

Hydro-Scopic™ Mining

A Surgical Mining Process for Deep Difficult Placers and Lode Deposits

Expanded Version of “what’s in it for the Investor”

This rather lengthy dissertation expands on the benefits of a 50% joint venture investment in Hydro-Scopic™ mining for the Investor. It provides a quick overview to show how the development of the “Prototype” with the funds invested will pay back the Investor with a substantial return within four years using production from “just the Prototype”. The investment is in two parts:

1. \$3,550,000 to develop, test and validate the Prototype.
2. \$1,300,000 trials and exploration on known property to begin production after validation.

Total investment is \$4,850,000 and begins with \$3,550,000 for Prototype validation. The \$1,300,000 will follow within a year when the Prototype is ready to be converted for exploration and production. Total payback is over four years with annual interest yielding more than 12% per year not counting the 50% of equity and excess gold explained below. So, **what’s really in it for a 50% joint venture Investor?** Please read on.

The Tip of the Iceberg Shared Equally with the Investor:

Our website www.ursagold.com projects management’s assumptions of reaching optimum production in four years using five sonic drills that have been converted to a Hydro-Scopic™ mining unit. This is based on the assumption that at least five mineral properties producing a minimum of 1,000 ounces per month (about ½ ounce per cubic yard) have been drilled and measured to support this production yielding net 30,000 ounces of gold to the shareholders per year. The source of funds to reach this level of production is the \$4,850,000 in seed capital assuming the Prototype can validate its ability to surgically mine deep difficult deposits that currently cannot be mined due to environmental concerns, permitting, water, and various other reasons. Not with standing any of these assumptions, proving the Prototype’s ability to surgically mine deep deposits and locating at least one high-value property having 1,000 ounces of recoverable gold per month is addressed in this dissertation. Only the Prototype is used in accomplishing the following in minimum high-value deposits:

1. The Investor will have a viable 50% equity in several profit centers (to be explained below).
2. Payment to the Investor on the OID \$6,000,000 note will begin in two years at \$282,500 per month for 24 months totaling \$6,780,000 for the four year period – a 12%+ yield per year. If paid in gold valued at \$1,000 per ounce the payment would be 6,780 ounces.
3. Gold available for distribution to the Investor at the end of year 2 – 1,500 ounces; year 3 – 1,195 ounces; year 4 – 1,195 ounces; year 5 – 3,890 ounces. Total for 5 years 7,780 ounces.

Total payment in gold including the note payback over a five year period to the Investor for a \$4,850,000 (4,850 ounces) investment using only production from the Prototype is 14,560 ounces. The last page on this link is a block diagram of Prototype production as the only source of revenue at minimum recovery of 1,000 ounces per month.

What if, however, the minable high-value deposit is paying more than minimum, for example, 2 ounces of gold per cubic yard? The net, after all royalties and costs, to be shared equally would be a little more than 26,000 ounces a year from the one converted Prototype. We fully expect to Hydro-Scopic™ mine

deposits paying at least 2 ounces per cubic yard within the first four years which will pay all royalties, costs and the Investor's note most likely in the third year. This would dramatically change the financial dynamics of our projections and accelerate a quick land grab to build mineral rights inventory before an anticipated "gold rush" happens – explained later.

We currently have tentative agreements to test and Hydro-Scopic™ mine several prospects in Oregon, Washington, and Alaska that have inferred, indicated and proven resources that could pay at least 2 ounces per cubic yard. Six of these properties are listed on our Website. We also have the largest claim owner on the Alaskan Seward Peninsula that has made her claims available to Hydro-Scopic™ mine at our convenience. One such grouping of these claims has 50,000 ounces in proven gold reserves in frozen ground which should not be a problem for Hydro-Scopic™ mining. Another interesting prospect is Nome Alaska's off-shore mineral leases littered with glacial terminal moraines that would be ideal for Hydro-Scopic™ mining from jack-ups. At present, house size boulders prevent any mining of these moraines that should have enormous quantities of gold buried under tons of rock. Perhaps the best prospect we have is an indicated resource north of Anchorage Alaska having 5 to 10 ounces per cubic yard at a little over 100 feet in a deposit 40 feet wide and 16 feet thick. The owners are currently seeking financing to open-pit this mine due to the rising price of gold; but, they would much rather Hydro-Scopic™ mine these claims.

The gold profit potential, as described above and using the one Prototype after validation, should justify the investment in a working Prototype; however, a Prototype investment always implies risk. The risk is minimized when considering less than 10% of the total investment will be used for Prototype validation. In addition, there is in part, a patent approved method of recovering large nuggets, coarse and fine gold requiring no moving parts or manufacturing. This shocking patent approval for this simple method application using borehole mining will validate a critical part of the process. So, the process will be validated to some degree making failure unlikely and in any case will provide some patent protection.

In conclusion, the minimum benefit to the Investor with little risk is a 50% ownership in a converted Prototype to eco-friendly mine high-value deep gold deposits a few hundred feet underground. The potential recovery of gold and other valuable minerals could be amazing and much greater than the original gold recovered during the 18th and 19th century gold rushes. Most miners know, that normally gold is more abundant the deeper you go just like the size of an iceberg. But wait! Just like an iceberg, this is the tip for what is really in it for the Investor. Please read on.

The Rest of the Iceberg Shared Equally with the Investor:

In designing the financial structure for this Hydro-Scopic™ mining process, it became clear that just one entity could not possibly be utilized to manage a variety of profit centers for this new and innovative emerging industry. A multi-faceted financial design was then created to reap the rewards of "high-value mineral rights" to be privately mined and "low-value mining rights" to be recorded and cataloged in a mineral rights holding company to be used for "Franchise Gold Mining". To begin with there are three primary entities that have 50% equity sharing with the Investor:

1. URSA Gold Corporation – is our original seed Capital Corporation receiving 5% royalty on all Hydro-Scopic™ mining production. Royalties are retained for investments in feasibility studies and

startup loans for “franchise mining” enterprises, mineral rights investment trusts, intellectual property development, placer gold backing for cyber currency, making market in placer gold, and several other possible entities.

2. Ursa Minor Corporation – is our privately owned high-value mineral rights exploration and mining Company. This Corporation will own all drilling rigs for exploration (called Beta units) that can be converted to Hydro-Scopic™ mining units (called Alpha units) for mining a proven reserve that will produce at least 1,000 ounces per month. Any Beta unit exploration indicating low-value mineral rights will be recorded, located and cataloged for consideration for “franchise mining”. Franchise mining Alpha units will be leased/purchased by the franchisee from a public stock company that will pay for licensing and conversion of a sonic drilling rig to an Alpha unit.

3. Hydro-Scopic™ Properties, LLC – is our privately owned Company for recording, locating, and cataloging mineral rights for Ursa Minor Corporation and “franchise mining”; and, legalizing those rights for royalties with ownership. It will also manage royalty’s payable for all contracts and receive royalties for their services. This Company will have the most value of all the entities when considering the value in inventory of potential Hydro-Scopic™ mining properties and related royalties. For example, a royalty of 10% paid on claimed property producing 300 ounces per month is 30 ounces - about \$30,000 per month. On minimum high-value ground paying 20% royalty and producing 1,000 ounces per month, the mineral rights owner will receive 200 ounces or \$200,000 per month for the rights that cost a few hundred dollars a year.

Once Hydro-Scopic™ mining has perfected its ability to efficiently and environmentally mine deep deposits with gold production reminiscent of “drifting” more than a century ago, word of this new mining process will spread through the mining community. A mineral rights “gold rush” will then be eminent. We need to be well ahead of this “rush” and concentrate on acquiring mineral rights. Equity crowd funding with “Mineral Rights Investment Trusts” is one way to acquire mineral rights. It also has advantages for promoting an IPO.

Probably the most valuable addition to inventory wealth in Hydro-Scopic™ Properties, LLC is the ability to classify deep gold deposits in accordance with mineral resource classification guidelines. This means that the Hydro-Scopic™ mining process including Beta testing will become the “key” to classify a subterranean deposit an “ore body” otherwise known as a “proven reserve”. This is a huge benefit for mining companies, big and small, and will add value to their assets for financial statement disclosures. Currently, this deep property is considered worthless and unclassifiable, although perhaps rich in gold, because it is not economically and technically feasible to mine due to environmental and mining costs. Hydro-Scopic™ mining solves this problem when measuring a resource with actual mining as part of the sampling process. This will increase confidence levels and easily upgrade a resource classification to a probable or proven reserve classification.

The ability to test sample with actual mining will have a profound influence on classification schemes worldwide including the Canadian CIM classification used in the NI 43-101 reports. This will be a noteworthy press release and invite a new review of confidence levels and classification for deep underground mineral deposits adding measured wealth to worldwide reserves. Hydro-Scopic™ mining will then be a pillar for world recognition as an innovative eco-friendly mining method that will have

high demand for value added mineral classification and subsequent mass mining of these resources and reserves.

An investment of \$4,850,000 is equivalent to about 4,500 ounces of gold at today's prices. Most of the investment will be used to develop a state-of-the-art sonic drilling company capable of recovering 1,000 ounces a month in high-value ground paying a few ounces per yard even if the patent claims are not validated – save one. However, it is still an expensive price to pay for a drilling company and involves an element of risk. For this reason, we are sharing equally in a joint venture with a partner/shareholder all that we can offer with our patents, contacts in the mining world, and an overall 50% share in a new innovative mining industry – something that has not happened since micron gold recovery in the 1970's with heap leaching. This will be an eco-friendly enlightening adventure complete with a “gold rush”, starry-eyed motley gold miners focused on the Ursa Minor constellation, and more gold than anyone can carry.

Please contact me with questions and any interest you may have in this project.

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Hydro-Scopic™ Entity Flowchart & Activity Flow (using only the proven prototype)

(use Caution - forward looking projections and statements have no validity in fact)

The following flowchart is a projection of converting a Prototype into a **Beta Unit for Exploration** to locate a high-value Hydro-Mining site producing 1,000 ounces of gold per month. The Beta Unit will then convert into an **Alpha Unit for gold production**.



URSA GOLD CORP.
 Prototype seed capital corporation, and the pinnacle for entity formation using royalties from gold production

EQUITY:
 50% Investor(s)
 50% Geodrilling Technologies inc.

URSA MINOR CORP.
 High-Value Mineral Rights Exploration and Mining Company

EQUITY:
 50% Investor(s)
 50% HERC Gold Corp. Shareholders¹.

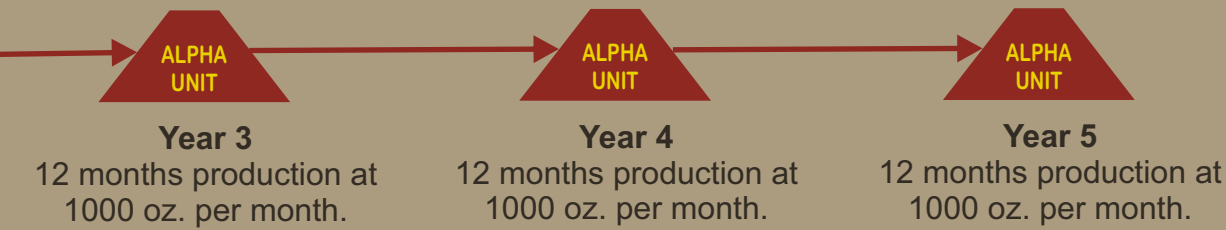


Year 2
 6 months production at 1000 oz. per month.

HYDRO-SCOPIC PROPERTIES, LLC
 Formed as a High and Low-Value Mineral Rights Holding Company

EQUITY:
 50% Investor(s)
 50% HERC Gold Corp. Shareholders¹.

Gold Production ² in Dollars.....	\$ 6,000,000
Less Royalties ³ 30%	(1,800,000)
Less Bonus to Drill Crew 10%.....	(600,000)
Less Variable Costs 1%.....	(60,000)
Contribution Margin 59%.....	3,540,000
Less Fixed Production costs.....	(500,000)
Less Fixed Administrative.....	(40,000)
Ending Year 2 Retained Earnings.....	\$ 3,000,000



Gold Production in Dollars.....	\$ 12,000,000
Less Variable Costs 41%.....	(4,920,000)
Contribution Margin 59%.....	\$ 7,080,000
Less Fixed Production costs...(1,200,000)	
Less Fixed Administrative.....	(100,000)
Net One Year Production Income.....	\$ 5,780,000
Less URSA Gold Prototype Payment.....	(3,390,000)
Net Increase to Retained Earnings.....	\$ 2,390,000
Add Beginning Retained Earnings	3,000,000
Ending Year 3 Retained Earnings.....	\$ 5,390,000

	YEAR 4	YEAR 5
Net One Year Production Income.....	\$ 5,780,000	\$ 5,780,000
Less URSA Gold Prototype Payment.....	(3,390,000)	-0-
Add Beginning Retained Earnings	5,390,000	7,780,000
Ending Retained Earnings.....	\$ 7,780,000	\$ 13,560,000

In Four (4) Years, One working Prototype (+) One high-value mining site (1/2 oz. per yard) = \$ 7,780,000 NET

(The NET is after paying all Costs and Investor(s) Note with total payments on Note of \$6,780,000). In addition, **URSA Gold Corporation** and **Hydro-Mining Properties, LLC** have received \$ 1,500,000 each in gold royalties.

¹HERC Gold Corporation is a newly formed Alaska "C" Corporation having less than 30 individual shareholders consisting of founders with friends and family.
²Gold production in year 2 is for 6 months totaling 6,000 ounces. Gold production in US dollars is figured at \$1,000 per troy ounce of gold.
³All royalties are paid in gold. Royalty percentage paid to mineral rights holders increase monthly depending on production. High-value rights begin at 20%. URSA Gold Corporation is paid 5% for patent licensing rights. Hydro-Scopic Properties, LLC is paid 5% for leasing mining rights (this varies depending on gold distributions to Ursa Gold shareholders).