt	0.031	0.27	0.029	0.20
Calculated Head, opt	0.068	0.34	0.071	0.36
Head Assay, opt	0.070	0.35	0.070	0.35
Cyanide Consumed, lb/ton	0.96		1.02	
Lime Added, lb/ton	6.1		4.2	
Final Solution pH	11.0		10.7	
Natural pH (40% solids)	4.6		7.4	

Note: Adapted from Table 5 in McClelland, 1988A

Samples Met-3 through Met-6 were subjected to cyanide solubility analysis (shake tests). No crushing appears to have been done on these samples prior to testing. Results of testing are shown in Table 18.3.

Table 18.3 – Shake Test Results, Samples Met-3 Through Met-6 (1988)

	Cold CN^- Extraction (Au opt)	Tail Assay (Au opt)	Calc'd Head (Au opt)	Recovery Percent
Met-3	0.008	0.054	0.062	12.9
Met-4	0.026	0.054	0.080	32.5
Met-5	0.073	0.025	0.098	74.5
Met-6	0.057	0.017	0.074	77.0

Note: Data from Tables 1-4 in McClelland, 1988B.

The following information about the metallurgical testing is from the 1988 New Pass Annual Report by Wilkinson and Cline, 1989.

> Six samples composited from drill cutting were submitted to McClelland Labs in Sparks for metallurgical testing. The tests included bottle rolls (received as 100 mesh) and shake tests.
>
> Samples submitted included oxidized, reduced and mixed ore types. Samples generally consisted of jasperoid; however, minor amounts of siltstone were included. The specifics of each sample are included in Table 18.4.

Table 18.4 – Results of Metallurgical Test Work on New Pass Ore Samples (1988)

Samples	Lithologies	Estimated Assay Grade (opt)	Calculated Head Grade (opt)	Gold Recovery (%)	
				As Received	100 mesh
NP-Met-1	Carbonaceous jasperoid + minor siltstone	0.080	0.042	4.8	14.9
NP-Met-2	Carbonaceous jasperoid + minor siltstone	0.067	0.068	54.4	59.2
NP-Met-3	Carbonaceous jasperoid + minor siltstone	0.075	0.062	12.9	
NP-Met-4	Mixed oxidized and carbonaceous jasperoid	0.080	0.080	32.5	
NP-Met-5	Oxidized jasperoid	0.100	0.098	74.5	
NP-Met-6	Oxidized jasperoid	0.085	0.074	77.0	

Note: Table 18.1 is adapted from Table 2, Wilkinson and Cline, 1989.

> These results indicate that recoveries for the reduced, carbonaceous and pyritic jasperoid are very low and that these ores are not amenable to heap leach. If the stripping is moderate and the grades are high enough, these ores might be amenable to trucking to a custom mill.

> The oxidized ores show good recoveries which might be enhanced by minor grinding. These are definitely amenable to a heap leach operation. This oxidized material accounts for 60 to 65% of the geologic reserve (Wilkinson and Cline, 1989).

At around the same time that McClelland Labs was performing metallurgical testing, 21 samples were submitted to Theodore Paster for petrographic examination (Paster, 1989). Ten samples were from high-grade intervals (0.054 opt to 0.625 opt Au) while eleven samples were from lower grade intervals (0.007 opt to 0.028 opt Au). The following comments were made by Wilkinson et al. (1989) after reviewing the petrographical report by Paster (1989):

> Recoveries are not necessarily a function of degree of oxidation but of the permeability of the interstitial fracture network of the chert and quartz grains. Where the gold is associated with anatase and sulfides in relatively open networks, recovery should be good. Where the gold is encapsulated or not associated with anatase and fractures are healed and tight, recoveries will be low. The apparent relationship of recovery with oxidation is also a function of this interstitial permeability. The more permeability, the greater the degree of oxidation.

Paster reports that gold is only found in 17 of the 21 samples. He noted that gold is sometimes encapsulated in the rims of individual chert grains. This may significantly reduce recovery. Of the 17 samples containing gold, this encapsulation is noted in 6 samples.

When WKG acquired the New Pass Project, the resource stood at 3.37 million tons grading 0.042 opt Au at a 0.02 cutoff grade. Of that resource, about 2.10 million tons grading 0.044 opt Au (approximately 92,400 contained ounces, or 65% of the total resource) was considered to be oxide mineralization (Hughes, 1998A).

In an effort to better understand rock type distribution, Telesto modeled rock types using coded numerical values. Section 19 contains a detailed description of Telesto's rock codes. According to Telesto's work modeling rock types, 30% of the total resource and approximately 61% of the resource which is above the 0.411 g/tonne (0.012 opt) cutoff can be classified as carbonaceous and/or sulfide. Based on the historical metallurgical test results, this portion of the resource may have poor metallurgical recoveries using standard heap leach processing. Figures 5A and 5B of Appendix 2 show along-strike cross-sectional views of Telesto's rock modeling results. Areas of carbonaceous or sulfide material are outlined and are shown relative to gold grade and silver grade.

19.0 MINERAL RESOURCE AND MINERAL RESERVE ESTIMATES (By Kim Drossulis, and Jonathan Brown, C.P.G., Telesto Nevada Inc.)

19.1 Introduction

Modeling and estimation of gold resources demonstrate that there are measured and indicated resources at the New Pass Project area. Work was conducted by Kim Drossulis, Senior Mining Engineer and reviewed by other co-authors, as well as the principal author.

The resources stated in this report for the New Pass Project conform to the guidelines in National Instrument 43-101 and definitions adopted by the CIM, Metallurgy and Petroleum. These definitions are given below.

Mineral Resource – "A Mineral Resource is a concentration or occurrence of diamonds, natural solid inorganic material, or natural solid fossilized organic material including base and precious metals, coal, and industrial minerals in or on the Earth's crust in such form and quantity and of such a grade or quality that it has reasonable prospects for economic extraction. The location, quantity, grade, geological characteristics and continuity of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge."

Measured Mineral Resource – "A 'Measured Mineral Resource' is that part of a Mineral Resource for which quantity, grade or quality, densities, shape, and physical characteristics are so well established that they can be estimated with confidence sufficient to allow the appropriate application of technical and economic parameters, to support production planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough to confirm both geological and grade continuity."

Indicated Mineral Resource – "An 'Indicated Mineral Resource' is that part of a Mineral Resource for which quantity, grade or quality, densities, shape and physical characteristics, can be estimated with a level of confidence sufficient to allow the appropriate application of technical and economic parameters, to support mine planning and evaluation of the economic viability of the deposit. The estimate is based on detailed and reliable exploration and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes that are spaced closely enough for geological and grade continuity to be reasonably assumed."

Inferred Mineral Resource – "An 'Inferred Mineral Resource' is that part of a Mineral Resource for which quantity and grade or quality can be estimated on the basis of geological evidence and limited sampling and reasonably assumed, but not verified, geological and grade continuity. The estimate is based on limited information and sampling gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes."

19.2 Sources of Information

USG provided Telesto with topographic data which was used to create a topographic surface of the modeled area.

A model was created for estimating in-situ gold and silver content for the resource within the project area. See Figure 2A of Appendix 2 for an outline of the modeled area. The raw data for the undertaking was provided by USG. The data, which was reviewed, included geologic mapping and RC drilling data. This group of data was incorporated into a digital database, and all subsequent modeling of the project area was performed using MicroMODEL mining software. The modeled area was converted to metric units (meters; m) and is described by the following parameters.

Modeled Area Descriptions

The verified database of 263 drill holes was used to model the resource which is detailed below.

The southwest corner of the New Pass modeled area is located at 4,386,000 m North, 454,000 m East (UTM NAD27, Zone 11) with an elevation of 1,500 m (See Figure 2A of Appendix 2). The modeled area has an orientation north to south for the columns, and east to west for the rows. The resource model contains 850 rows, 1,000 columns and 350 levels. Each block in the model has the following dimensions (x,y,z): 3.05 m/row, 3.05 m/column and 3.05 m/level. Gold values were carried in ppm. The number of drill holes used in the model totals 263 holes with 19,923 sampled intervals. The average sampling interval is 5 feet or 1.52 meters. The total estimated meters of drilling involved in the resource was 30,283 meters.

Deposit Geology Pertinent to Resource Modeling

Telesto staff conducted an extensive review of the lithologic and alteration controls present at the New Pass site and drill logs in order to develop a bounding element (geologic envelope) that could be applied to the current resource. The reviewed drill logs provided geologic descriptions consistent with the mineralized envelopes supplied by USG staff. Telesto's review yielded new areas that were originally outside of the initial mineralized envelope boundary supplied by USG. The geologic polygons established by extracting lithologic and alteration information from the 263 drill holes provided a bounding element for the mineralization. Justification for the bounding element idea is outlined in section 19.5. The conceptual results from Section 19.5 lead to the development of using forty eight (48) rock types, ten (10) alteration codes and five (5) sulfide codes which combined to create a total of 141 bounding (limiting) geologic polygons.

19.3 Capping of High Grades

A suite of statistical runs was completed on the New Pass drill sample intervals to test the variations in the different geologic units/Rock Type and Alterations. The runs were grouped to review rock types and the associated alteration. A total of forty five (45) runs were completed for the review. Each rock type with its supporting alteration variations had a distinct mean, supporting variance, standard deviation and supporting covariance. Although high grade samples were not capped at this early stage of the project, they were restricted to the geologic polygons formed by the boundaries of rock types generated by the drilling density (the influence of each rock polygon was limited to 75 meters in the primary axis, 35 meters in the secondary axis and 12 meters in the vertical axis. While the horizontal ellipse orientation was used to establish geology in areas of the resource that are indicated, drill hole density in the blocked areas show no dip to the mineralization. In the more closely drilled areas (measured), the blocked out geology from the ellipse approaches the apparent dip of the observed units in section because of the drilling density. This was another means of limiting the grade outliers in the resource. The rock type perimeter was established using the range of the variogram and the current drill hole density.

19.4 Bulk Density

No new information has been collected regarding bulk densities on site. All bulk density information was provided to Telesto by USG through historical documents. Telesto did not do any sampling or analysis of its own. Based on the limited information provided, the average bulk density of the mineralized material is 2.15 tons/cubic yard or 2.55 tonnes per cubic meter (see calculation below). The support for the assumption of 159 lbs/cubic foot is found in the first report on New Pass by DEPCO in 1980.

$$\frac{159\ \text{lb}}{\text{ft}^3} \times \frac{27\ \text{ft}^3}{\text{yd}^3} \times \frac{1\ \text{ton}}{2000\ \text{lb}} = \frac{2.15\ \text{tons}}{\text{yd}^3}$$

$$\frac{2.15\ \text{tons}}{\text{yd}^3} \times \frac{1\ \text{yd}^3}{0.76455\ \text{m}^3} \times \frac{0.9072\ \text{tonne}}{\text{ton}} = \frac{2.55\ \text{tonne}}{\text{m}^3}$$

19.5 Geostatistics

Rock Type / Alteration Statistics

Drill hole data in the database contains gold grade values (ppm), alpha (letters) coded lithology and numeric codes that describe alteration. Alteration codes address both the type and the relative degree of alteration in each interval.

Table 19.1 details the first two-digits of the ultimate three-digit rock code which is coded into each intercept that represented a standard 5 foot interval. The single digit alteration codes are listed in Table 19.2. The alteration code holds the third position of the three digit number. An example of the applied coding is 202, which would be a jasperoid with strong silicification. The resulting coding offers the potential to review each rock type for its gold grade distribution and its potential to be lumped with or evaluated individually. Table 19.3 summarizes the rock type statistics.

After numerical codes were assigned to each interval in the drill hole database, a rock type block model was generated. The rock model is independent of gold or silver grade and is bound only by geologic parameters established by the variogram ranges along the primary, secondary and tertiary axes.

Five cross sections were then selected as representative of the resource along-strike and perpendicular to strike. Figure 7 of Appendix 2 shows the locations of these selected cross sections. Figures 8A through 8O of Appendix 2 show the details of these rock model cross sections.

Each of the cross sections (Figures 8A through 8O) also shows bench elevations for two selected levels (1817 m and 1881 m). The two bench level plans are shown in Figures 9A and 9B of Appendix 2. Each bench level plan displays rock type in the block model, drill hole penetrations and gold intercept values.

Table 19.1 – New Pass – Lithology Codes (First and Second Digits)

Rock Code	Lithology	Rock Code	Lithology
10	Alluvium	30	Shale
11	Colluvium	31	Carbonaceous Shale
12	Conglomerate	32	Chert
13	Gravel	33	Silty Limestone
14	Rhyolite	34	Shaly Limestone
15	Crystal Tuff	35	Limestone with Shale Interbeds
16	Lithic Crystal Tuff	36	Limestone
17	Vitric Tuff	37	Carbonaceous Limestone
18	Vitrophyre	38	Carbonaceous Tuff
19	Tuff	39	Carbonaceous Silty Limestone
20	Breccia	40	Tuff Gouge
21	Autobreccia	41	Carbonaceous Tuff Gouge
22	Fault Gouge Clay	42	Limestone Gouge
23	Fault Breccia	43	Silty Limestone Gouge
24	Fault Gouge Breccia	44	Carbonaceous Limestone Gouge
25	Clay	45	Limestone Breccia
26	Calcite Vein	88	Undefined Lithology
27	Quartz	89	Undefined Carbonaceous Lithology
28	Jasperoid	99	No Sample
29	Siltstone		

Note: 99 is a special code which corresponds to Undifferentiated Lithology and Alterations.

Table 19.2 – New Pass Alteration Codes (Third Digit)

Rock Code	Alteration
1	Weak-Moderate Silicification
2	Strong Silicification
3	Weak-Moderate Clay
4	Strong Clay
5	FeOx
6	Bleaching
7	Quartz Veins
8	Calcite Veins
9	Decalcification
0	No Alteration

Table 19.3 – New Pass Sulfide Alteration Codes (Fourth Digit)

Rock Code	Alteration
5	Trace to 3% Sulfide Minerals
6	Greater than 3% Sulfide Minerals
7	Below Water Table – No Sulfide Minerals
8	Trace to 3% Sulfides – Below Water Table
9	Greater than 3% Sulfides – Below Water Table

Table 19.4 – Comparison of the Percent of Rock Types in the Grade Model Gold Values vs. Statistics of the Drill Holes Defining the Rock Type @ Au > 0.012 opt

Description	Rock Types	Below 0.012 opt cutoff	Inside Ore Values	Min.	Max.	Mean	Variance	Std. Dev	Mean +2 Std. Dev	Mean +3 Std. Dev.	Tonnes	0.411 Tonnes / Total Tonnes
Alluvium	100,103	0	446	0.000	0.753	0.029	0.008	0.089	0.207	0.297	7,000	0.07%
	100	0	444	0.000	0.753	0.027	0.007	0.083	0.193	0.277	5,000	0.05%
	103	0	2	0.479	0.548	0.514	0.002	0.049	0.611	0.660	2,000	0.02%
Colluvium	110,112	0	46	0.007	0.628	0.142	0.014	0.120	0.381	0.501	0	0.00%
	110	0	41	0.007	0.628	0.135	0.015	0.124	0.383	0.508	0	0.00%
Conglomerate	123	0	7	0.010	0.812	0.272	0.117	0.342	0.955	1.296	5,000	0.05%
gravels	130,131	0	110	0.000	0.411	0.030	0.004	0.063	0.156	0.219	0	0.00%
	131	0	8	0.160	0.411	0.234	0.006	0.078	0.390	0.467	0	0.00%
Rhyolite	140,143,147	0	538	0.000	0.577	0.005	0.001	0.028	0.060	0.088	0	0.00%
	140	0	319	0.000	0.577	0.006	0.001	0.035	0.077	0.112	0	0.00%
xtal tuff	150,151,152,153,154,157,158	0	1515	0.000	1.915	0.054	0.023	0.152	0.358	0.510	297,000	2.98%
	150	0	143	0.000	1.915	0.053	0.052	0.228	0.510	0.738	44,000	0.44%
	151	0	20	0.000	0.638	0.091	0.024	0.154	0.399	0.554	3,000	0.03%
	153	0	818	0.000	0.968	0.053	0.016	0.126	0.304	0.430	202,000	2.03%
	154	0	490	0.000	1.540	0.047	0.016	0.125	0.297	0.422	4,000	0.04%
	158	0	24	0.000	1.740	0.257	0.237	0.487	1.231	1.718	44,000	0.44%
Lithic xtal tuff	160,161,162,163,164	0	1193	0.000	1.905	0.046	0.022	0.149	0.343	0.492	86,000	0.86%
	161	0	27	0.000	1.905	0.385	0.141	0.376	1.136	1.512	2,000	0.02%
	163	0	564	0.000	0.893	0.037	0.010	0.102	0.241	0.343	20,000	0.20%
	164	0	361	0.000	1.785	0.057	0.036	0.189	0.435	0.624	64,000	0.64%
Lithic Crystal Tuff 0-3% Sulfides	1605,1635,1685	0	28	0.000	1.985	0.391	0.444	0.666	1.723	2.390	72,000	0.72%
Vitrophyre	180,183,184	0	20	0.000	0.036	0.005	0.000	0.009	0.022	0.030	0	0.00%
	183	0	4	0.000	0.036	0.014	0.000	0.016	0.046	0.061	0	0.00%
Tuff	190,191,193,194	0	5699	0.000	3.253	0.028	0.021	0.143	0.315	0.458	458,000	4.60%
	190	0	3541	0.000	2.534	0.022	0.014	0.117	0.256	0.373	186,000	1.87%
	191	0	124	0.000	3.253	0.097	0.159	0.399	0.896	1.295	17,000	0.17%
	193	0	1951	0.000	2.432	0.034	0.025	0.157	0.348	0.504	255,000	2.56%

Description	Rock Types	Below 0.012 opt cutoff	Inside Ore Values	Min.	Max.	Mean	Variance	Std. Dev	Mean +2 Std. Dev	Mean +3 Std. Dev.	Tonnes	0.411 Tonnes / Total Tonnes
Bx	200,201	0	10	0.000	0.630	0.166	0.063	0.251	0.668	0.919	5,000	0.05%
Gouge Clay	220,221,224	0	261	0.000	1.585	0.067	0.029	0.171	0.408	0.578	43,000	0.43%
	224	0	251	0.000	1.585	0.065	0.029	0.171	0.406	0.577	43,000	0.43%
Fault Gouge Clay Below Water No Sulfides	2247	0	13	0.000	1.755	0.174	0.244	0.494	1.161	1.655	0	0.00%
Fault Bx	230,231,232,233,234,235	0	135	0.000	9.490	0.580	1.714	1.309	3.198	4.507	288,000	2.89%
	231	0	54	0.000	7.170	0.604	1.228	1.108	2.820	3.928	200,000	2.01%
	232	0	28	0.012	9.490	0.985	4.983	2.232	5.450	7.682	36,000	0.36%
Fault Breccia 0-3% Sulfides	2335	0	5	0.153	1.515	0.803	0.340	0.583	1.970	2.553	8,000	0.08%
Fault Gouge Bx	241,244	0	35	0.000	1.115	0.148	0.065	0.255	0.657	0.912	39,000	0.39%
	244	0	32	0.000	1.115	0.162	0.069	0.263	0.687	0.949	39,000	0.39%
Clay	254	0	11	0.000	0.076	0.014	0.001	0.026	0.066	0.093	0	0.00%
Quartz Greater than 3% Sulfides	2726	0	3	0.000	0.111	0.039	0.004	0.063	0.164	0.227	0	0.00%
Quartz 0-3% Sulfides below water table	2728	0	8	0.165	0.400	0.311	0.008	0.088	0.488	0.576	0	0.00%
Quartz Greater than 3% sulfides below water table	2729	0	9	0.472	1.000	0.680	0.025	0.158	0.996	1.154	53,000	0.53%
Quartz	271,272	0	19	0.000	0.616	0.133	0.029	0.170	0.472	0.642	0	0.00%
Jasperoid	282	0	25	0.000	2.340	0.380	0.462	0.680	1.740	2.420	19,000	0.19%
Jasperoid Greater than 3% Sulfides	2826	0	1	0.020	0.020	0.020	0.000	0.000	0.020	0.020	0	0.00%
Shale no sulfide below water table	3027	0	4	0.416	1.780	0.790	0.438	0.662	2.113	2.775	5,000	0.05%
Carb. Shale 0-3% Sulfides	3115	0	3	0.135	0.265	0.222	0.006	0.075	0.372	0.447	0	0.00%
Chert	320	0	3	0.053	0.436	0.199	0.043	0.207	0.613	0.820	0	0.00%
Silty Limestone	330-339	0	2257	0.000	16.336	0.351	1.140	1.068	2.487	3.554	1,795,000	18.03%
	330	0	1259	0.000	10.993	0.167	0.405	0.636	1.440	2.076	484,000	4.86%
	331	0	925	0.000	16.336	0.626	2.102	1.450	3.526	4.975	1,309,000	13.15%
Silty Limestone 0-3% Sulfides	3385	0	5	0.000	0.279	0.096	0.012	0.107	0.311	0.419	0	0.00%

Description	Rock Types	Below 0.012 opt cutoff	Inside Ore Values	Min.	Max.	Mean	Variance	Std. Dev	Mean +2 Std. Dev	Mean +3 Std. Dev.	Tonnes	0.411 Tonnes / Total Tonnes
Shaly Limestone	342,347	0	10	0.000	0.483	0.298	0.017	0.132	0.562	0.694	0	0.00%
Limestone w/ shale interbeds	358	0	23	0.005	0.436	0.076	0.008	0.087	0.250	0.337	0	0.00%
Limestone w/ Shale Interbeds 0-3% Sulfides	3505	0	5	0.126	0.340	0.207	0.007	0.085	0.378	0.464	0	0.00%
Limestone w/ Shale Interbeds Greater than 3% Sulfides	3506,3526	0	18	0.047	0.676	0.428	0.025	0.157	0.742	0.900	84,000	0.84%
Limestone 0-3% Sulfides	3615,3625,3685	0	93	0.000	2.260	0.262	0.168	0.410	1.081	1.490	96,000	0.96%
	3685	0	51	0.000	2.260	0.129	0.180	0.424	0.977	1.401	37,000	0.37%
Limestone Greater Than 3% Sulfides	3626,3676	0	108	0.000	2.140	0.294	0.191	0.437	1.168	1.605	92,000	0.92%
	3626	0	67	0.049	2.140	0.469	0.227	0.477	1.423	1.900	92,000	0.92%
Limestone Below Water No Sulfides	3617,3627	0	136	0.005	2.370	0.197	0.127	0.357	0.911	1.268	148,000	1.49%
	3627	0	69	0.022	2.370	0.341	0.209	0.457	1.255	1.712	148,000	1.49%
Limestone 0-3% Sulfides Below Water	3628	0	53	0.059	0.624	0.211	0.014	0.116	0.444	0.561	6,000	0.06%
Limestone Greater Than 3% Sulfides Below Water	3629	0	70	0.011	5.510	0.611	1.129	1.062	2.736	3.798	415,000	4.17%
Carb. Limestone	370,371,372,375,377,378	0	1383	0.000	11.900	0.260	0.578	0.760	1.781	2.541	1,113,000	11.18%
	370	0	560	0.000	10.993	0.089	0.246	0.496	1.081	1.578	135,000	1.36%
	371	0	223	0.000	11.350	0.575	1.032	1.016	2.606	3.622	276,000	2.77%
	372	0	279	0.000	11.900	0.559	1.251	1.118	2.795	3.914	606,000	6.09%
Carb. Tuff	370	0	560	0.000	10.993	0.089	0.246	0.496	1.081	1.578	135,000	1.36%
Carb. Limestone 0-3% Sulfides	3715,3725,3775,3785	0	209	0.000	7.740	0.493	0.807	0.898	2.289	3.187	230,000	2.31%
	3725	0	122	0.000	7.740	0.718	1.206	1.098	2.914	4.012	100,000	1.00%
Carb. Limestone Greater Than 3% Sulfides	3706,3716,3726,3776	0	135	0.000	3.500	0.184	0.179	0.423	1.030	1.453	183,000	1.84%
	3726	0	69	0.000	3.500	0.306	0.312	0.558	1.423	1.981	183,000	1.84%
Carb. Limestone no Sulfides Below water	3707,3717,3727,3777,3787	0	127	0.000	2.060	0.211	0.146	0.382	0.975	1.356	75,000	0.75%

Description	Rock Types	Below 0.012 opt cutoff	Inside Ore Values	Min.	Max.	Mean	Variance	Std. Dev	Mean +2 Std. Dev	Mean +3 Std. Dev.	Tonnes	0.411 Tonnes / Total Tonnes
	3717	0	18	0.032	2.060	0.559	0.358	0.598	1.756	2.355	17,000	0.17%
	3727	0	26	0.043	1.900	0.412	0.181	0.425	1.263	1.688	49,000	0.49%
Carb. Limestone 0-3% Sulfides Below Water	3708,3718,3728,3778,3788,3798	0	182	0.000	1.720	0.146	0.050	0.224	0.595	0.819	111,000	1.12%
	3728	0	45	0.061	1.525	0.256	0.054	0.233	0.722	0.955	9,000	0.09%
	3778	0	41	0.008	1.720	0.172	0.100	0.316	0.804	1.120	68,000	0.68%
Carb. Limestone Greater than 3% sulfides below water	3729,3779,3789	0	106	0.007	2.180	0.243	0.111	0.333	0.909	1.242	140,000	1.41%
	3729	0	42	0.100	2.180	0.338	0.107	0.327	0.993	1.320	2,000	0.02%
	3779	0	63	0.010	1.630	0.183	0.106	0.326	0.835	1.161	138,000	1.39%
Carb. Silty Limestone	390,391	0	269	0.000	6.404	0.387	0.411	0.641	1.669	2.310	262,000	2.63%
	390	0	200	0.000	6.404	0.390	0.494	0.703	1.795	2.498	188,000	1.89%
Tuff Gouge	400,401,403	0	273	0.000	3.459	0.273	0.270	0.519	1.311	1.830	206,000	2.07%
	400	0	72	0.000	2.432	0.197	0.113	0.337	0.870	1.207	9,000	0.09%
	401	0	36	0.000	2.945	0.363	0.324	0.569	1.501	2.070	15,000	0.15%
	403	0	165	0.000	3.459	0.286	0.325	0.570	1.425	1.995	182,000	1.83%
Carb. Tuff Gouge	413	0	1	0.925	0.925	0.925	0.000	0.000	0.925	0.925	0	0.00%
Limestone Gouge	420,421,423,428	0	87	0.000	5.103	0.424	0.743	0.862	2.147	3.009	64,000	0.64%
	421	0	48	0.000	5.103	0.702	1.143	1.069	2.840	3.909	62,000	0.62%
Silty Limestone Gouge	430,431	0	23	0.000	2.055	0.478	0.278	0.527	1.532	2.060	22,000	0.22%
Carb Limestone Gouge	441	0	3	0.171	0.959	0.491	0.172	0.415	1.320	1.734	3,000	0.03%
Limestone Bx	451	0	145	0.000	26.610	1.603	11.722	3.424	8.451	11.875	367,000	3.69%
Undefined Lithology No alteration	880	0	4	0.034	0.479	0.145	0.050	0.223	0.590	0.813		0.00%
Undefined Carb. Lithology	891	0	5	0.000	0.548	0.336	0.042	0.206	0.748	0.954		0.00%

Figures 19.1 and 19.2 show the mean gold and silver values for all 3-digit rock codes as summarized in Tables 19.1 and 19.2. Note: Statistics were run on silver values because of the relatively high concentration of silver in the New Pass resource.

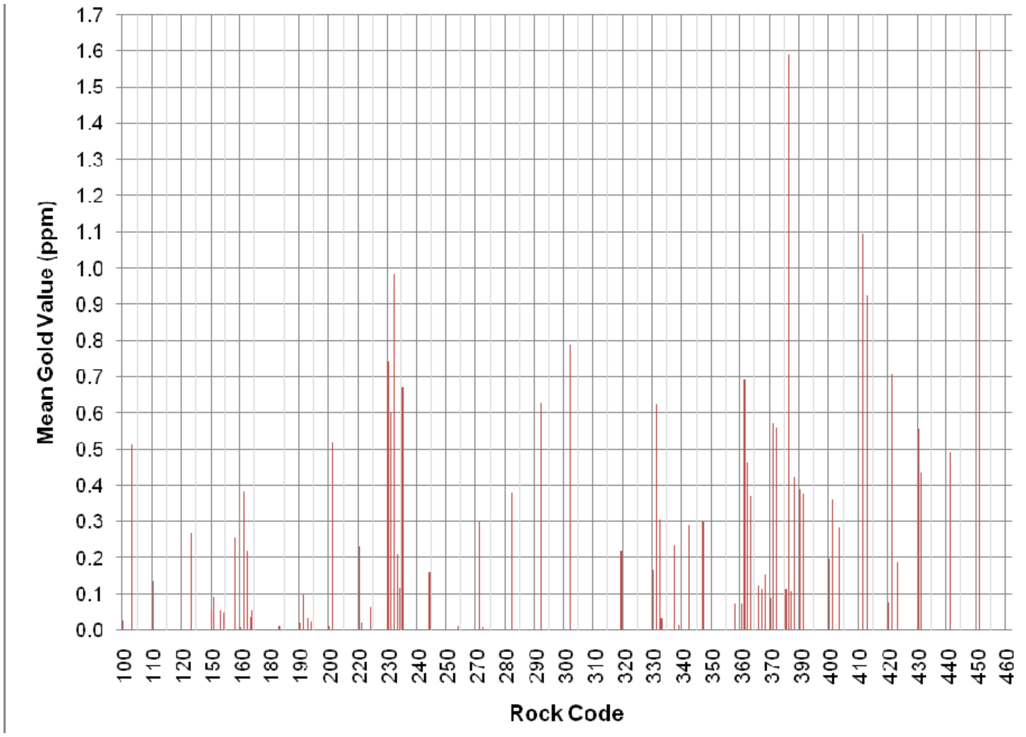

Figure 19.1 Mean Gold Values vs. Rock Codes

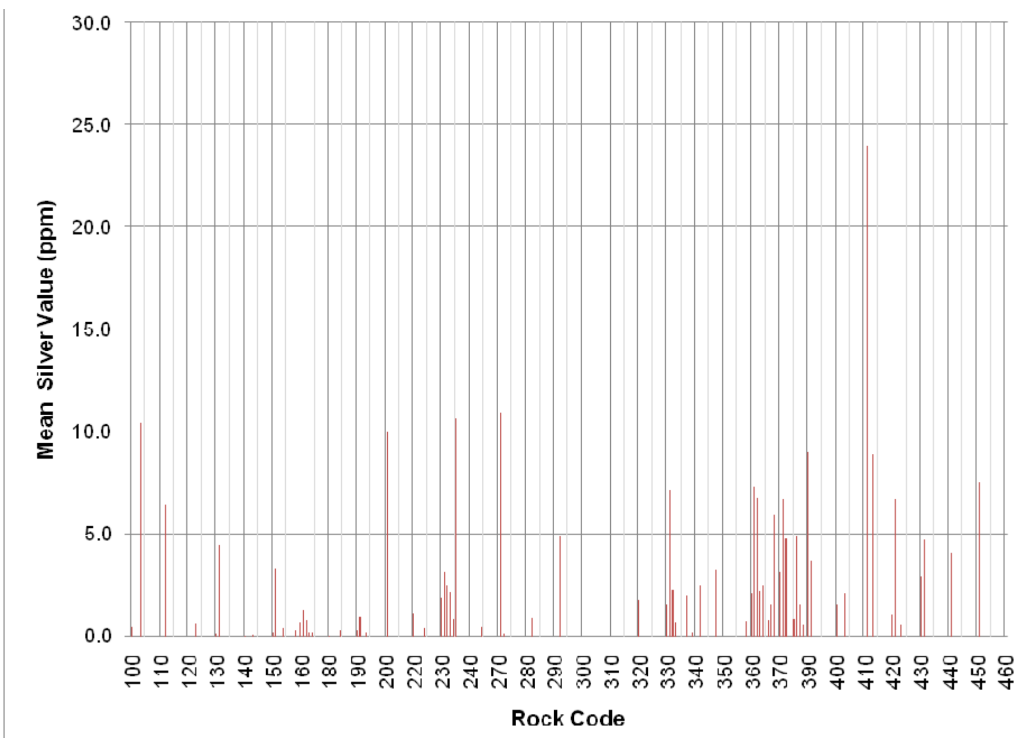

Figure 19.2 Mean Silver Values vs. Rock Codes

Figures 19.3 through 19.4 show details of gold and silver concentrations vs. rock codes, including a fourth digit which describes alteration based on percentage of sulfide concentration present in the logged cuttings. The fourth digit is summarized in Table 19.3.

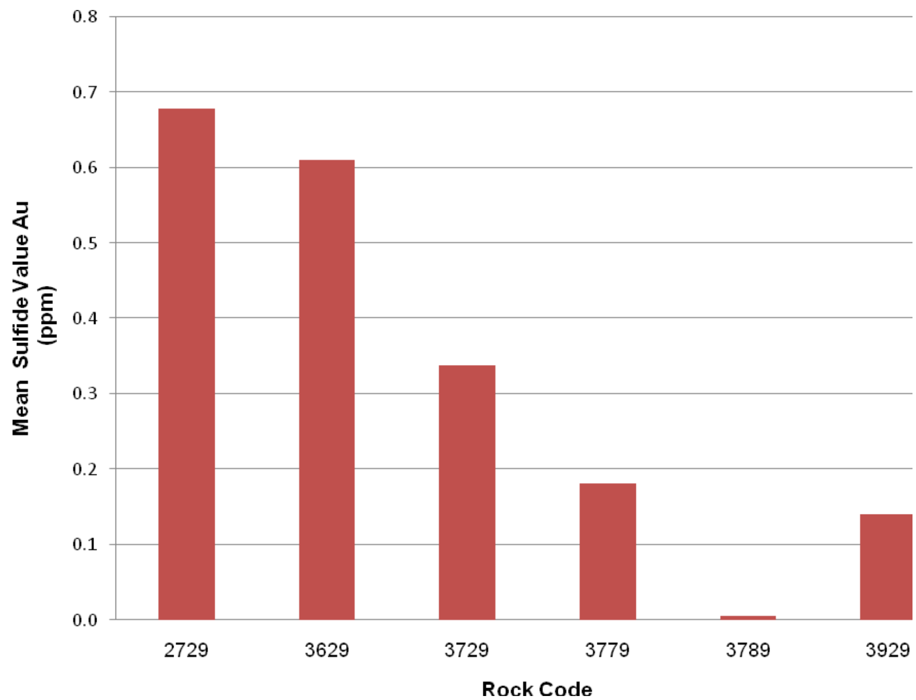

Figure 19.3 Mean Sulfide Gold Values vs. Rock Codes

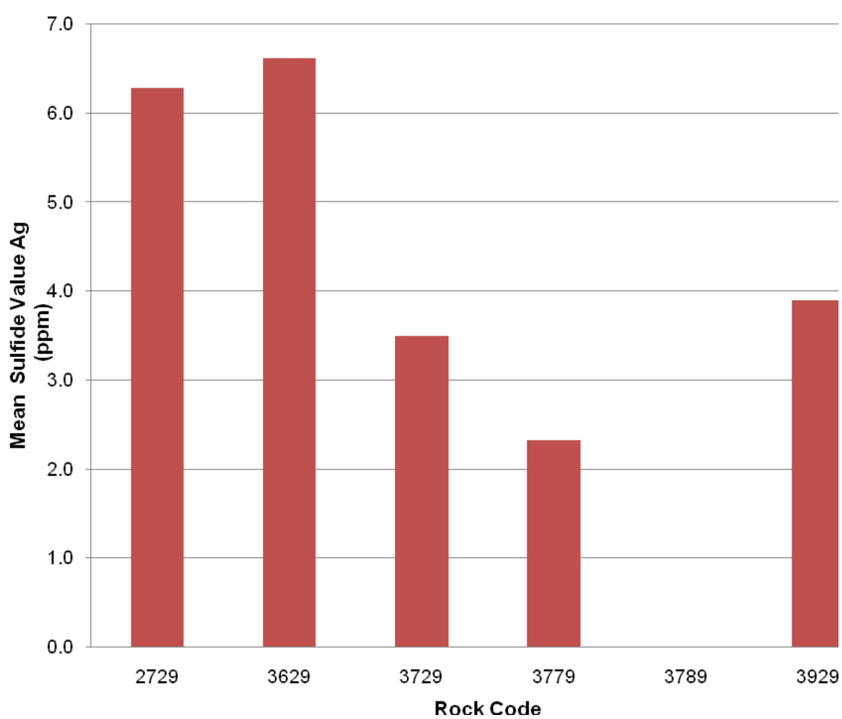

Figure 19.4 Mean Sulfide Silver Values vs. Rock Codes

Gold values are broken down by lithology and oxide/sulfide alteration based on percentage of sulfide concentration present in the logged cuttings in Figures 19.5 through 19.9. Data is further distinguished by whether the cuttings were from above or below the water table.

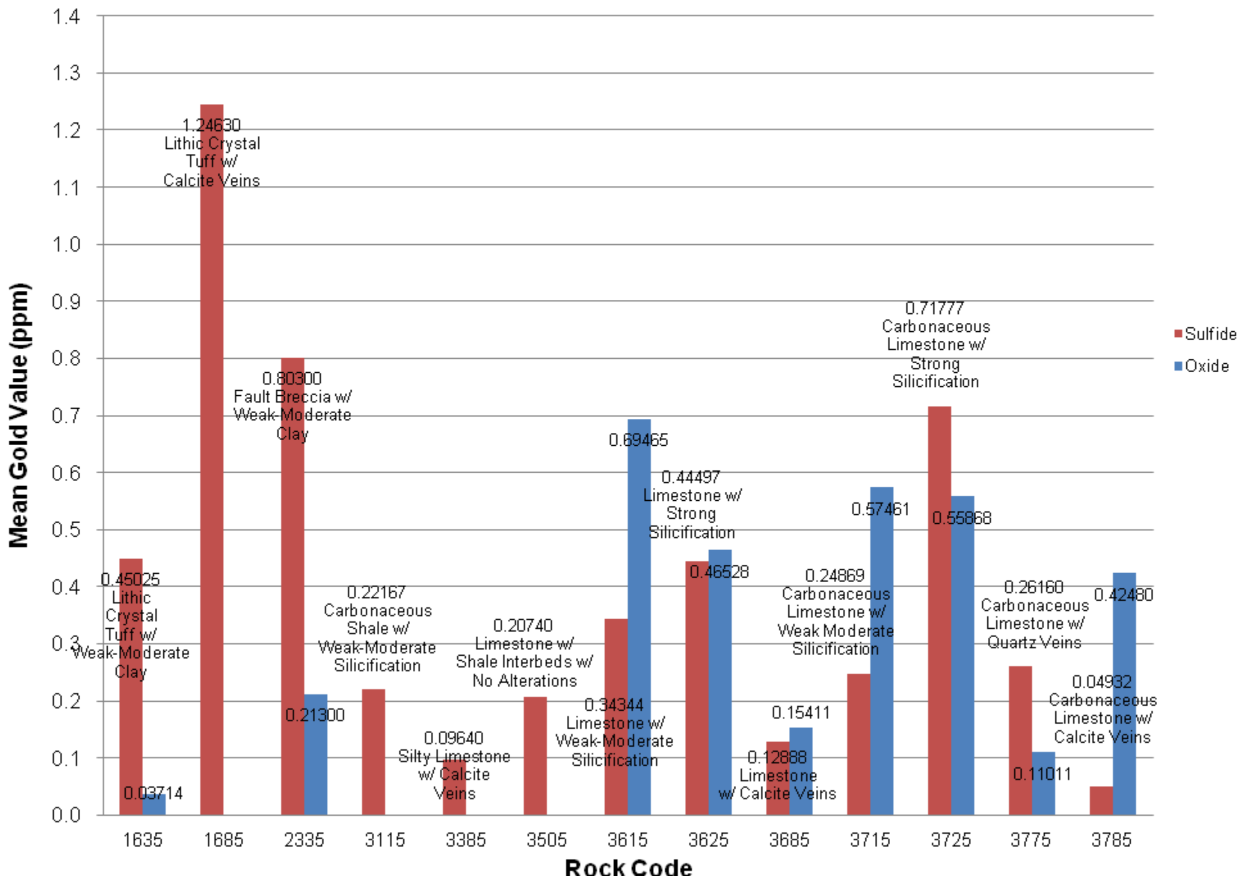

Figure 19.5 Gold Sulfide Summary–Trace to 3% Sulfide Minerals

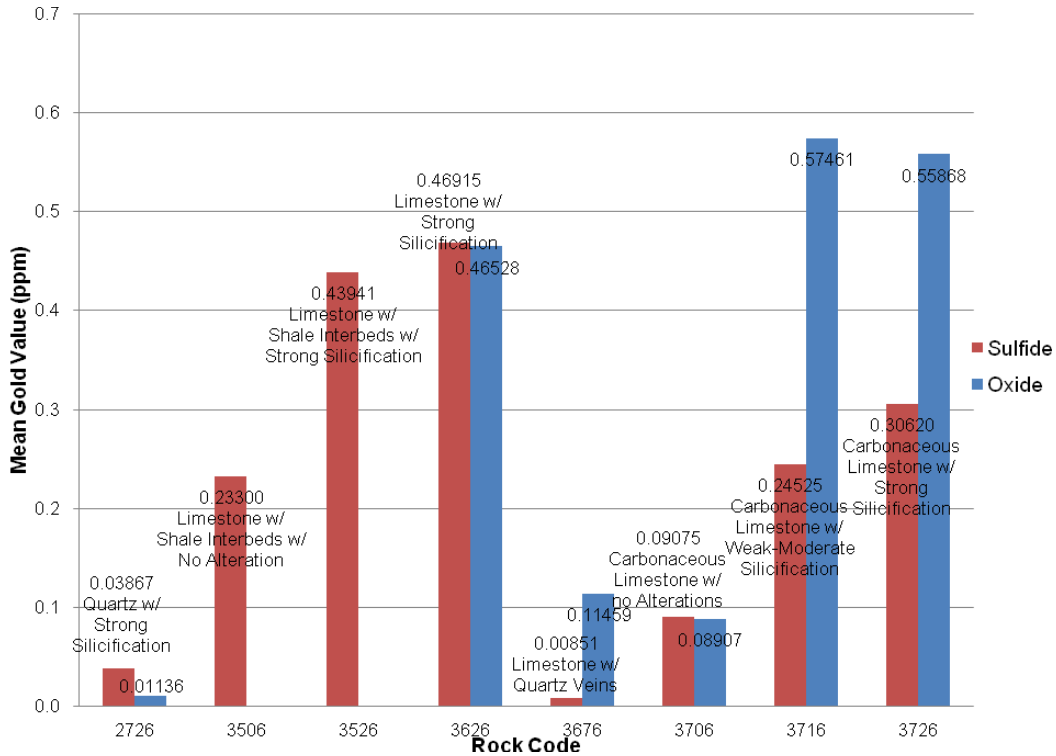

Figure 19.6 Gold Sulfide Summary–Greater Than 3% Sulfide Minerals

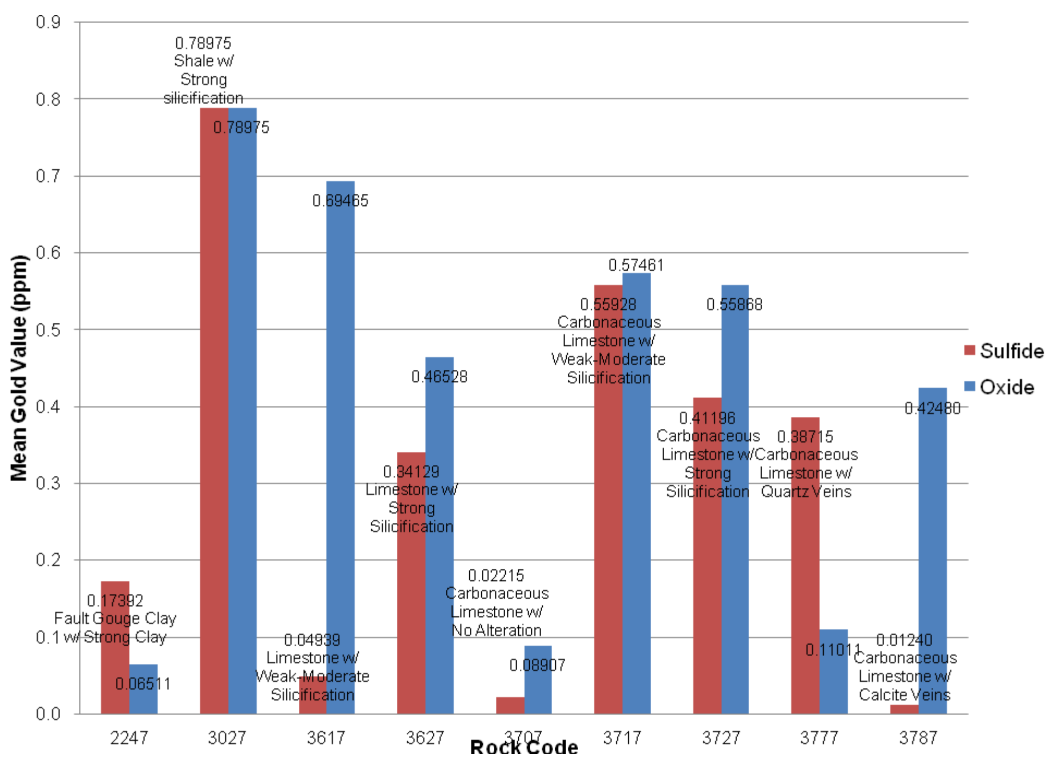

Figure 19.7 Gold Sulfide Summary–Below Water Table, No Sulfide Minerals

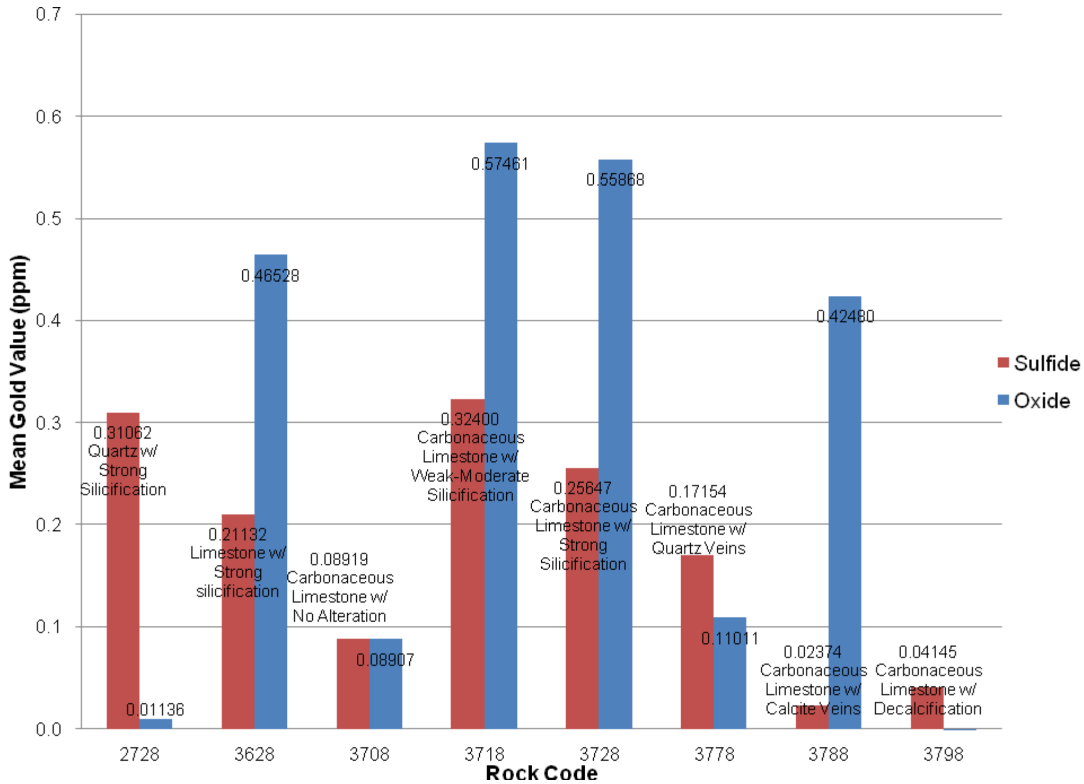

Figure 19.8 Gold Sulfide Summary–Below Water Table, Trace to 3% Sulfide Minerals

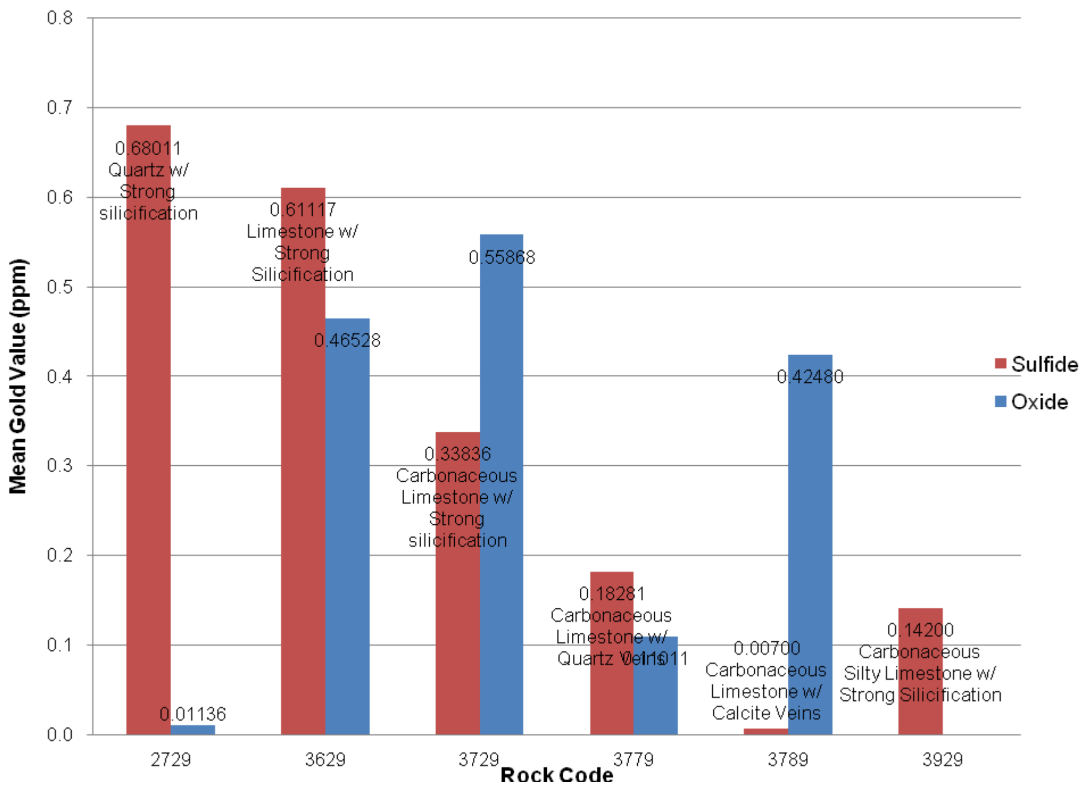

Figure 19.9 Gold Sulfide Summary–Below Water Table, Greater Than 3% Sulfide Minerals

Figure 19.10 summarizes the mean gold values for all 4-digit rock codes (lithology, alteration and sulfide mineral concentration). Refer to Tables 19.1, 19.2 and 19.3 for an explanation of rock and alteration codes.

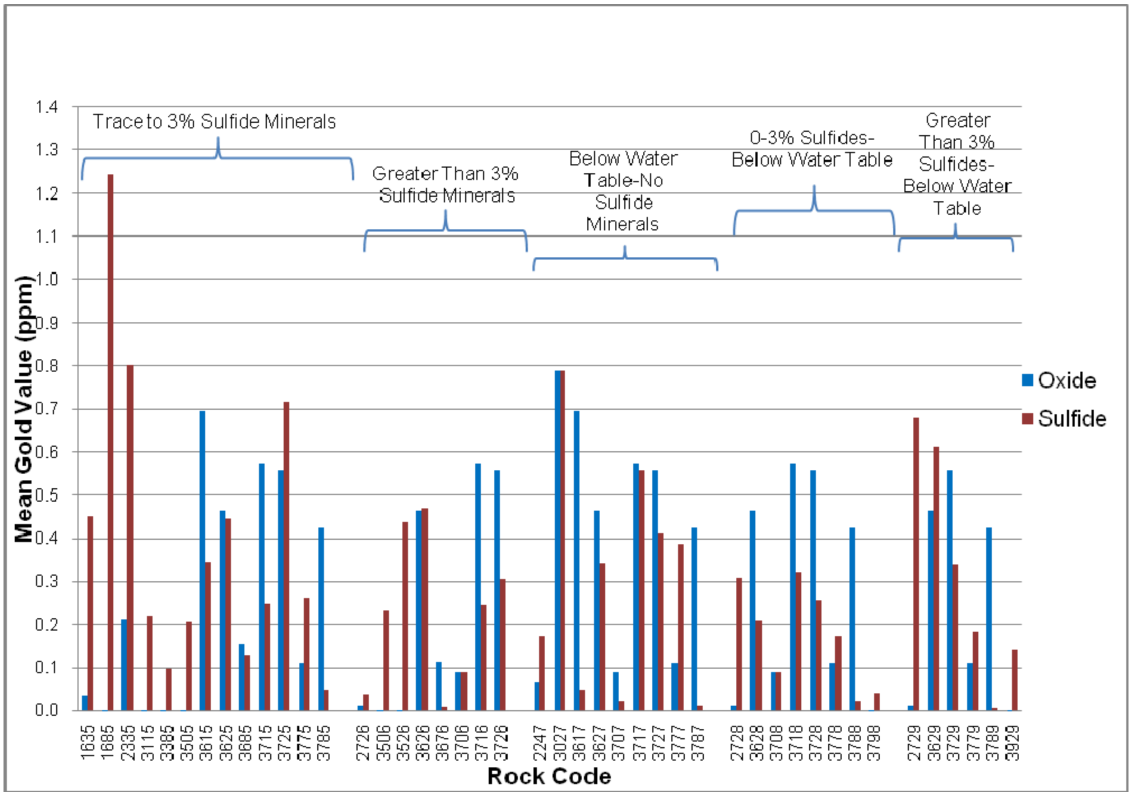

Figure 19.10 Gold Sulfide Summary

Silver values are broken down by lithology and oxide/sulfide alteration based on percentage of sulfide concentration present in the logged cuttings in Figures 19.11 through 19.15. Data is further distinguished by whether the cuttings were from above or below the water table.

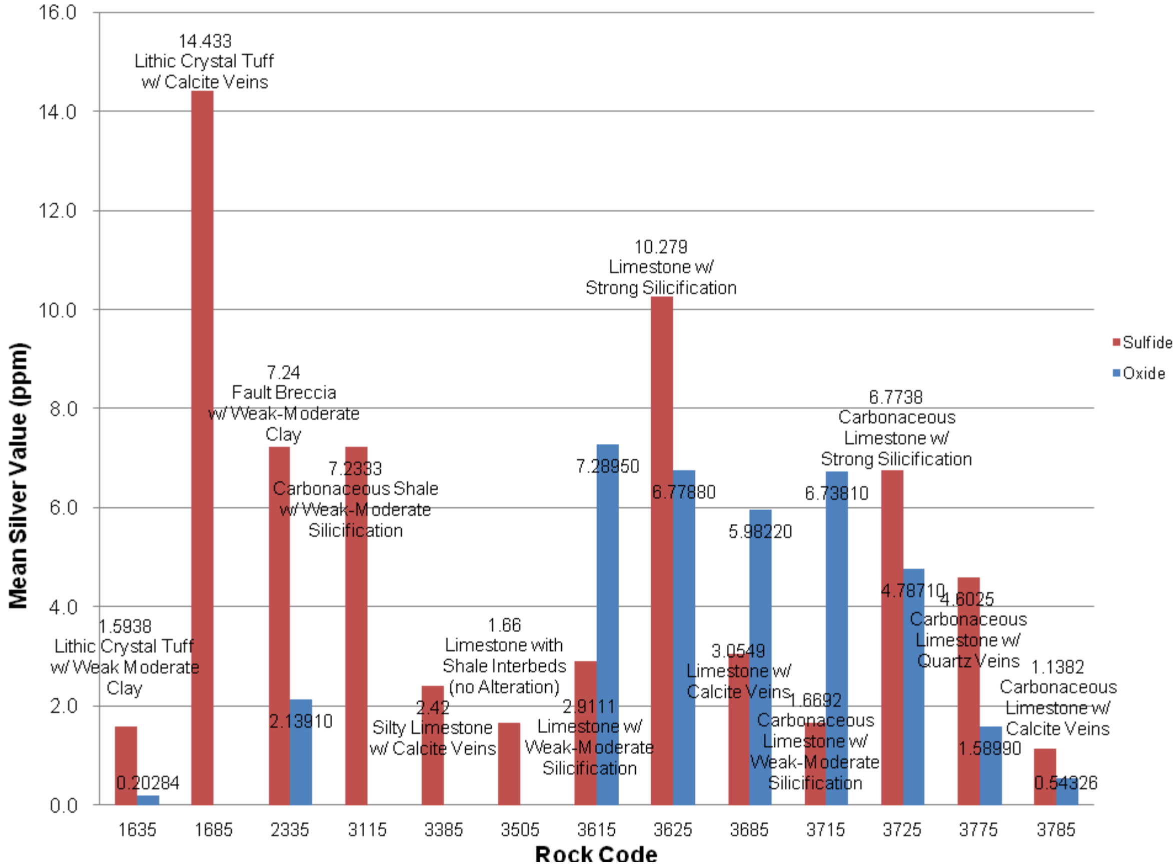

Figure 19.11 Silver Sulfide Summary–Trace to 3% Sulfide Minerals

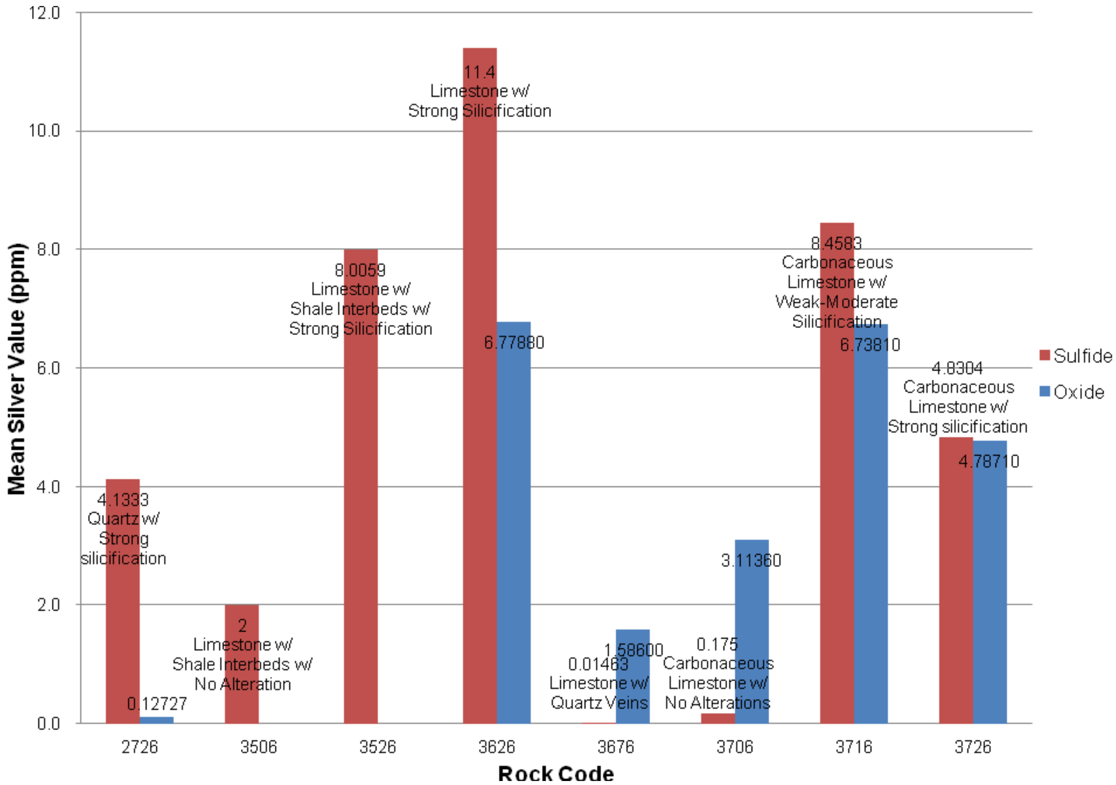

Figure 19.12 Silver Sulfide Summary–Greater Than 3% Sulfide Minerals

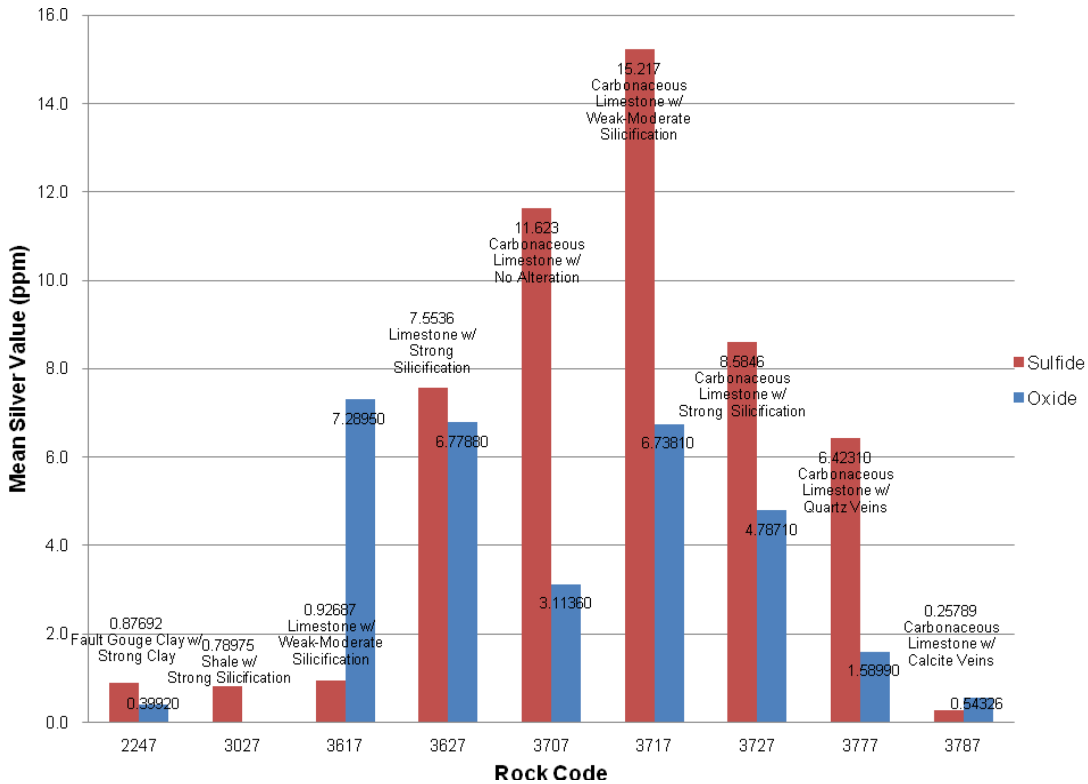

Figure 19.13 Silver Sulfide Summary–Below Water Table, No Sulfide Minerals

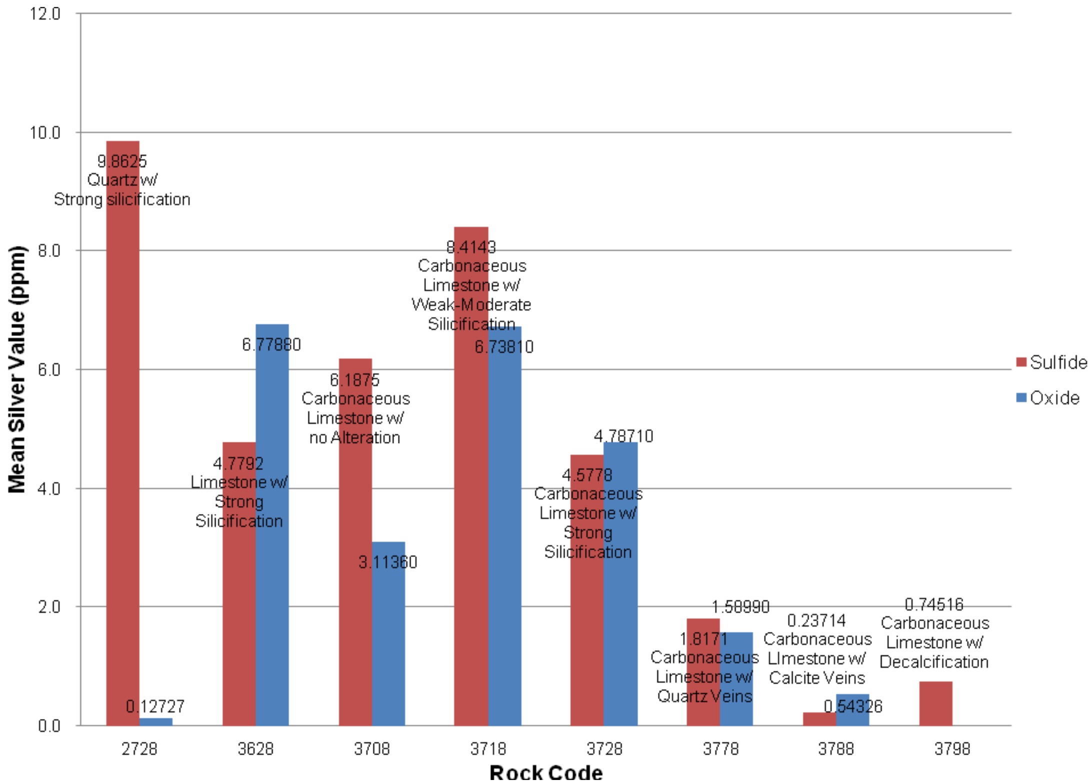

Figure 19.14 Silver Sulfide Summary–Below Water Table, Trace to 3% Sulfide Minerals

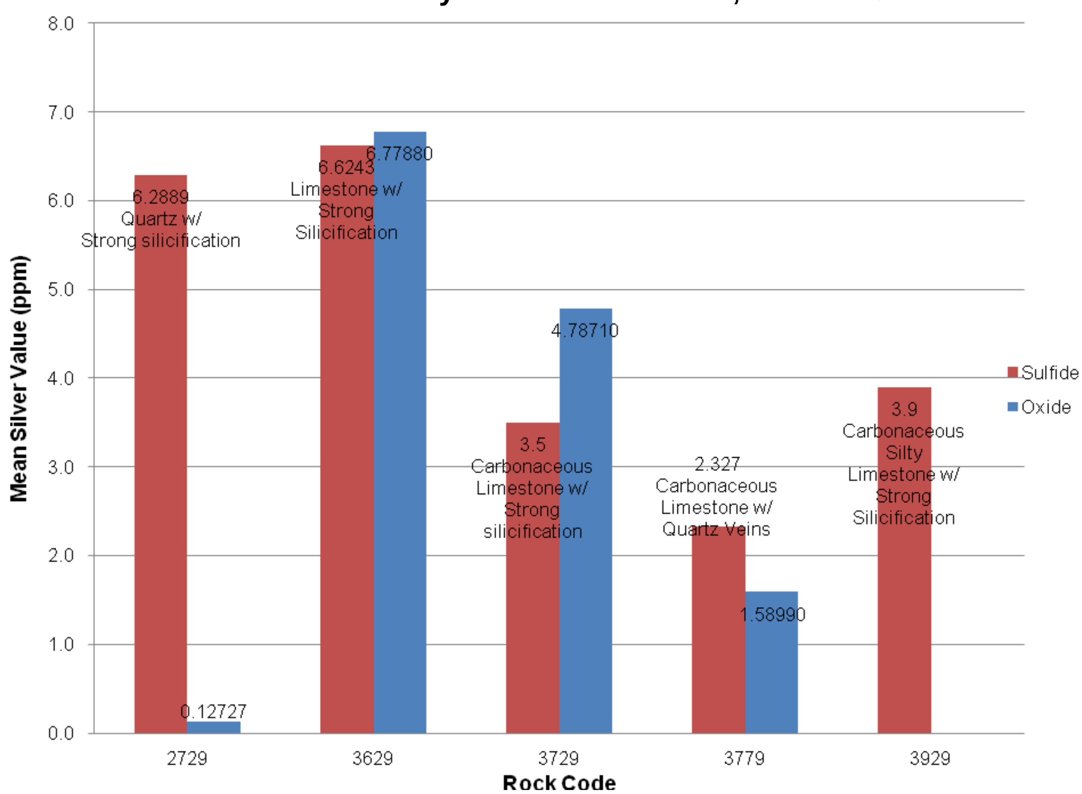

Figure 19.15 Silver Sulfide Summary–Below Water Table, Greater Than 3% Sulfide Minerals

Figure 19.16 summarizes the mean silver values for all 4-digit rock codes (lithology, alteration and sulfide mineral concentration). Refer to Tables 19.1, 19.2 and 19.3 for an explanation of rock and alteration codes.

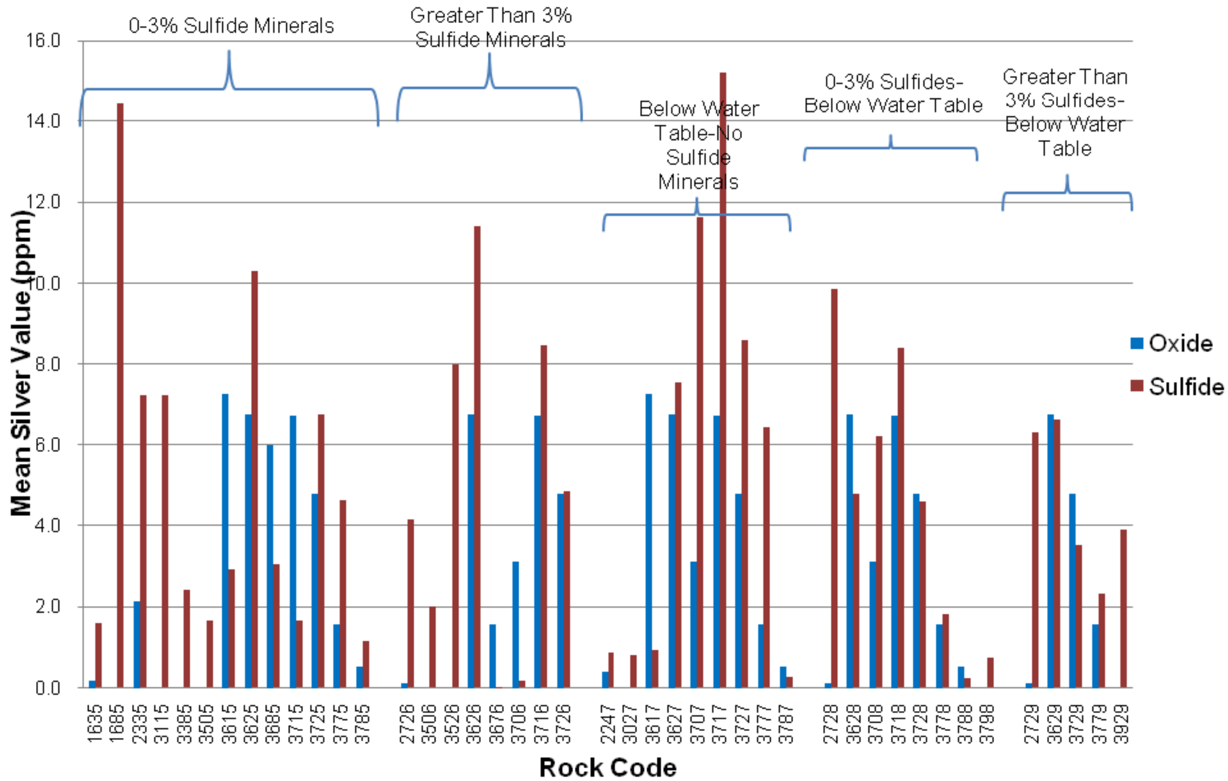

Figure 19.16 Silver Sulfide Summary

Variography

Variograms were calculated for New Pass for both gold and silver. A review of multi-directional variography was conducted. Regardless of direction, there seems to be a sill (ceiling) of variance (gamma h) at a range of 35 m. At values greater than 35 m, the variography seems to decline indicating a periodicity of structural features that occur approximately every 35 m. Any attempt to extend the influence of the values beyond 35 m would create results that would mimic random noise and would not honor the structures which are interpreted in cross section. See Figures 8A through 8N of Appendix 2 for cross sections through the model.

Because a horizontal range of influence was selected, this limits the spreading of values in the deposit. As drill density increases with future exploration in the areas of mineralization, apparent dips of preferential units can be verified. The range of the variogram in future analyses could increase. For the purposes of this report, the range of the variogram of 35 m was chosen as a conservative approximation. Variograms for gold and silver are shown in Figures 19.17 and 19.18 respectively.

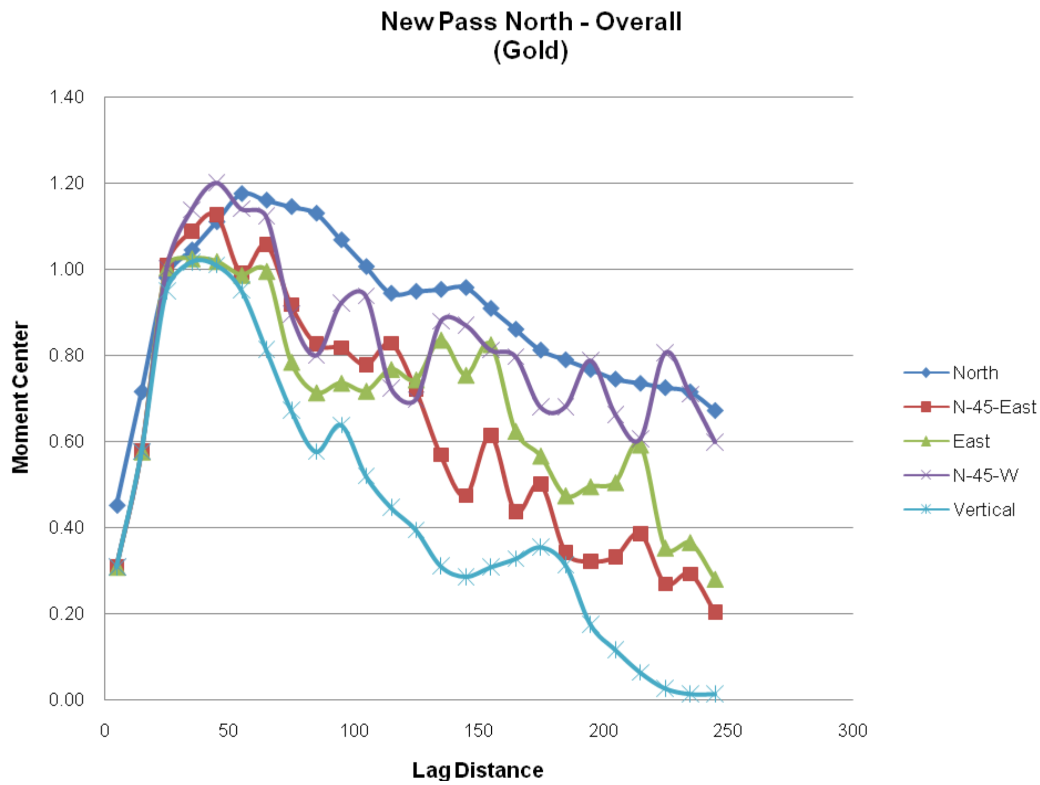

Figure 19.17 Gold Variograms for New Pass

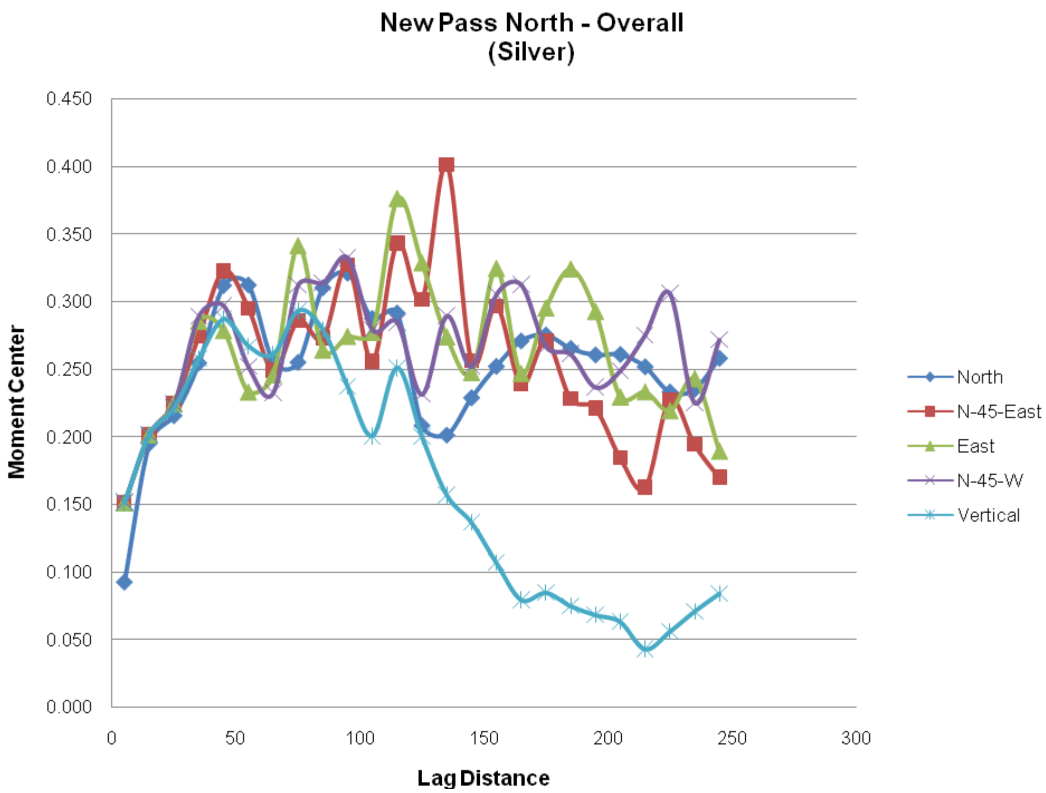

Figure 19.18 Silver Variograms for New Pass

To cross check the results of the variogram runs, a process known as jackknifing was employed. Jackknifing artificially removes some data from the model and then repeats the modeling process to determine the effect of the data and its influence on the overall results.

During the process, elements of the estimation method are applied and surrounding points are used to estimate a missing data point. The process is repeated until the entire dataset is analyzed and then a comparison between the original data and the estimated data is generated. The resulting statistics are a measure of the model's robustness.

The results of jackknifing runs are presented below. They underscored the validity of the selection of the 35 m range of influence because there is no substantial shift of the means of the original data vs. the estimated data. For example, in the case of fault breccia as shown below, the percentage difference between the means of the original and estimated data is less than 2%. For limestone and fault gouge breccia, the percentage difference was less than 1% in both cases.

Fault Breccia	Original Data	Estimated Data
Mean Value	0.1481	0.1456
Standard Deviation	0.2547	0.2078
Variance	0.0649	0.0432
Number of samples	=	35
Covariance	=	0.0362
Correlation Coefficient	=	0.6834
T Statistic	=	0.0792

Limestone	Original Data	Estimated Data
Mean Value	0.3715	0.3724
Standard Deviation	0.9276	0.7349
Variance	0.8604	0.5400
Number of samples	=	3,056
Covariance	=	0.4420
Correlation Coefficient	=	0.6484
T Statistic	=	-0.0722

Fault Gouge Breccia	Original Data	Estimated Data
Mean Value	0.1896	0.1891
Standard Deviation	0.7131	0.5479
Variance	0.5085	0.3002
Number of samples	=	18,731
Covariance	=	0.2384
Correlation Coefficient	=	0.6103
T Statistic	=	0.1274

19.6 Block Model

Search Parameters

Because of its simplicity and its ability to smooth values in a linear fashion, the inverse distance squared method was used in the modeling process for assigning values to the block model for the New Pass resource. As a result of the review of the multidirectional variograms, there was a preferential orientation of the primary axis to a distance of 75 m while the secondary axis settled in at 35 m. The tertiary axis (12 m) was determined by operational experience to avoid spreading values downhole.

Construction of the Electronic Geologic Model

As with the gold values, the geology is expressed in the drill hole intercept. Using the 75 meters by 35 meters by 12 meters variograms range, a geologic value is projected into the block model. If drilling density is at a closer spacing than the range of the variograms the geologic boundary is established half way to the next hole. Areas spaced greater than the variograms' range will have gaps of unassigned rock type.

Sample and Block Selection Parameters

In order to assign a gold value to a block in the three dimensional model, a matching rock code from the composited sample interval would be required. No rock type intervals crossed the lithologic boundary of the geologic polygons.

Model Density

The resource was modeled using a mean density of 2.55 tonnes/cubic meter (2.15 tons/cubic yard). The earliest report on the New Pass Project had a density of the jasperoid of only 159 lbs/cubic foot (DEPCO, 1980).

Cutoff Grades

Cutoff grades used to estimate the in-situ resource are not based on economics but rather have been selected merely as points of interest on the grade-tonnage curve. Grade-tonnage tables and curves are presented in Figures 19.19 through Figure 19.27 and Tables 19.5 and 19.6.

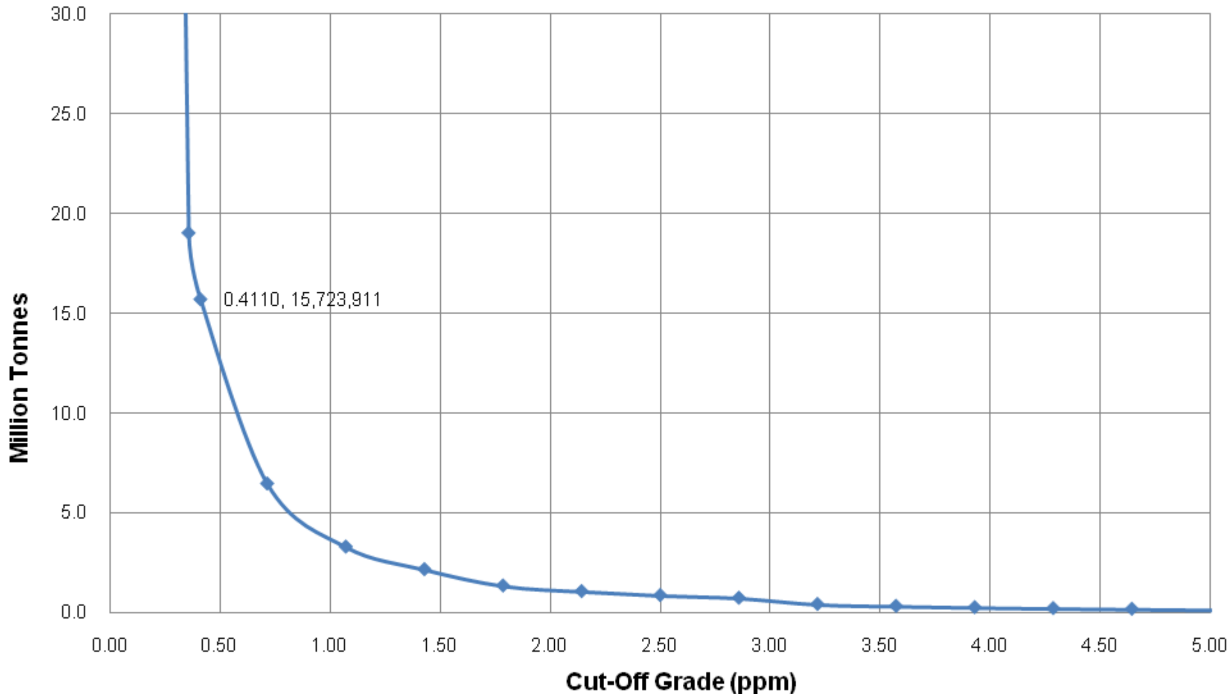

Figure 19.19 Grade-Tonnage Curve (Metric) for Gold

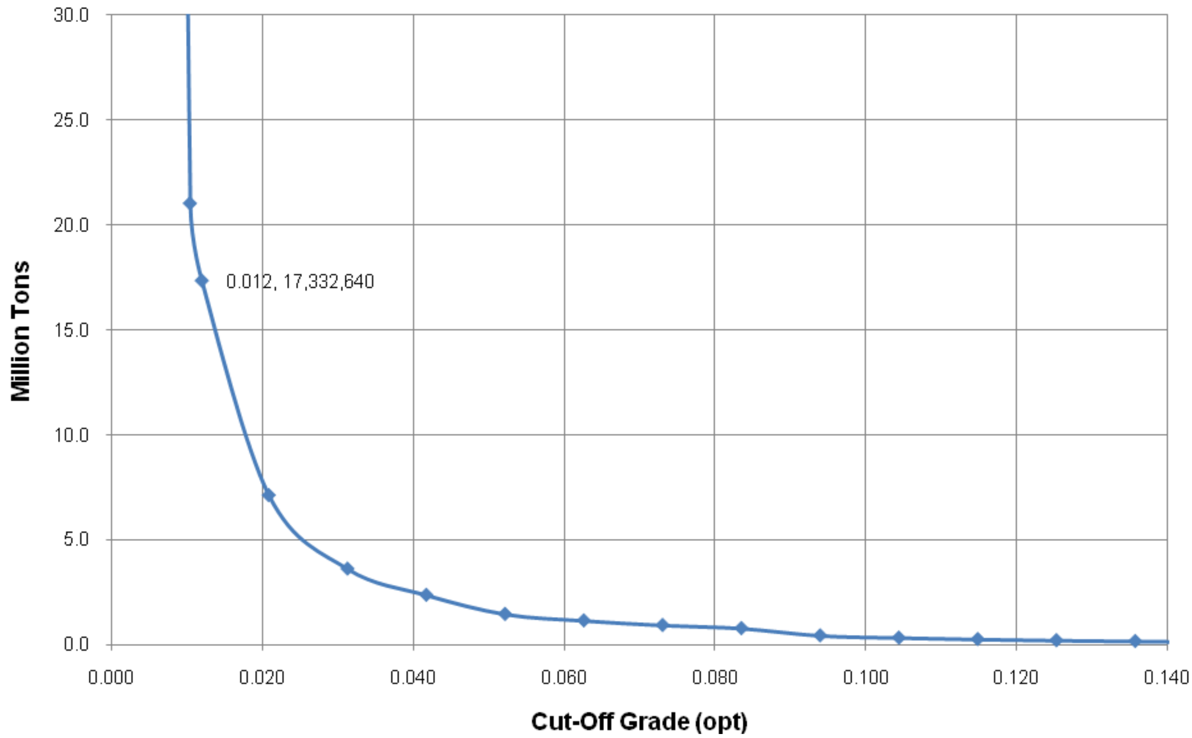

Figure 19.20 Grade-Tonnage Curve (Imperial) for Gold

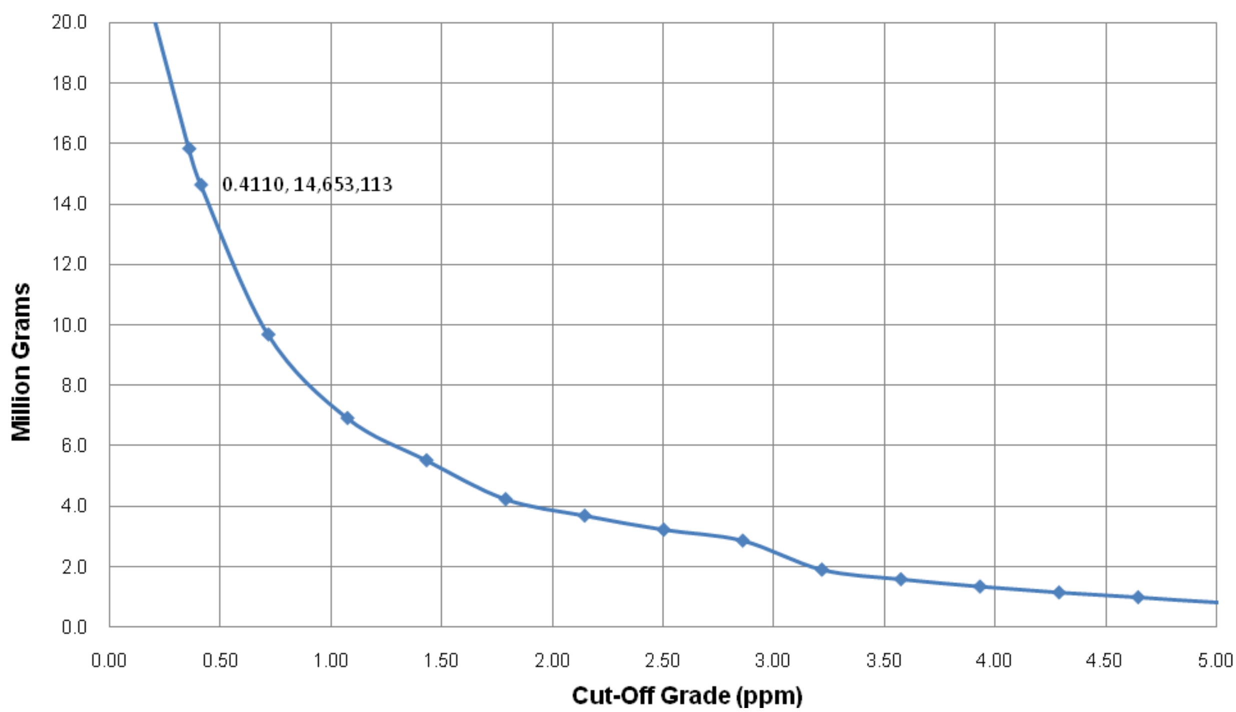

Figure 19.21 Cutoff Grade vs. Modeled Contained Grams (Metric) for Gold

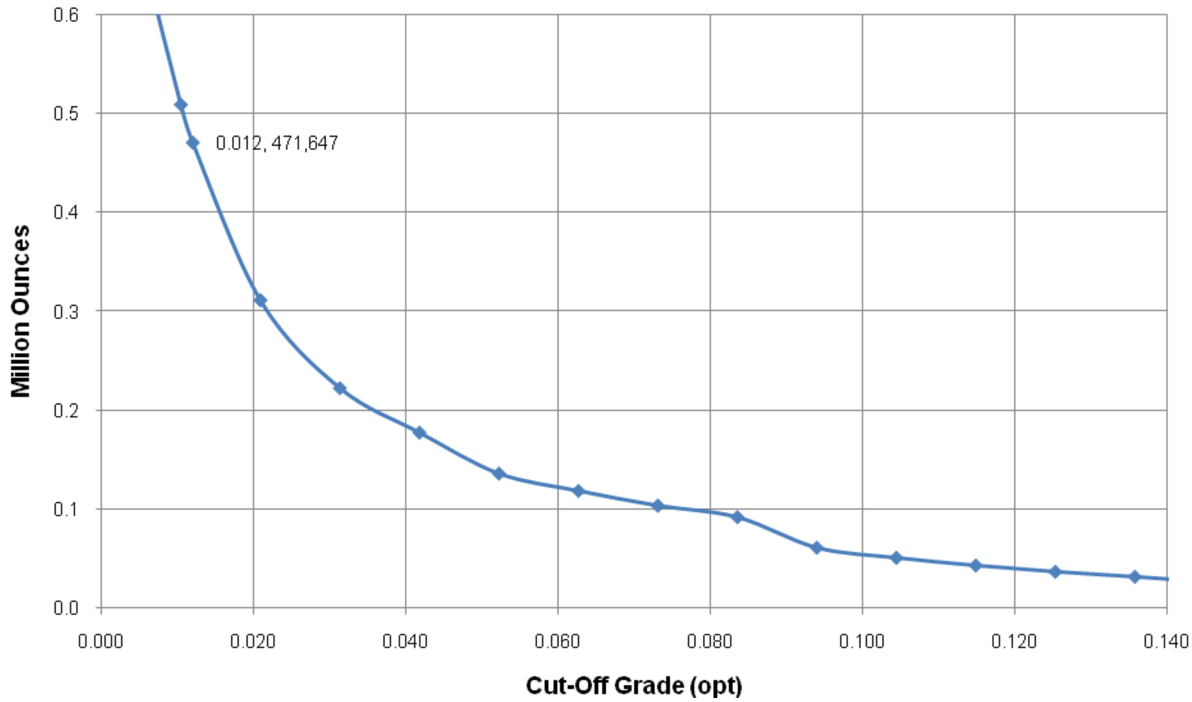

Figure 19.22 Cutoff Grade vs. Modeled Contained Ounces (Imperial) for Gold

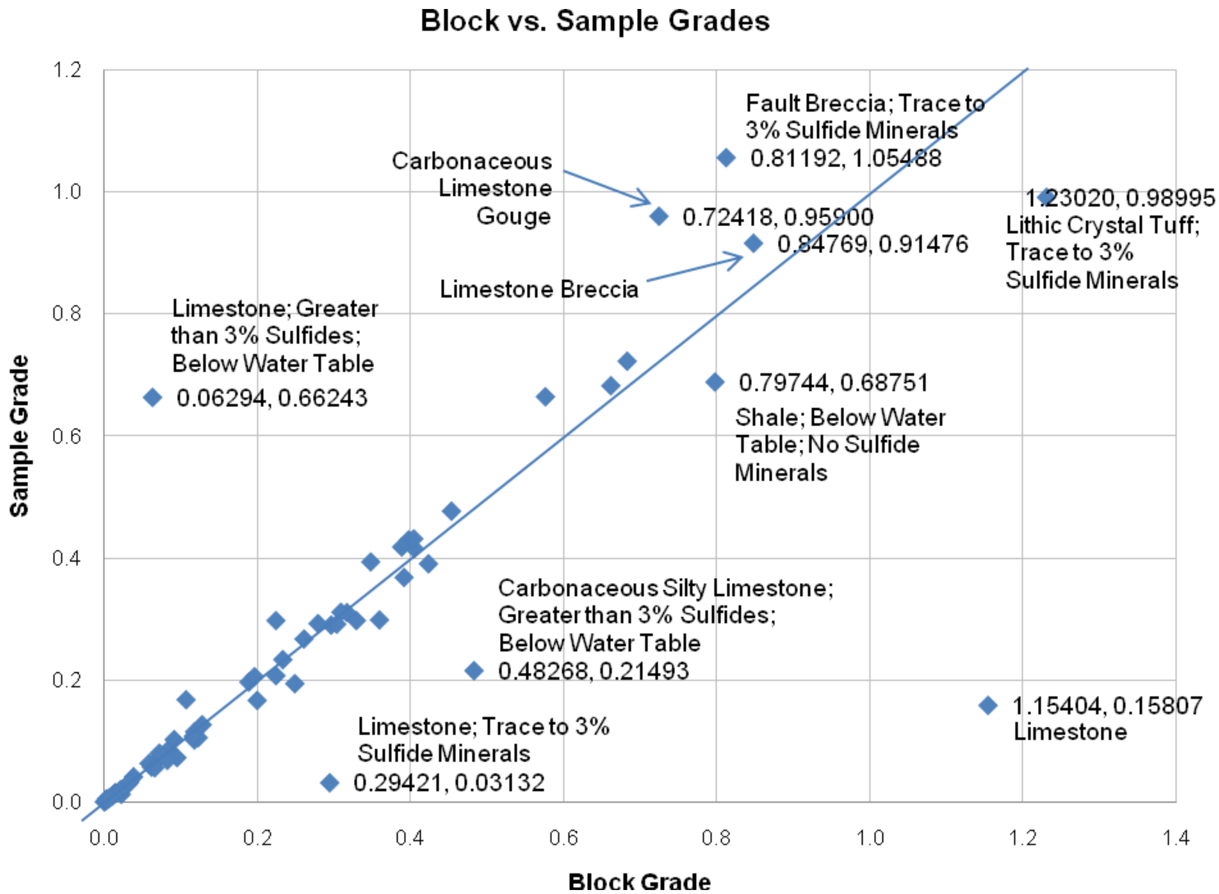

Figure 19.23 Block Model Results

Table 19.5 – Gold Grade-Tonnage Curve

METRIC					IMPERIAL			
Cutoff Grade (ppm)	Tonnes	Average Grade Above Cutoff (ppm)	Grams Au		Cutoff Grade (opt)	Tons	Average Grade Above Cutoff (opt)	Ounces Au
0.0000	320,158,786	0.0804	25,740,766		0.000	352,914,550	0.002	828,530
0.3574	19,060,555	0.8315	15,848,852		0.010	21,010,660	0.024	510,135
0.4110	**15,723,911**	**0.9319**	**14,653,113**		**0.012**	**17,332,640**	**0.027**	**471,647**
0.7149	6,456,026	1.5011	9,691,141		0.021	7,116,549	0.044	311,933
1.0723	3,282,744	2.1088	6,922,651		0.031	3,618,605	0.062	222,823
1.4297	2,148,733	2.5706	5,523,533		0.042	2,368,572	0.075	177,789
1.7872	1,326,025	3.1927	4,233,599		0.052	1,461,692	0.093	136,269
2.1446	1,044,204	3.5319	3,688,023		0.063	1,151,037	0.103	118,708
2.5020	845,009	3.8126	3,221,681		0.073	931,463	0.111	103,698
2.8595	710,902	4.0231	2,860,031		0.083	783,635	0.117	92,057
3.2169	396,953	4.7848	1,899,341		0.094	437,566	0.140	61,135
3.5743	301,929	5.2323	1,579,785		0.104	332,820	0.153	50,849
3.9318	237,446	5.6388	1,338,911		0.115	261,740	0.165	43,096
4.2892	189,518	6.0309	1,142,967		0.125	208,908	0.176	36,789
4.6467	153,535	6.4033	983,130		0.136	169,243	0.187	31,644
5.0041	118,610	6.8644	814,184		0.146	130,745	0.200	26,207
5.3615	100,316	7.1770	719,965		0.157	110,579	0.210	23,174
5.7190	84,970	7.4699	634,714		0.167	93,663	0.218	20,430
6.0764	67,205	7.8660	528,631		0.177	74,080	0.230	17,015
6.4338	53,144	8.2938	440,764		0.188	58,581	0.242	14,187
6.7913	44,072	8.6466	381,076		0.198	48,581	0.252	12,266
7.1487	33,640	9.1507	307,830		0.209	37,082	0.267	9,908
7.5061	28,802	9.4543	272,302		0.219	31,749	0.276	8,765
7.8636	22,830	9.9165	226,393		0.230	25,166	0.290	7,287
8.2210	17,311	10.5227	182,163		0.240	19,083	0.307	5,863
8.5784	15,195	10.8242	164,471		0.250	16,749	0.316	5,294
8.9359	12,171	11.3363	137,973		0.261	13,416	0.331	4,441
9.2933	10,281	11.7475	120,776		0.271	11,333	0.343	3,887
9.6507	8,920	12.0951	107,892		0.282	9,833	0.353	3,473
10.0082	8,240	12.2808	101,193		0.292	9,083	0.359	3,257

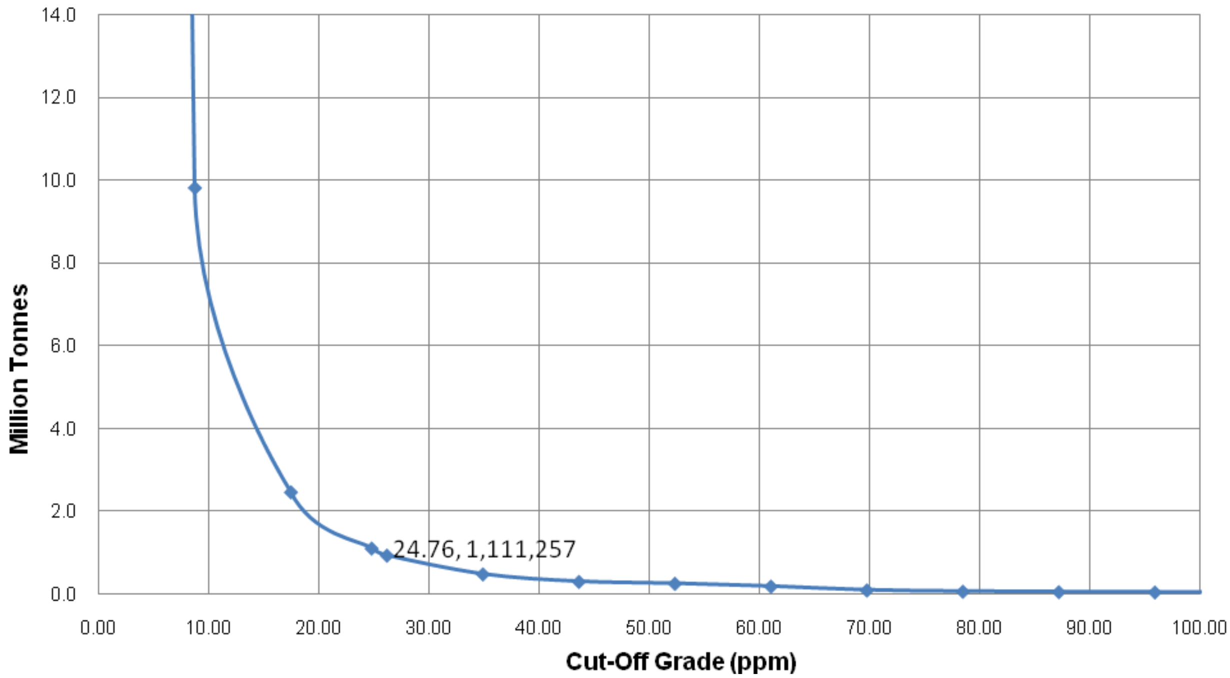

Figure 19.24 Grade-Tonnage Curve (Metric) for Silver

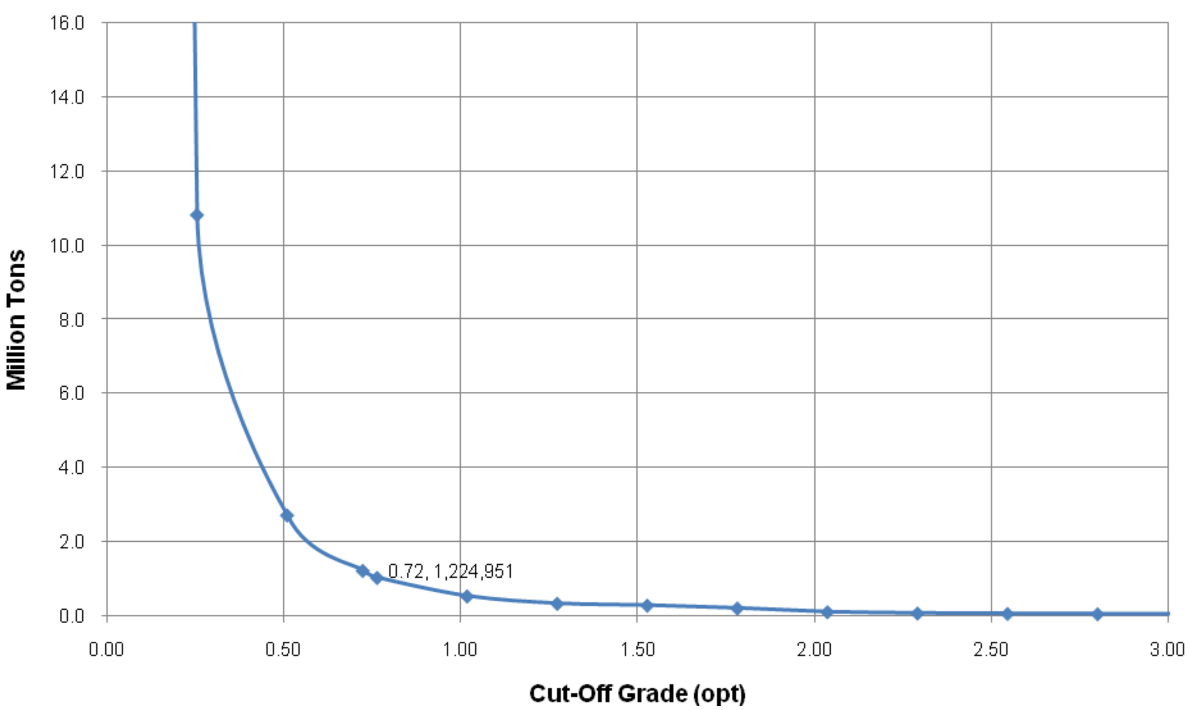

Figure 19.25 Grade-Tonnage Curve (Imperial) for Silver

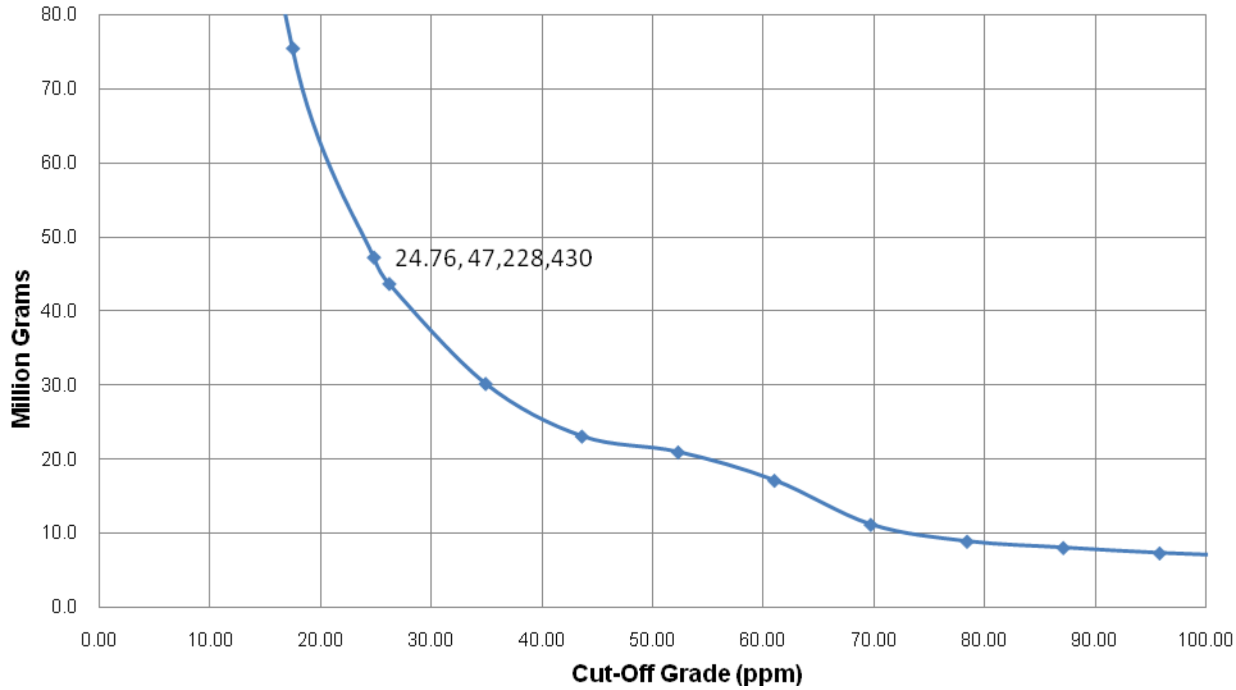

Figure 19.26 Cutoff Grade vs. Modeled Contained Grams (Metric) for Silver

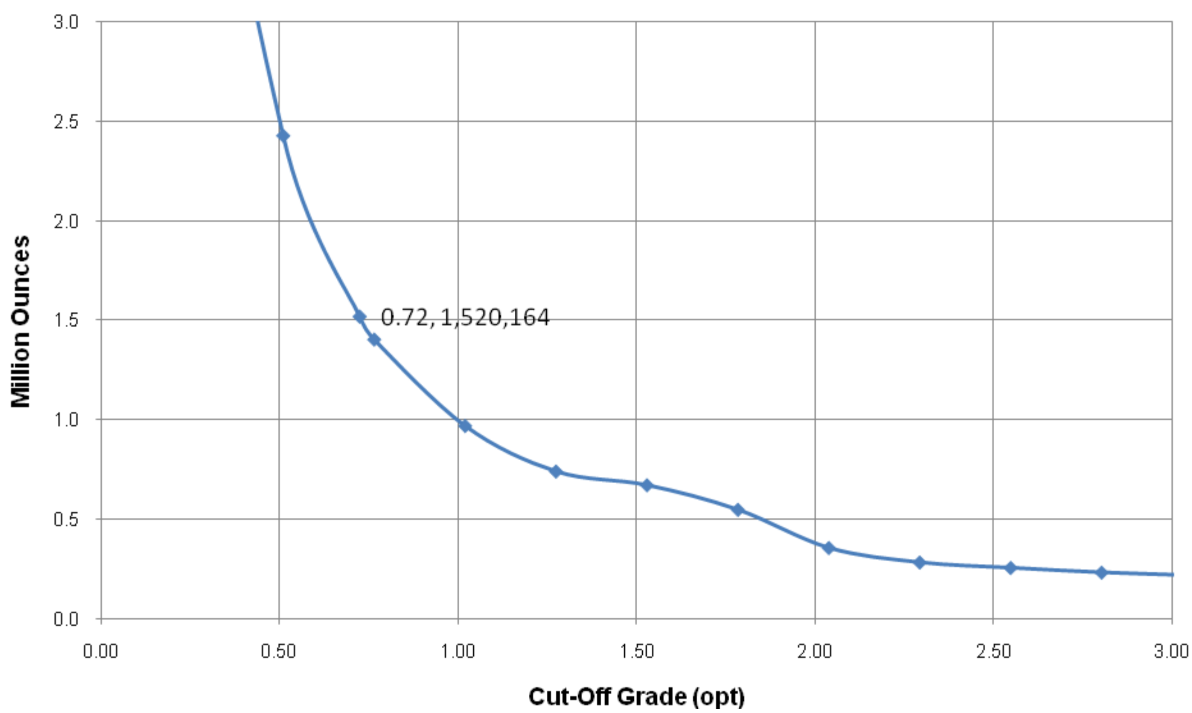

Figure 19.27 Cutoff Grade vs. Modeled Contained Grams (Imperial) for Silver

Table 19.6 – Silver Grade-Tonnage Curve

METRIC				IMPERIAL			
Cutoff Grade (ppm)	Tonnes	Average Grade Above Cutoff (ppm)	Grams Ag	Cutoff Grade (opt)	Tons	Average Grade Above Cutoff (opt)	Ounces Ag
0.00	325,761,260	1.22	398,015,108	0.00	359,090,219	0.04	12,811,104
8.72	9,826,764	16.58	162,910,059	0.25	10,832,150	0.48	5,243,664
17.43	2,470,922	30.54	75,464,673	0.51	2,723,724	0.89	2,429,018
24.76	**1,111,257**	**42.50**	**47,228,430**	**0.72**	**1,224,951**	**1.24**	**1,520,164**
26.15	939,201	46.48	43,653,983	0.76	1,035,292	1.36	1,405,112
34.87	486,005	62.04	30,153,446	1.02	535,729	1.81	970,563
43.59	305,331	75.47	23,044,654	1.27	336,570	2.20	741,749
52.30	258,462	80.88	20,904,622	1.53	284,905	2.36	672,867
61.02	190,577	89.57	17,069,547	1.78	210,075	2.62	549,426
69.74	98,501	112.76	11,107,117	2.04	108,579	3.29	357,510
78.45	67,583	130.78	8,838,517	2.29	74,497	3.82	284,490
87.17	57,226	139.59	7,987,903	2.55	63,081	4.08	257,110
95.89	49,213	147.46	7,257,153	2.80	54,248	4.31	233,589
104.60	44,526	152.46	6,788,287	3.05	49,081	4.45	218,498

Telesto has picked a gold cutoff grade of 0.411 g/tonne (0.012 opt) on the grade-tonnage curves to report resource quantities for all of the resources at New Pass. This was based on Telesto's operational experience with open pit mining operations. Furthermore, any use of a lower cutoff grade would add additional tons and grade which are an artifact of the estimation method. Table 19.7 shows the results of the block model for gold by classification for New Pass. Table 19.8 shows the results of the block model for silver by classification. Because gold is the primary economic commodity at New Pass and silver is considered a by-product, all resources (gold, silver and gold equivalent) were calculated in terms of a gold cutoff grade of 0.411 grams per tonne (0.012 opt). The grams of silver reported below are those which are associated with the in-situ gold resource.

Table 19.9 shows resources calculated in terms of gold equivalent. A ratio of 60:1 for gold:silver was used based on 3-year average prices for gold and silver which were obtained from kitco.com. Telesto concluded that 60:1 was a reasonable approximation of the gold:silver price ratio for gold equivalent calculations.

Table 19.7 – Geologic In-situ Gold Resource for New Pass

METRIC	Cutoff Grade (Au g/tonne)	Tonnage (tonnes)	Au (g)	Avg. Grade (g/tonne)
Measured	0.411	9,955,000	9,677,000	0.972
Indicated	0.411	153,000	90,000	0.590
Measured + Indicated	0.411	10,108,000	9,767,000	0.966
IMPERIAL	**Cutoff Grade (Au opt)**	**Tonnage (ton)**	**Au (oz)**	**Avg. Grade (opt)**
Measured	0.012	10,973,000	311,000	0.028
Indicated	0.012	169,000	2,900	0.017
Measured + Indicated	0.012	11,142,000	313,900	0.028

Note: Rounding of tons as required by Form 43-101F1 reporting guidelines (Item 19) results in apparent differences between tons, grade and contained ounces of gold in the mineral resource.

Table 19.8 – Geologic In-situ Silver Resources at New Pass

METRIC	Cutoff Grade (Au g/tonne)	Tonnage (tonnes)	Ag (g)	Avg. Grade (g/tonne)
Measured	0.411	9,955,000	82,096,000	8.25
Indicated	0.411	153,000	418,000	2.73
Measured + Indicated	0.411	10,108,000	82,514,000	8.16
IMPERIAL	**Cutoff Grade (Au opt)**	**Tonnage (ton)**	**Ag (oz)**	**Avg. Grade (opt)**
Measured	0.012	10,973,000	2,639,000	0.24
Indicated	0.012	169,000	13,400	0.08
Measured + Indicated	0.012	11,142,000	2,652,400	0.24

Note: Rounding of tons as required by Form 43-101F1 reporting guidelines (Item 19) results in apparent differences between tons, grade and contained ounces of gold in the mineral resource.

Table 19.9 – Total Gold-Equivalent Resources at New Pass

METRIC	Gold (g)	Silver (g)	Tonnage (tonnes)	AuEq (g)	Avg. Grade (g/tonne)
Measured	9,677,000	82,096,000	9,955,000	11,045,267	1.110
Indicated	90,000	418,000	153,000	96,967	0.634
Measured + Indicated	9,767,000	82,514,000	10,108,000	11,142,234	1.102
IMPERIAL	Gold (oz)	Silver (oz)	Tonnage (ton)	AuEq (oz)	Avg. Grade (opt)
Measured	311,000	2,639,000	10,973,000	354,983	0.032
Indicated	2,900	13,400	169,000	3,123	0.018
Measured + Indicated	313,900	2,652,400	11,142,000	358,106	0.032

Note: Rounding of tons as required by Form 43-101F1 reporting guidelines (Item 19) results in apparent differences between tons, grade and contained ounces of gold in the mineral resource.

19.7 Mineral Resource Classification

An extensive review was undertaken to determine a standard method of classifying measured and indicated resources. The first level of separation was determined to be drill hole density in and around the project area. A variogram range of approximately 75 meters by 35 meters by 12 meters vertical was interpreted from the graphs shown in Figures 19.17 and 19.18 and was used to establish drill hole densities for measured and indicated resources.

Secondarily, range of influence polygons (75 meters by 35 meters by 12 meters vertical) were constructed using the constraint of the range of the project's variograms.

Therefore, any part of the New Pass resource which has a drill hole density of 8,250 square meters or less and is constrained by the geologic polygons is defined as measured for the purposes of this report. Most of the resource at New Pass has drill hole density of 8,250 square meters or less so therefore the majority of the resource is classified as measured.

For the purposes of this report, indicated resources are those which meet the minimum of 8,250 square meters drill hole density, but exceed the 75 m x 35 m drill hole spacing. Indicated resources have a geologic genesis tied to the description for the drill hole. No part of the New Pass resource is classified as inferred.

Each of the rock model cross sections (Figures 8A through 8N of Appendix 2) shows bench elevations for nine selected levels in the resource block model. The nine bench level plans are shown in Figures 10A through 10I of Appendix 2. The bench level plans display gold grade in the block model and the extent of the ellipsoids for measured and indicated resources.

Contours of grade x thickness were generated using raw data from the drill hole database. Figures 11A through 11D of Appendix 2 show the contours for both gold and silver. These grade-thickness maps can aid in interpretation of mineralization patterns and geologic structure. Telesto found some apparent relationship in structure and mineralization pattern, but additional work needs to be done to arrive at a final conclusion.

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20.0 OTHER RELEVANT DATA AND INFORMATION

A cursory review of the status of water rights within Townships 20 North and 21 North, Ranges 39 East and 40 East, MDB&M, on the Nevada Division of Water Resources ("NDWR") water rights database yielded no results for either WKG or USG. The search revealed several water rights certificates which appear to be active. A complete list of water rights records in Townships 20 North and 21 North, Ranges 39 East and 40 East, as they appear on the NDWR database, is included in Appendix 8. Figure 20.1 shows hydrographic basin boundaries in the general vicinity of the New Pass Project.

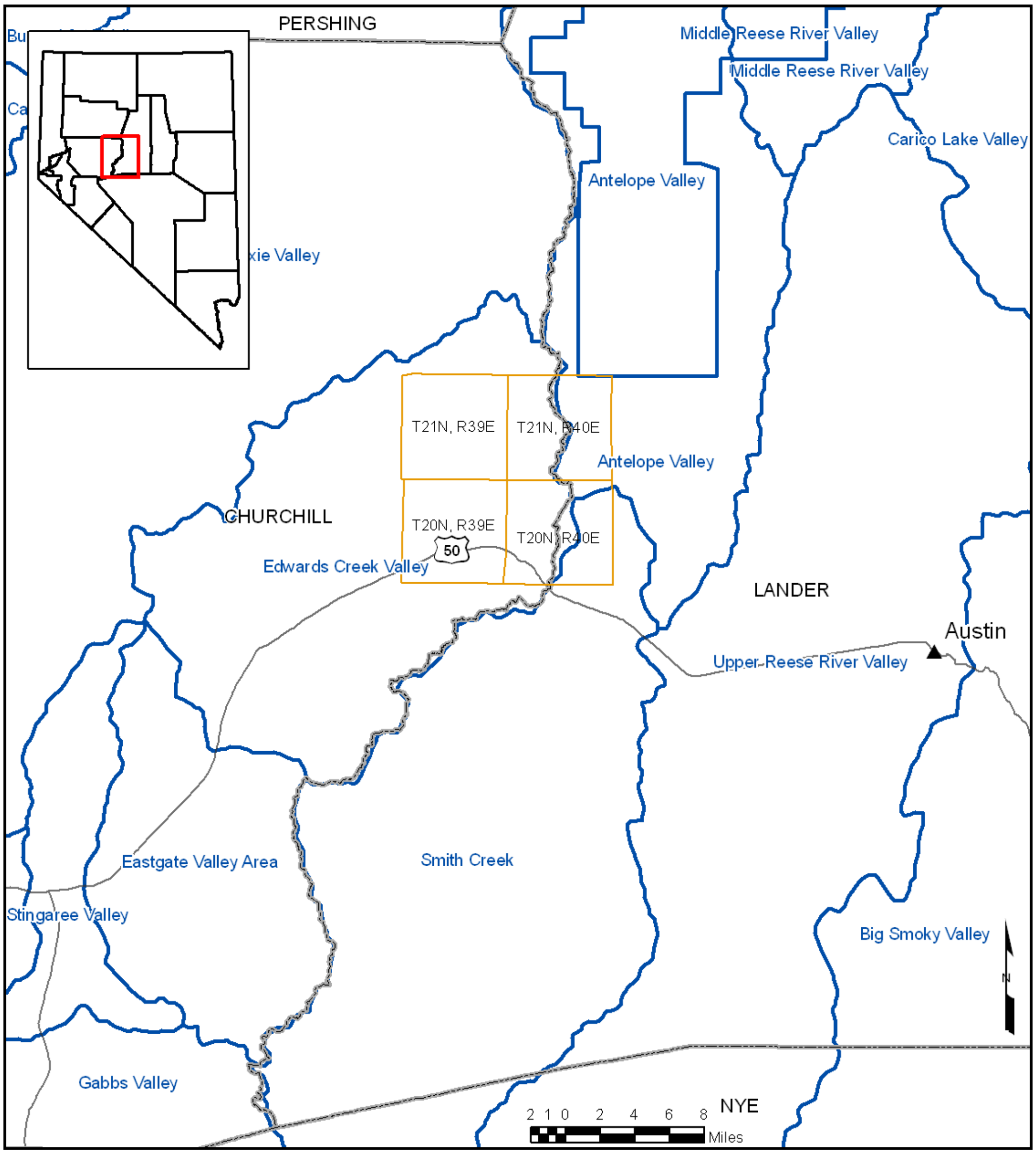

Figure 20.1 Hydrographic Basin Map from the New Pass Project Vicinity

The primary use of water near the New Pass Project is farming and ranching. One of the earliest operators at New Pass, DEKALB, secured an agreement for water usage with a local landowner named Friday Dalugey (Spinner, 1982A). At that time, Mr. Dalugey owned most of the property in the Edwards Creek Valley, which is on the western edge of the New Pass Project.

Any future decision to mine at New Pass will be contingent upon securing water rights for volumes sufficient for mining and processing. Telesto suggests that the availability of water rights should be reviewed by a licensed water rights surveyor. Although Telesto does not have any other information regarding the status of water rights that USG owns or controls, water rights may be readily available to them.

21.0 INTERPRETATION AND CONCLUSIONS (By Kim Drossulis, and Jonathan Brown, C.P.G., Telesto Nevada Inc.)

Telesto is not aware of any unusual environmental, permitting, legal, title, taxation, marketing, socioeconomic, or political factors that may materially affect the New Pass mineral resources as of the date of this report.

21.1 Resources

The following criteria were used to classify resources:

- Measured Mineral Resources – Mineralization with a definable geologic basis and boundary limits. In addition, these areas also have a drill hole density of less than 8,250 square meters (88,800 square feet) per drill hole.

- Indicated Mineral Resources – Mineralization with a definable geologic basis and boundary limits, meet the minimum of 8,250 square meters drill hole density, but exceeds the 75 m x 35 m drill hole spacing.

- There are no inferred mineral resources included in this report because all resources were defined by geologic parameters.

Resource Totals

Using a gold cutoff grade of 0.411 grams per tonne (0.012 opt):

- A measured and indicated mineral resource containing an estimated 9,767,000 grams (estimated 313,900 ounces) of gold lies within the New Pass resource as it is defined in this Technical Report using the variogram range as a standard as well as mineralized envelopes limiting the extent of the mineralization.
  - 9,677,000 grams (estimated 311,000 ounces) of gold are defined as measured
  - 90,000 grams (estimated 2,900 ounces) of gold are defined as indicated

Using a gold cutoff grade of 0.411 grams per tonne (0.012 opt), silver is as follows:

- A measured and indicated mineral resource containing an estimated 82,514,000 grams (estimated 2,652,400 ounces) of silver lies within the New Pass resource as it is defined in this Technical Report using the variogram range as a standard as well as mineralized envelopes limiting the extent of the mineralization.
  - 82,096,000 grams (estimated 2,639,000 ounces) of silver are defined as measured
  - 418,000 grams (estimated 13,400 ounces) of silver are defined as indicated

Using a gold cutoff grade of 0.411 grams per tonne (0.012 opt), the gold equivalent resource is as follows:

- A measured and indicated mineral resource containing an estimated 11,142,234 grams (estimated 358,106 ounces) of gold equivalent lies within the New Pass resource as it is defined in this Technical Report using the variogram range as a standard as well as mineralized envelopes limiting the extent of the mineralization.

    - 11,045,267 grams (estimated 354,983 ounces) of gold equivalent ounces are defined as measured

    - 96,967 grams (estimated 3,123 ounces) of gold equivalent ounces are defined as indicated

21.2 Mining

To date, there has been no mining at the New Pass Project site. At this stage of exploration at New Pass, no review has been conducted to define a mineable reserve. No economic parameters were applied to the current resource numbers.

21.3 Metallurgical and Processing

- Sulfide and carbonaceous resource material accounts for at least 30% of the current estimated total in-situ resource, and above a cutoff of 0.411 g/tonne (0.012 opt), the percentage of the resource affected by sulfide and carbonaceous material rises to approximately 61%. However, metallurgical testwork done to date has not fully assessed the recovery potential of this material. Therefore, no clear conclusion can be reached at this time regarding the appropriate methods for the processing of the resource. Only additional testing on the carbonaceous and sulfide material will provide the basis for any future mine plan that might be developed.

- Because of the extensive rock modeling effort undertaken which better defined troublesome rock types that might hinder future development of the site, the selection of sites for targeted metallurgical drill holes and bulk samples may improve the understanding of the recovery potentials of the overall resource.

21.4 Environmental

At this time, there is no apparent reason that all permits necessary for mining could not be obtained from regulatory agencies.

22.0 RECOMMENDATIONS

Drilling and drill hole database

Telesto recommends that:

- An industry-accepted QA/QC program should be implemented for any future drilling.

- A sufficient number of core holes should be drilled throughout the resource to verify historical RC drilling results.

- A selected suite of existing RC drill holes should be twinned with core drilling, paying careful attention to QA/QC, in order to overcome QA/QC deficiencies in historical drilling. (refer to section on Bonaventure drilling for discussion)

Metallurgical and Processing Testwork

Telesto recommends that:

- Telesto's review of the metallurgical testwork which has been done to date indicates that more work should be done to better quantify the impact of carbonaceous and sulfide material on the recovery of the resource.

- Cyanide analyses should be performed for gold on samples containing ≥0.3 ppm gold. This could lead to a low-grade run-of-mine option.

- Because of the extent of the mineralization, once step-off drilling is completed to better define the geologic resource, metallurgical drill holes should target carbonaceous and sulfide material that are key to the development of the site.

- A series of column leach tests at various crush sizes should be performed to emulate heap leach conditions.

- A suite of fine grind tests that would emulate several processing options (e.g. CIL, vat leach, etc.) should be performed.

    - Additional bottle roll tests should be conducted on various grind and crush sizes to establish reliable recovery percentages for various mineralized material types (e.g. oxide, carbonaceous and sulfide material).

    - Bottle roll tests should be performed at crush sizes which more closely replicate typical heap leach conditions. To better understand recovery percentages, particle sizes on the order of -3/4" and -1/2" should be tested for a variety of mineralized material types.

Resources

Telesto recommends that:

- The current rock model should be reviewed with Telesto staff in order to better define structural offsets, which may lead to additional exploration targets. In turn, drilling of these targets may increase the size of the resource.

- Drilling should continue to the north and south along strike and down-dip of the currently modeled resource.

Other Exploration Methods

Telesto recommends that:

- All historical geophysical results should be reviewed in order to identify possible structural offsets and other structural features that could lead to additional resources along strike and down dip. Additional geophysical studies may be needed to complete this task.

Water Rights

Telesto recommends that:

- The status of the water rights should be reviewed by a licensed water rights surveyor.

Mining and milling

No recommendation can be made at this time.

23.0 REFERENCES

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24.0 DATE AND SIGNATURE PAGES

Jonathan Brown, C.P.G., Telesto Nevada Inc.

CERTIFICATE OF AUTHOR

I, Jonathan M. Brown, CPG, MBA, hereby certify that:

1. I am employed by Telesto Nevada Inc. whose address is 5490 Longley Lane, Reno Nevada 89511
   Tel: (775) 853-7776, Ext. 304 Email: jbrown@telesto-inc.com

2. Title of this document: "NI 43-101 Technical Report for the New Pass Project, Churchill County, Nevada", dated December 23, 2009.

3. I graduated with a B.A. degree in Geology from Franklin & Marshall College, Lancaster, Pennsylvania, USA in 1970 and have pursued my career as a geologist for over thirty-six years in the United States, Puerto Rico, Brazil, and Venezuela. I belong to the American Institute of Professional Geologists and hold a Certified Professional Geologist (CPG-06898) standing with them. I am also a Member (# 4025701) in good standing with the Society of Mining, Metallurgy and Exploration ("SME"), and the Association of Environmental and Engineering Geologists ("AEG"). I further certify that by reason of my education, affiliation with a professional association as defined in NI 43-101, and past relevant work experience, I am a "qualified person" for the purposes of NI 43-101.

4. I previously visited the property on July 23, 2009 – all day.

5. I am responsible for the preparation of the technical report titled "NI 43-101 Technical Report for the New Pass Project, Churchill County, Nevada", dated December 23, 2009 and I am the qualified person for this Technical Report.

6. I am independent of the issuer, applying all of the tests in section 1.4 of NI 43-101.

7. Other than being the qualified person for the Technical Report dated November, 2008 I have had no prior involvement with the property that is subject to this Technical Report.

8. I have read the NI 43-101 (the Instrument) and certify to the best of my understanding that this technical report has been prepared in compliance with the Instrument.

9. As of the date of this certificate, to the best of my knowledge, information and belief, the Technical Report contains all scientific and technical information that is required to be disclosed to make the Technical Report not misleading.

10. I consent to the public filing of this Technical Report, only in its entirety, in a prospectus or any similar offering document, for presentation to any stock exchange or other regulatory authority, and for publication, including electronic publication accessible by the public.

Dated this 23rd day of December, 2009.

Signed Jonathan M. Brown
Qualified Person
Manager, Permitting & Environmental

Kim Drossulis, Senior Engineer, Telesto Nevada Inc.

Kim D. Drossulis
Senior Engineer
Telesto Nevada, Inc.
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Certificate of Author

I, Kim D. Drossulis, do hereby certify that:

1 I am a Senior Engineer with Telesto Nevada, an engineering firm located in Reno, Nevada, USA,

2 I graduated from the University of Utah School of Mines with a Bachelor of Science Degree in Mining Engineering in 1980,

3 I have practiced my profession as a engineer continuously since graduation for a total of 28 years. . I am a Member (# 4156660) in good standing with the Society of Mining, Metallurgy and Exploration (SME),

4 I visited the property on July 23, 2009 – all day.

5 I was responsible for new inserts and reviews regarding the resource and the resource section of the report entitled "NI 43-101 Technical Report for the New Pass Project, Churchill County, Nevada", dated December 23, 2009, and prepared for US Gold Corporation. I directed the mineral resource verification process detailing the mine potential. My last involvement with the project was in 1990 and 1996 as an onsite engineer for a consulting firm (Westec) and as an interim mining engineer.

6 As of the date of this certificate, to the best of my knowledge, information and belief, the Summary Report contains all scientific and technical information that is required to be disclosed to make the Report not misleading,

7 I am independent of the issuer applying all of the tests of Section 1.4 of NI 43-101,

8 I have read NI 43-101 and Form 43-101F1, and the Technical Report does to the best of my knowledge, has been prepared in compliance with the instrument.

9 I consent to the public filing of this Technical Report, only in its entirety, in a prospectus or any similar offering document, for presentation to any stock exchange or other regulatory authority, and for publication, including electronic publication accessible by the public.

Dated this 23rd day of December, 2009.

Signed Kim D. Drossulis
Senior Engineer

Doug Willis, Geologist, Telesto Nevada Inc.

CERTIFICATE OF AUTHOR

I, Douglas W. Willis, hereby certify that:

1. I am employed by Telesto Nevada Inc. whose address is 5490 Longley Lane, Reno Nevada 89511.
2. Tel: (775) 853-7776 Email: dwillis@telesto-inc.com
3. Title of document: NI 43-101 Technical Report for the New Pass Project, Churchill County, Nevada.
4. I graduated from California State University-Chico with a Bachelor of Science in Geology in 1987, and have practiced my profession as a geologist for 8 years. I am a Member (# MEM-1614) in good standing with the American Institute of Professional Geologists ("AIPG").
5. I am a contributing author of the technical report titled "NI 43-101 Technical Report for the New Pass Project, Churchill County, Nevada" dated December 23, 2009.
6. I am independent applying all of the tests in section 1.4 of NI 43-101.
7. I have had no prior involvement with the property that is subject to this Technical Report.
8. I have read the NI 43-101 (the Instrument) and certify to the best of my understanding that the technical report has been prepared in compliance with the Instrument.
9. As of the date of this certificate, to the best of my knowledge, information and belief, the Technical Report contains all scientific and technical information that is required to be disclosed to make the Technical Report not misleading.
10. I consent to the public filing of this Technical Report, only in its entirety, in a prospectus or any similar offering document, for presentation to any stock exchange or other regulatory authority, and for publication, including electronic publication accessible by the public.

Dated this 23rd day of December, 2009,

Douglas W. Willis
Geologist

Christine Ballard, Geotechnical Engineer, Telesto Nevada Inc.

CERTIFICATE OF AUTHOR

I, Christine M. Ballard, hereby certify that:

1. I am employed by Telesto Nevada Inc. whose address is 5490 Longley Lane, Reno Nevada 89511 Tel: (775) 853-7776 Email: cballard@telesto-inc.com

2. Title of document: "NI 43-101 Technical Report for the New Pass Project, Churchill County, Nevada", dated December 23, 2009.

3. I graduated from Southern Oregon State College (now known as Southern Oregon University) with a Bachelors of Science in Geology in 1990, and, I graduated from University of Nevada-Reno with a Master's of Science in Geological Engineering in 2008. I have practiced my profession as a Geologist/Geotechnical Engineer for 13 years. I am a Member in good standing with the Geological Society of Nevada ("GSN") and of the Women in Mining ("WIM") Nevada Chapter.

4. I am a contributing author of the technical report titled "NI 43-101 Technical Report for the New Pass Project, Churchill County, Nevada" dated December 23, 2009.

5. I visited the property on July 23, 2009 – all day.

6. I am independent applying all of the tests in section 1.4 of NI 43-101.

7. I have had no prior involvement with the property that is subject to this Technical Report.

8. I have read the NI 43-101 (the Instrument) and certify to the best of my understanding that the technical report has been prepared in compliance with the Instrument.

9. As of the date of this certificate, to the best of my knowledge, information and belief, the Technical Report contains all scientific and technical information that is required to be disclosed to make the Technical Report not misleading.

10. I consent to the public filing of this Technical Report, only in its entirety, in a prospectus or any similar offering document, for presentation to any stock exchange or other regulatory authority, and for publication, including electronic publication accessible by the public.

Dated this 23rd day of December, 2009.

Christine M. Ballard
Geotechnical Engineer