

GOLD BULLION RECOVERY PROJECT

ADDITIONAL COST ANALYSIS – SOUTH CORNER

In addition to the work completed to date, the following information and cost analysis portrays what is anticipated to be an accurate cost to reach a depth of 62 feet. It should be noted that the top surface of the target is anticipated to be originally placed at 56 feet below the surface. Due to the volcanic structure of the Philippines and numerous earthquakes, a general rule of thumb is to allow for a target subsidence rate of one inch per year. In consideration of an elapsed time of 62 years or 62 inches (five feet, two inches) and the targeted deposit chamber being six feet by six feet which will likely result in another deposit container inside, it is safe to anticipate physical contact with the target by a depth of 62 feet. It should be noted that provisions within the budget figures noted herein allow for a ten percent “Permits and Miscellaneous” fund to ensure adequate funding is obtained in the event that additional concrete and other requirements are necessary.

It should also be noted that while we anticipate a three month timeframe to conduct the necessary construction and excavation work required to reach the targeted depth, the budget noted herein allows for four months (18 weeks) to complete the recovery. With the work being partially conducted during the rainy season, the additional time will likely be necessary and we closely examined the 10% Miscellaneous Provision in an effort to determine if the provision should be increased. As it is not our goal to “pad the costs”, based on past experience, we believe that the costs portrayed to be reasonable and accurate.

The financial data provided herein does not make allowance for other work on the original site approximately 100 feet to the north but we do anticipate encountering a large backfilled descending tunnel (ramp) which was likely utilized by the Japanese Military in WW II for trucks carrying the heavy commodity into the main deposit chambers. Our geotechnical site and locating information indicates that this tunnel is approximately 530 feet in length from the south corner excavation site and runs due north a substantial distance beyond the original Japanese excavation where it makes a 180 degree turn and enters into the original Japanese excavation on the north side, offset toward the westerly corner. It appears that the backfilled portion of the noted access tunnel is open about 40 feet north of the South Corner excavation site but we do expect to encounter explosive booby traps and possibly poison in the back filled portion of the tunnel. A Ground Penetration Radar system (GPR) would clearly be of great benefit with this work but the cost of a good system including appropriate antenna systems is in excess of \$100,000 USD. We will certainly acquire such a system if the funds are made available, otherwise the acquisition shall have to wait until we can finance it “in-house”.

The additional work in the tunnel and at the main site shall be financed “in house” after marketing some of the gold recovered from the South Corner (current) recovery site. Interestingly, the current world price of gold is up about 70% since we had commenced the initial work on this project. The “experts” anticipate that the gold prices will continue to increase for the foreseeable future. This is extremely encouraging for our recovery activities. Judging by the volume of the target in the South Corner site, it could contain up to 5 metric tonnes. Again, we shall maintain a very conservative estimate of value and consider that the target is a maximum of one metric tonne.

Allowing for an average of 22 karat or 916 FINE Gold at only \$650 USD per troy ounce, that would equate to a gross value of \$19,142,110 US Dollars. Even considering that with the others who share in the recovery (government/landowner/developer) we will only realize about 37.5% of gross value, that is still not a bad return – approx \$7,178,291 - by any stretch of the imagination, considering our total costs to date have been less than \$1,000,000 USD.

While having a small concrete batchplant and shotcrete equipment would be extremely beneficial and save a significant amount of time and money, the additional anticipated costs for the South Corner site, without additional equipment acquisitions are as follows:

<u>Description</u>	<u>Cost in USD</u>
Portland Cement	\$ 3,557.81
Sand	\$ 1,437.50
Crushed Gravel	\$ 4,192.71
Concrete Admixtures	\$ 1,197.92
Reinforcing Steel Bar	\$ 2,735.02
Reinforcing Steel Mesh	<u>\$ 1,615.00</u>
CATEGORY TOTAL	\$14,735.96
 Concrete Forms/Materials	 \$ 5,342.71
 Property Lease Fee's	
Outstanding	\$ 7,605.00
4 months	<u>\$ 5,070.00</u>
CATEGORY TOTAL	\$12,675.00
 Labour (including security, Supervisors, benefits for 18 weeks)	 \$30,937.50
 Equipment	
Fuel provision	\$ 4,500.00
Repairs/Maintenance Estimated	<u>\$ 4,083.33</u>
CATEGORY TOTAL	\$ 8,583.33
SUB-TOTAL	\$72,274.50
10% Permits and Miscellaneous cost provision	<u>\$ 7,227.45</u>
TOTAL	<u>\$79,501.95</u>

As it is anticipated that we shall be working at this site for several years yet, erection of an “Office/Maintenance facility” measuring 60 feet wide by 100 feet long plus a 30 foot wide, open wall “lean-to addition” for equipment maintenance and storage on the site is most desirable. While the facility would be used to operate the other “front” business’ it’s primary purpose would be for securing the excavation site and keeping out unwanted visitors who can obtain access at the present time. The sub-surface structure construction noted above is designed to form part of the Office/Maintenance facility foundation inside of the enclosed maintenance bay which will be 30 feet wide by 60 feet long on the opposite side of the facility as the lean-to addition. At some point in the future, assuming that we can

keep the underground portion of the facility relatively secret and expand it, we would anticipate using the current sub-surface portion as an elevator shaft and stairwell to access a secure underground vault. However that will be for future consideration.

The facility would encompass a total of 16,200 square feet which breaks down as follows:

- Ground Level (enclosed)..... 6,000 square feet**
- Second Level (enclosed)..... 4,200 square feet**
- Ground Level Equipment Maintenance (lean-to addition)..... 1,800 square feet**
- Ground Level covered parking.....2,100 square feet**
- Second Level outdoor deck..... 2,100 square feet**

Note the Ground Level includes a 30 foot wide by 60 foot long bay which is the recovery work area. The minimum ceiling height is 24 to 28 feet above the recovery work area enabling easy crane or heavy equipment access.

At the present time, while a detailed cost analysis has not been completed, we would expect to be able to construct the two level facility to a basic lockup stage for about \$175,000 USD, which we anticipate funding in-house, from our initial recovery in the southern corner.