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**IN THIS UPDATE**

**National Gold Inc. (NGT-CDNX \$0.14)**

"Mulatos development is now assured. And so is price appreciation."

In the Mining Insights **Members Fund**:  
850,000 shares; 4.6% of portfolio

- Ranked 4<sup>th</sup> of 75 equities.

**Market Insights**

	52 Week					Trading Days	Daily Avg. Vol.
	High	Low	Average	Last	Volume		
10/00-01	\$ 0.64	\$ 0.12	\$ 0.29	\$ 0.14	13,019,676	179	72,735
03/00-10/00	\$ 0.14	\$ 0.06	\$ 0.12	\$ 0.10	929,500	56	16,598

**Financial Insights**

Price.....	\$ 0.14	Mkt Cap (\$MM) .....	2.5
Shares (MM) .....	16.8	FD Mkt Cap (\$MM).....	3.4
Fully Diluted (MM).....	22.5	Cash incl. Wts (\$MM) .....	1.8
Tracked (%).....	65%	Debt (\$MM).....	0
Public Float (MM).....	5.9	Adj FD Mkt Cap (\$MM) .....	1.6

**Things to Think About:**  
Removal of payment liabilities (now on Alamo's account) really makes a positive valuation difference.

**Liquidity Insights**

Spread Ratio	20%	Fair*
Max. Block	41,400	Excellent
Last Bump	\$0.27	
Ramp Speed	-0.18%	Excellent

**Trade Data/ Profit Appreciation**

Average Trade Size	8,900
Average Trade Value	C\$1,269.00
Volatility	14%*
Profit Appreciation	9.1

\* Not relevant for stocks trading below 25c

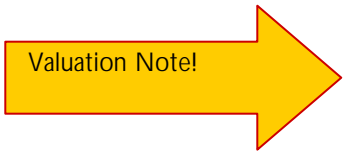
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<<< MINING INSIGHTS **ORESEARCH UPDATE**

National Gold's news release of 17 October 2001 elicited a brief flurry of interest on public chat sites, but nary a whimper of performance in the stock price. Too bad, because the news release foreshadows a dramatic change in how investors will see National Gold in the coming months.

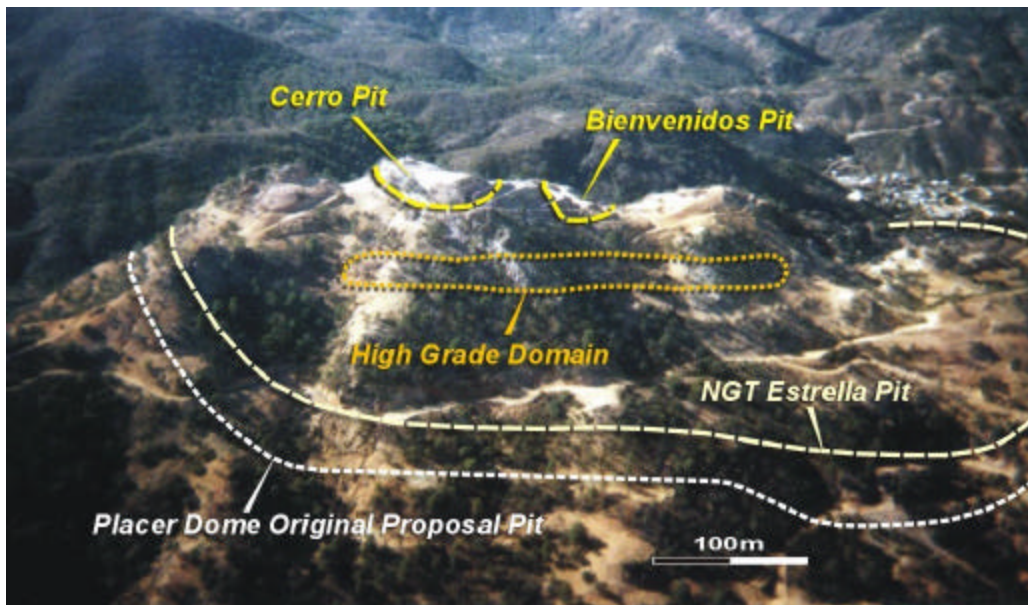
The deal with [Alamos Minerals Inc \(AAS-CDNX \\$0.19\)](#) provides for Alamos to earn a 50% interest in National Gold's Salamandra property. Alamos has committed to provide C\$2,375,000 over the next 12 months to cover all associated project, exploration, initial economic analysis and tenure payments as may arise. Once 'profitable' production has been reached, Alamos will pay National Gold another C\$2MM over four years.

We put 'profitable' in quotes, because most agreements contain a clause that says 'commercial' production must be attained before such a payment is made. In National Gold's case, profitable production may come as a result of the test-mining planned for two higher grade sections of the La Estrella deposit (11MM tonnes of 3.16 g/t, for a contained resource of just over 1MM ounces). Hence the obligation to pay NGT another \$2MM may come at an earlier point than would otherwise be expected.



A valuation note: Since the property payments now come out of the Alamos funding (the next one is US\$400,000 due by December 2001), we've removed the liability from the National Gold valuation. In the table on the first page, note the adjusted market capitalization of C\$1.6MM. While we saw little downside risk before at the current price, now there is even less.

> **LA ESTRELLA= EL FUTURO\*.**



The photo illustrates the La Estrella deposit of the Mulatos area, Salamandra project.

The Salamandra project is vast and includes a great deal of additional worthwhile targets. For a look at the whole property as a means of introduction to what Alamos is REALLY

interested in, please see the January 2001 issue of the [GLOBAL INSIGHTS REPORT](#). You can find a copy here: <http://www.mininginsights.com/archives.html>.

\* The future of NGT profitability; not another orebody!

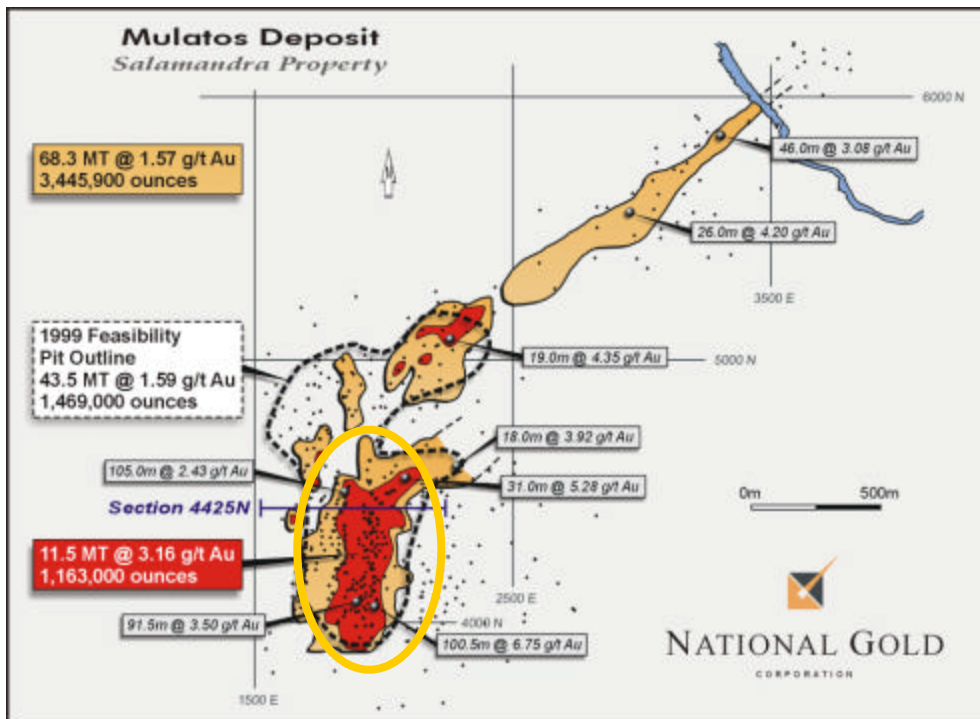
<<< **MINING INSIGHTS ORESEARCH UPDATE**

The first phase of renewed exploration will be to start trial mining of the Cerro pit and the Bienvenidos pit to determine operational parameters that could apply to mining the rest of the mountain. As you can see, there is lots of additional potential in the rest of the resource.

**The High-Grade Domain**

This area on the picture denotes a structural corridor in which the rock grades higher than 3.0 g/t gold. Unfortunately, we're not able to show it to you in cross section, but note that the domain is laterally extensive and nearly abuts the Bienvenido pit on the north. Hence, moving from 'trial mining' to 'production mining' could be a relatively painless transition in certain parts of the orebody. We'll comment on the issues that will arise from that decision when that bridge is crossed.

**What's next?**



The golden oval shows the photo view on the previous page.

The Mulatos property has quite an extensive area of relatively unexplored land, with interesting sniffs of good grade mineralization to the northwest.

We would assume some work would take place in these areas while mining development

proceeds for the aforementioned pits. We will concentrate on covering the move from an exploration story to a combined exploration/revenue generation story. With Alamos now providing the development expertise built on many similar low-grade mines in Mexico and California, this shouldn't be much of a problem.

**> INVESTMENT OBSERVATIONS**

Our analysis shows increasing liquidity with tighter spreads, making your potential investment easier (refer to the value points on the next page). National Gold ranks fourth of 75 global mining and resource equities in the **MINING INSIGHTS MEMBERS FUND**,

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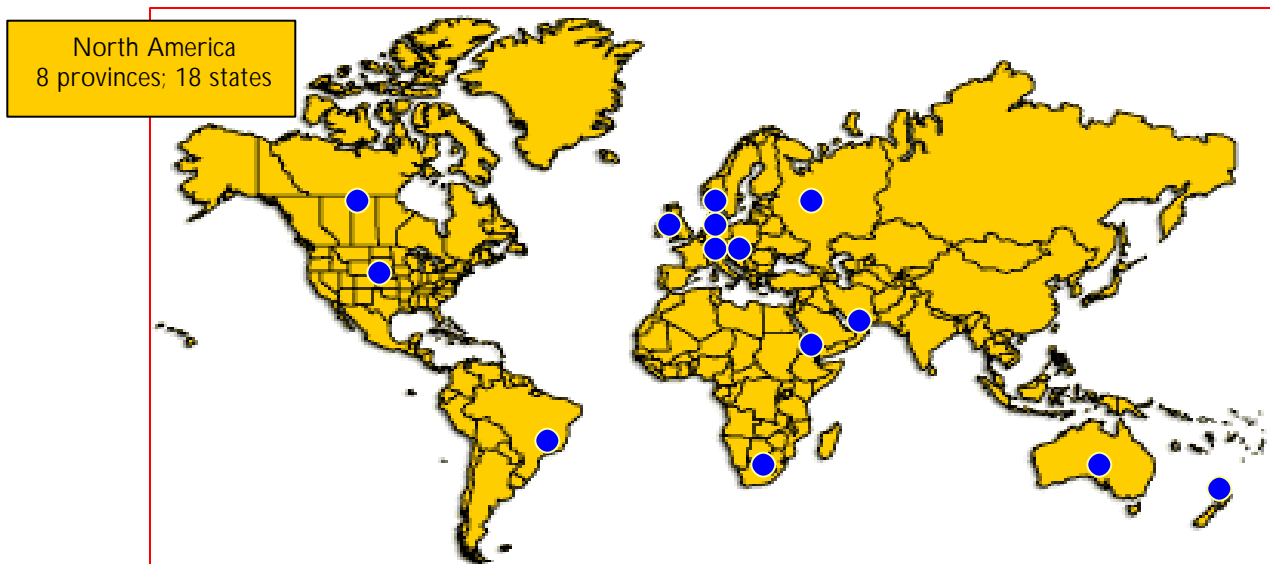
all the more surprising for a fourteen cent stock (remember, we don't include company holdings in that number). We congratulate Mining Insights Members for capitalizing on a clearly attractive value investment, and doing so BEFORE the investment risks were mitigated through the deal with Alamos.

For monthly and news release updates on National Gold performance, login to the Members area at <http://www.mininginsights.com/Members/research.html>.

### Risk Analysis

- **Exploration** risk: None for current plans
- **Financial** Risk: Moderate. National Gold needs to close on currently outstanding private placement financings to replenish low cash balances.
- **Management** Risk: Low. Jim McDonald and Albert Matter are a great team, and neither presupposes to cross their own knowledge boundaries.
- **Market** Risk: High. Historical volatility is 14%
- **Trading Price** Risk: Unquantifiable. Our parameters don't work very well for stocks trading under 25c.

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Thanks!

**Jim Steel**