Business Plan for the Development of The Natchez Pass Gold Property

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EXECUTIVE SUMMARY

Overview

The Natchez Pass Gold Property (formerly known as the Nick Mine), located in Pershing County, Nevada is owned by Natchez Pass LLC. The fully permitted mine covers 700 acres. Included on the claims is a 400 ton per hour wash plant onsite, a water storage tank, three siltation ponds, and a two bedroom house / mine office. The Property is a turn-key operation needing only minimal repairs to the placer mill onsite and the purchase of heavy equipment for operations.

Location & Description

The Property is located in the Sierra Mining District within the Humboldt River Basin in northern Nevada. The state of Nevada is the third largest producer of gold in the world and the largest producer of silver in the United States. The Property is located approximately 10 miles east of the Mill City (Dun Glen) exit (exit # 151) off of U.S. Highway 80 in Pershing County Nevada. The 700 acre claim block is unpatented, located on BLM land, and consists of 26 lode claims and 6 placer claims.

Geology

The U.S. Geological Survey (USGS) recently completed a mineral resource assessment of the basin and northern Nevada that indicates many areas in the region may contain significant undiscovered gold and silver deposits. A copy of the USGS report is attached as Exhibit A.
The geographical area is renowned for rich placer deposits. A unique and significant geologic characteristic of this mining property is that it contains both auriferous gravel channels (placer gold) as well as numerous quartz veins with high grade ore shoots. Very little historical geological data on the site has been found. Conducting further research along with a detailed sampling and exploration program is a priority in this plan. Further exploration and data compilation could provide proven values comparable with other large Nevada lode deposits.

SECTION 1 – BACKGROUND INFORMATION

Property Location & Description

The Property has good access and is approximately 30 minutes south east of Winnemucca, NV and 2.5 hours east of Reno, NV. The 700 acre claim block is located on BLM land and consists of 26 lode claims and 6 placer claims. All claims are unpatented and in good standing.

The Property covers a large gulch and most of the above hillsides directly below Natchez Pass. There are numerous open adits and prospect digs found on the claims. The history of the district and the surrounding geography supports the expectations of a large placer deposit with a potential surface size of approximately 120 acres.

History

Pershing County, created in 1919, is the youngest of the 17 counties of Nevada.

The topography of the county, although less rugged than most of the State, is typical of the Great Basin and consists of north trending mountain ranges separated by dry valleys. The county has 6 mining districts. The Property is located in the Sierra District.

The Sierra (Dun Glen, Chafey) District, at the north end of the East Range in the northeast part of T. 33 N., R. 36 E., was founded in 1863 when lode gold and placer gold were discovered in the area. Some of the important lode mines were the Tallulah, Auld Lang Syne, Munroe, Mayflower, and Auburn.

Historical reports indicate that the placer mines were very productive during the early days. An estimated $4 million worth (in that era’s pricing) of placer gold was mined during the 1880's and 1890's from Auburn, Barber, Wright, and Rock Hill Canyons. Most of this output was by Chinese operators, who habitually neglected to report any production; therefore, the estimate is probably lower than the actual historic production. Placer mining in recent years has been on a small scale.

Historians have estimated $1 million, mostly in gold, as total lode production for the district. Most of this was mined between 1862 and 1880. From 1908 to 1921 gold production was valued at $314,441. In recent years, however, activity slackened considerably. Total gold production through 1959, including the early placer output, was about 241,000 ounces.
**Recent History**

Marlon Thompson, Sr. acquired the current “Nick” claim block in 1978. He reportedly began mining from the adits and hauled the rock recovered by dump truck to Winnemucca, NV, about 30 miles east, to be processed for gold extraction. No records have been found of the actual amount of gold produced during this time. There are numerous anecdotal reports of Mr. Thompson’s extravagant life style, as he was well known for spending hundreds of thousands of dollars in the casinos of Winnemucca and Las Vegas, NV.

At age 70, Marlon Thompson Sr. entered into a lease/purchase agreement to turn the mine over to his nephew, Cooper Thompson. C. Thompson lease/purchased the mine in 1999 with a plan to put it into full production, but lacked the financial resources to accomplish this plan. C. Thompson entered into a contract to sell the mine to an investment group from California for $5M in 2001. When the group did their title work on the property, it was discovered than Marlon Thompson, Sr. had cancelled C. Thompson’s lease/purchase contract and had the claims transferred back into his own name. Marlon Thompson was not interested in selling the mine to the same investment group.

Marlon Thompson Sr. leased the mine to other parties from 2002 to 2009, and once again due to disagreements between the parties mining operations never began.

In 2009, James Karnes leased the mine from Marlon Thompson Sr. Karnes spent two mining seasons bringing the mine into an operational condition including MSHA compliance and ultimately began placer mining in 2011. Shortly after Karnes began operations, he became seriously ill and bedridden due to a staph infection. Due to Mr. Karnes health concerns and his inability to remain living on site, the operation was ceased. Mr. Karnes breached the contract during this time with Marlon Thompson, Sr. at which time the claims reverted back to Mr. Thompson.

In November, 2011 Matthew Freeny contacted mining consultant Patrick Fagen seeking assistance in evaluating and possibly purchasing the Property. After significant due diligence on the claims, Freeny and Fagen created Natchez Pass LLC, a Nevada limited liability company, as the entity which ultimately purchased all claims, including mineral and water rights, from Marlon Thompson, Sr. and his heirs. Marlon Thompson, Sr. passed away shortly thereafter. Natchez Pass LLC worked out an agreement with Joe Karnes for his rights to the wash plant and assumption of the BLM reclamation bond obligations.

In July 2012, American International Ventures (AIVN) acquired a 30 day purchase option from Natchez Pass LLC for the Property. AIVN performed limited placer testing with positive results. They were unable to secure the funding to execute the purchase and the option expired. According to the terms of the option, AIVN released to Natchez Pass LLC a geological report on the Property written by Jim Lawson, M.Sc, Professional Geologist based on the data obtained from their testing program. The report (not CA NI 43-101 compliant) indicates an inferred resource value of 391,200 ounces of placer gold worth over $438,000,000 (@ $1400/oz). A copy of this report is attached as Exhibit B.

*Note: Natchez Pass, LLC does not warrant the accuracy of this report, as it was commissioned by AIVN.*)
Surface Development

Existing surface improvements on the Property include a two acre millsite area with a fully equipped 400 yard per hour placer recovery circuit, 50,000 gallon water storage tank, onsite well, three recirculation ponds, and a tool(parts) inventory storage shed. The site has a good access road as well as on site work roads with MSHA mandated safety berms. Also on-site is a 1000 square foot, two bedroom house in good condition ideally suited for housing a security person, mine office, communications center and operations headquarters. Estimated value of the existing surface improvements is $1M.

Mill Facility

Subsurface Development

Subsurface development on the Property is evidenced by at least 7 known adits at different levels on the mountain. The full extent of the underground workings is unknown at this time as there is no known data on the location and length of all of the drifts.

The two main drifts are fully accessible, in good condition and connected by several stopes providing natural ventilation. These parallel (upper and lower) adits are approximately 10’ x 8’ and capable of access with rubber tired LHDs. The upper drift is approximately 800’ in length and run along the strike of an 8’to 15’ wide vein. The lower drift is approximately 1200’ in length and is 30’ below the upper. It produces a small amount of ground water which is gravity fed from the portal for use in the milling operations. A survey and mapping program of the two main drifts was recently completed by Natchez Pass LLC, and can be furnished upon request.
Current contract mining prices on running underground drift range from $400-$600 per foot of completed drift. Based on these costs it is estimated that the present day development cost of the current workings is estimated to be $1.2M.

**Portal at the Upper Adit**

**Due Diligence**

The recent history of the claims indicated the need for Natchez Pass LLC to conduct extensive due diligence work prior to execution of the purchase agreement.

**Title**

Mr. Freeny spent approximately three weeks sorting through various documentation and the recordations at the Reno, Nevada BLM office and Pershing County Recorder’s office.

A full title report on the claims was written in December of 2011 for the Natchez Pas LLC by Professional Land Man, Tracy Guinand, of Reno Nevada.

**Permitting Assessment**

A key component of the due diligence is in assessing the permitting situation. The United States mining laws “provide a statutory right”, subject to the limitations of the law, to enter upon the public lands to search for minerals”. In spite of this right to use public land, mining projects can often times be difficult to permit. Mining properties located on public lands require a Plan of Operations to be submitted for approval by all associated governmental agencies.

The Property is located in a historical mining district and was fully permitted for full scale operations on several occasions. The most recent Plan of Operations (POO) for placer production mining and milling belongs to Natchez Pass, LLC. All of the necessary permits were transferred to Natchez Pass LLC, and the reclamation bond is in place.
Due to the Nevada’s friendly mining environment and the relatively small size of the surface disturbance and mining operation it is unlikely that there will be any permitting issues as long as the project stays in compliance with all regulatory agencies. Extensive environmental and archaeological assessments have already been completed for previous operations and are still on file with the BLM. There are currently no known active environmental groups opposing the mine or other activities in the immediate area.

**Water rights & availability**
Placer gravel processing requires a large volume of water to wash the gold from the pay dirt. Natchez Pass, LLC controls water rights of over 360,000,000 gallons annually. An onsite well was recently drilled to supply immediate water to the mill site.

**SECTION 2 – GEOLOGICAL CONSIDERATIONS**

**District Mineralization**
The rocks in the Sierra district dip steeply and consist of the Star Peak Formation of Triassic age, dark slates of Jurassic age, and a thick series of andesitic flows and flow breccias. Diabase dikes cut the sedimentary and the extrusive rocks. Ore deposits are in veins, many of which follow the diabase dikes in the volcanics. Vein minerals are quartz, galena, pyrite, sphalerite, and native gold. The veins appear to be post-Triassic and pre- or early Tertiary. Erosion of these veins, which locally contain high concentrations of gold, is most likely the source of the placer gold in the canyons.

Historical evidence indicates that the placer bearing gravels in these canyons are deep, ranging from 18-40 feet in Dun Glen Canyon and averaging 30 feet in Barber Canyon. The gold is generally found concentrated on bedrock and in some benches on the canyon sides.

**Site Specific Geology**
A unique and significant geologic characteristic of this mining property is that it contains both auriferous gravel channels (placer gold) as well as numerous quartz veins with high grade ore shoots. Based on survey and sampling indications found in the underground workings there appears to have been some geologic work performed by previous operators. However, very little substantiated geological information on the property is currently in hand.

The geographical area is renowned for rich placer deposits. The Property is ideally positioned for such a deposit as it sits in a large draw with numerous weathered, gold-bearing quartz veins located in the hillsides above. There are two other commercial placer mines currently in large scale operations working in a smaller gulch approximately three miles to the north.

Due to the apparent size and depth of the several quartz veins located on the property, the lode potential of the Property may be significantly greater than the placer gold in the channels. This placer gold came from the erosion of the veins and most of the lode gold remains in place in the
mountain. Further exploration and data compilation could possibly indicate proven values comparable with other large Nevada lode deposits.

Resource Potential

Placer Gold
The full extent of the placer deposits located on this Property can only be speculated at this time. What is known is that the target surface area is quite extensive. Ideally situated and historically the gravel depths in the canyon range from 18-40 feet. It is expected that there is a very large and valuable placer deposit on the Property. Past due diligence testing by AIVN and DTOR substantiates the presence of a substantial placer gold deposit in an area encompassing approximately 120 acres.

Placer Test Location Showing Layers of Gravel and Cobblestones
Placer Gold From Test Hole

Gold Veins
The placer gold potential alone makes this mining venture financially attractive. However, geological evidence indicates potential reserves in the lode deposits, located on the property, could be significantly greater than in the channels. According to the visible underground and surface geologic showings, there are at least 3 quartz veins, or shear zones containing multiple auriferous anomalies, located on the claims. These structures are significant in size and contain visible high-grade ore shoots. While these structures are known to exist, little is known about their past development.

Exposed Mineralized Quartz Outcropping
An underground hard rock mine’s profitability is largely determined by the grade of gold in the ore to be processed. As a rule of thumb, one-half to one ounce of gold per ton of ore is the minimum grade needed for an underground mine to be successful, depending on the market price of gold and the production costs associated with the particular mining operation.

Continued exploration, sampling and drilling will provide a better understanding of the numerous vein systems located on the property. It is expected that a significant lode deposit similar to others found in this area of Nevada will be accurately defined and validated through further study, development and exploration.

**SECTION 3 - OPERATIONS**

**Mine Operator**

Natchez Pass LLC has formed a wholly owned subsidiary Natchez Resources LLC as a separate entity to be the operator of the mine.

**Key Personnel**

**Matthew Freeny**
Matthew Freeny has over 20 years of experience in the timber business and natural resource industry. He has successfully owned and managed, jointly or in full, Gregory Timber Inc., M &
B Investments LLC, Keastone Properties LLC, M & F Construction LLC, Zack & Kea Construction LLC. Mr. Freeny will serve as operations supervisor.

Mr. Freeny was the driving force behind the procurement of the claims and equipment from Marlon Thompson. After learning about the possible availability of the claim from lifelong friend Cooper Thompson, Mr. Freeny spent five weeks in Nevada performing due diligence and research of the claim. In closing the deal, Mr. Freeny proceeded to contact every living heir that was associated with the claim and Marlon Thompson to obtain quitclaim deeds for any interests they might have had in the claims or equipment.

Patrick Fagen, Manager, Natchez Pass LLC
Mr. Fagen has over 20 years of managerial, financial and resource development experience. He is the current principal and/or owner of several other successful natural resources development companies including Nevada Mining Company LLC Tahoe Resources LLC, California Mining Consultants LLC, Trinity Alps Resources Inc. and Lazarus Mining LLC. He has over 12 years of mine operation experience and has owned, developed, operated, joint ventured and/or sold several successful California mining properties including the Discovery Day mine, the Cherry Hill mine, the Mount Vernon mine, and the Telegraph mine. Mr. Fagen will oversee the entire operation to insure the business operates in the most efficient & profitable manner possible.

David Pennington
Mr. Pennington is the President of US Mineral Development, LLC, and works with Mr. Fagen in their quest for obtaining new mining opportunities in the Western United States. Mr. Pennington holds a degree in Civil Engineering and has owned and operated several successful contracting and real estate businesses over the past twenty years. His company has mining and financial clients in both the United States and Europe. Mr. Pennington will assist Mr. Fagen in the operation of the Natchez Pass Gold Property.

Richard Bybee, Head Geologist
Mr. Bybee graduated from the California State University at Fresno in 1975 with a B.A. Degree in Geology and is a Registered Professional Geologist with the Wyoming Board of Registration for Professional Geologists. He has worked as a geologist in the mining industry continuously for over 30 years and is a member of the Geologic Society of Nevada. Mr. Bybee’s qualifications meet the requirements to be a “qualified person” for the purpose of CA NI 43-101. Mr. Bybee has been retained to perform the geological work for the property in compliance with CA NI 43-101 standards.

Harvey Bell
Harvey Bell is the owner and principal of Bell Enterprises LLC which is one of the premier precious metals recovery consulting firms in the U.S. He has over 35 years of experience in evaluating, designing, engineering and building project specific gold milling plants throughout the western U.S including Alaska, Mexico, South America and Africa. Mr. Bell will be retained to refurbish and fine tune the existing wash plant and potentially build a hard rock processing mill for the Property.
David Brown
Mr. Brown is a Professional Land Surveyor and owner of Brown Surveying in Reno, Nevada. He has extensive experience in mineral property surveying and claims staking. He will be in charge of all of the surveying and mapping for the project.

John Rutledge
John Rutledge is the owner and principal of Rutledge Law Center located in Carson City, Nevada. He has extensive experience in contract law and mining agreements. He is the lead Attorney for Del Toro Silver Corp., and will be the lead attorney for the project.

Larry Miller, Head Mechanic
Mr. Miller is a heavy equipment operator and mechanic with over 45 years of experience. He has worked with Mr. Fagen in the same capacity at the Discovery Day and Telegraph mines where he operated, serviced, maintained and repaired the equipment for both of the mining operations.

Mining Personnel
Personnel for the mining operation will be hired on an as needed basis to be determined by the amount of work to be performed in each of the development phases. Mr. Fagen has a database of experienced mining personnel to draw from for this project.

SECTION 4 – DEVELOPMENT AND MINING PLAN

Placer Production Mining

The mine will be put into production placer mining as soon as possible. This plan would be expected to generate cash flow from gold production in the relatively shortest time period. The steps involved are as follows:

1. The Plan of Operations and other operating permits (water, air) have been acquired in the name of Natchez Pass LLC, and all are in good standing. A $164,000 cash reclamation bond is in place and held by the BLM. All necessary insurances required to cover activities during this phase of the operation will be secured. This includes general liability, property, environmental hazard, vehicle, and workers compensation.

2. Obtain MSHA clearance and miner training. A Legal Identity form and safety training plan has been approved by the district office. All workers must be trained and a miner’s representative appointed. A commencement of operations notice must be filed and a courtesy assessment visit (CAV) needs to be scheduled and any violations noticed during the visit corrected prior to commencing operations.

3. Site work completed to date by Natchez Pass includes the grading and brushing of the milling area, access roads, construction of MSHA mandated safety berms, construction of a settling containment, and the drilling of an on-
site well. The work completed by Natchez Pass makes relatively little additional work necessary. Recommended additional site prep includes setting up a fuel storage area with containment basin, furnishing and setting up the house with utilities and communications, mucking out and possibly deepening of first settlement pond, and testing/repair of water delivery systems.

4. The 400 yard per hour processing plant appears to be fully functional with only the installation of the new motors and the completion of the electrical wiring needed. Once the known repairs and an extensive deferred maintenance servicing of the plant are completed, a thorough testing of the circuit will be done utilizing the already stockpiled ore. This “shakedown” run period will determine what other repairs, adjustments and/or improvements are needed. Consideration should be given for the purchase of hydro-cyclone which helps remove silt and dirt from the return water. A relatively inexpensive and quick paint job for the wash plant is also recommended.

5. Equipment rental and mobilization. Most of the earth moving equipment to begin placer mining operations will be initially rented to insure uninterrupted work effort during the start-up of the mining.

6. One shift of ten mine workers is proposed for the initial placer mining program. Workers will include management, mechanic, equipment operators, dump truck drivers, plant operator and general laborer. In addition to the placer mining crew a millwright (Harvey Bell) will be employed to run the recovery circuit. Management will consist of a general manager and a mining supervisor. Workers will be housed locally or in mobile housing units located at the site. Fagen has access to experienced and well qualified candidates for most of these positions.

7. Once the mill is operational, the crew is hired and trained, the site prep completed, and all equipment is on-site, the actual mining can commence. The initial mining targets will be the open pit in the center of the main gulch and the area of confluence on the west end of the draw. These areas have been identified as the most promising mining targets based on surface reconnaissance. It is anticipated that this “high grading” approach will provide the best opportunity for an immediate positive cash flow for operating capital and additional exploration.

Lode Development Plan

While the mining plan will focus initially on generating cash flow through placer production the lode deposits will also be developed through additional geological work. A comprehensive sampling and mapping program will be performed on all open adits to better define the ore bodies. Additional development capital will finance the rehabilitation of the two main drifts and construction of a hard rock processing plant allowing for a relatively quick ramp up into production.
Exit Strategy

The Management has discussed and planned for three exit strategies.

The first priority of Management is to get the plant operational into limited production and consummate the sale with the current prospective buyer for $15,000,000.

The second strategy absent of a sale would be to commence production, complete a NI-43-101 on the property and sell the mine to a larger junior mining company at a significant premium. This would be a 2-4 year plan.

The final strategy would be to continue mining the placer and hard rock until all economically feasible material is recovered, reclaim the site, and return the claim to the BLM. This is estimated to be at least a 10 year plan, depending on the extent of the minable hard rock.