

# Western Sierra Mining Corp.

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## **Shareholders Update**

For the Period Ending

December 31<sup>st</sup>, 2009

*The following is a brief overview of the current status of Western Sierra Mining for the period ending December 31<sup>st</sup>, 2009. This summary of the period should be viewed in conjunction with the previous reports filed with the Pink Sheets, press releases, SEC filings and previous shareholder updates.*

### **Gold River**

In May 2008, Western concluded an agreement with GoldRiver Exploration wherein the Company acquired several mining claims located in the Bradshaw Mountains in Central Arizona. The transaction added some \$20 million to the net worth of the Company. In an effort to develop these various properties, we have entered into three lease option agreements for the Oro Cache, Treasure Gulch and the Sun Gold Mines .

### **Oro Cache/Sun Gold**

We have entered into a Joint Venture agreement with Gold Coast Mining a public pink sheet company (GDSM) for the long-term development of the Oro Cache mine. In addition, during this operating period and under a separate agreement, we added the Sun Gold mine to further the efforts of Gold Coast and potentially shorten the time to exploration and eventual production at both the mine sites.

Under the agreement Gold Coast will fund a three phase program beginning with additional exploration, an extensive sampling program and road access improvements. We began an initial sampling program in late November 2009 at Sun Gold. While this program is very preliminary, it is intended to identify specific areas that could contain surface gold and those that do not. Some additional sampling was done that is associated with the historical production. All samples were surface samples. At this writing, the laboratory analysis is not yet available.

The Oro Cache mine is an underground gold mine with an estimated resource of 200,000 ounces gold. Currently the underground structure and tunnels provide sufficient access to the older vein structures to begin a sampling program and to evaluate additional surface outcroppings.

The Sun Gold mine is a hard rock mine that will be mined from the surface and eventually will have some underground workings. Sun Gold has been drilled by Echo Bay Exploration, Kennecott and others. Proven and Probable reserves are 100,000 ounces Au with the possibility of an additional 25,000 ounces. There is an additional block on the northern extension that could have 1,000,000 tons of a low grade ore that will also be evaluated in the future.

### **Treasure Gulch**

In early 2009 we entered into an agreement with AU Speculators, LLC (AUS) for the lease option of the Treasure Gulch mine. Under the terms of this agreement, AUS has a two year option to acquire the property from the Company for \$1.5 million. During the option period, Western has worked with AUS providing a variety of geological and developmental efforts on the Treasure Gulch property under a separate fee for service contract. During the 4<sup>th</sup> quarter Western and AUS reached an agreement wherein AUS has assigned its interest in the Treasure Gulch property to VirtualHealth Technologies (OTCBB-VHGI). VHGI is a Bulletin Board technology company expanding its current business into the field of mining. We believe that VHGI has the capability to complete the terms and conditions of the lease-purchase agreement that was originally given to AUS.

The Treasure Gulch property is a hard-rock, vein structured, gold mine with estimated resource reserves of 45,000 ounces gold and some additional values of silver contained in two separate vein structures. Treasure Gulch is an underground mine with additional workings that may be accessed via open pit mining.

Western is working with VHGI in providing updated geological information in preparation for the continued development of the mine as well as additional mining properties that surround the Treasure Gulch as VHGI looks to expand their mine holding in the area and in other portions of the Western United States.

Western anticipates doing continued field assessment and sampling work during 2010

As part of the assignment agreement, Western reduced the selling price of the Treasure Gulch mine by approximately 50% during the first and second quarters of 2010 to VHGI. In the event the mine is sold outright to VHGI, Western would continue to act as the mine developer and eventual operator at the pleasure of VHGI.

## **Gold Basin**

During the first quarter of 2009, we completed our initial evaluation of the Gold Basin mine. While the results of this effort were positive, we were unable to complete the acquisition for financial reasons. Western has continued to work with the owners, Pine Creek Mining (PCM) to complete the sale of the Gold Basin Mine. PCM has had a great deal of interest from both foreign and regional mining companies and are entertaining a variety of proposals including Joint Ventures, outright sale and/or lease option scenarios. While the participation of Western in the final outcome is uncertain, we have provided options with Western continuing to operate the mine on behalf of the new owners. While the final numbers quoted to the potential new owners are company confidential, the approximate numbers are currently set at \$6.85 (US) per yard for processing and \$1.50 per yard to supply the equipment. The agreement in progress is set for 5 years as a minimum period mine operating and management contract. Under this agreement Western would mine the Gold Basin property, operate the Au extraction and recovery plant and deliver a high grade concentrate ready for smelting and refining. Whether or not Western would complete the refining process is still under negotiations.

## **Blue Bell**

During September 2008, we entered into a lease option agreement with the owners of the Blue Bell and De Soto mines. We have now completed our initial evaluation of the Blue Bell with extensive sampling and laboratory testing and analysis. The initial work was disappointing in that the mine tailings and dumps seem not to be able to provide sufficient gold and copper to justify a viable commercial extraction operation. Indications are the thermal gossans contain good gold values but an extensive drilling program will be required to determine the projected tonnage and grade.

Western in conjunction with a private party, conducted a second test at the Blue Bell mine again to evaluate the commercial viability of the tailings and the gossans. The results of this second test confirmed the first and in December we elected not to continue with the lease option program. The agreement was mutually terminated.

We continue to work with the owners of the Blue Bell mine specifically with respect to the potential of the underground copper contained in the residual mine water. Additional testing is required to determine specific chemical properties of the water which have not been yet ascertained.

## **Ongoing and New Projects**

We have recently established Western Sierra Exploration (WSE). Its primary function will provide Western with a vehicle to acquire additional mining properties and raise pure exploration funding on a relatively small scale without dilution to the shareholders of Western. Investors will participate in either the eventual sale of the newly acquired properties or if appropriate, any lease or lease option agreements that may be forth

coming. This would include any joint venture arrangements to develop the property either with Western directly or with another mining company.

WSE will primarily look at either claiming new properties or re-acquiring previously abandoned claim sites but with some historical data available. While we will concentrate on properties in the South Western US, we have two request from Mexico in Northern Sonora where we have some experience.

In addition, we anticipate filing new claims on several properties two of which are the Lucky Ace and the Gold Spur shortly after the first of the year

Western has seen a rising interest in basic exploration and property certification request. We have preformed evaluations on existing properties in Nevada, California and Arizona. Most of these small certification efforts have been at the request of either current owners looking to list the property for sale and need current 43-101 formatted information or those that are looking to acquire mining properties and need outside and independent evaluations prior to purchase. This effort will continue to be done at Western and not WSE.

### **The Yuma Project**

Western is in the initial stages of a joint venture with an large Australian natural resource company looking to establish a presence in the United States. Western has identified this company with a mineral property near Yuma, Arizona. We have been involved in an adjacent property with one of our partners, Gold River Exploration, and believe this additional property could contain significant commercial values of gold. Western hopes to take possession on behalf of a partnership to be formally announced sometime during 2010 between Western and the Australian exploration company. Western is in the final stages of providing the cost related to the initial drilling and additional exploration and permitting on the property and that effort should be complete prior to the third quarter of the year. In the event that the Australian group elects not to go forward with the project, Western would most likely take possession of the property through WSE and look for a JV development partner.

### **Sale of Assets**

During 2010 we will continue seek out joint venture partners for several of our mine properties. This could include the Eagle, the Goldwater, the Independence, and perhaps the Jersey Lily.

Funds accrued from this transaction or an outright sale would be used to further the development of certain other Western mining properties in an effort to establish production. While our over all debt structure is quite small, a portion of the funds coming from any asset sale would be used to reduce that obligation and support necessary corporate efforts to improve and promote a stock awareness program.

## **The Current Economics**

The recent increase in the price of gold has certainly increased the value of our reserves and has helped at the negotiating table as we search for financial partners for the development of specific mines. The current price has also made the potential outcomes of the business models for such projects as Sun Gold and Gold Basin more profitable and so reduced the risk/reward ratios. The problem of course is that the reason the price of gold has significantly improved can be attributed, to a major extent, on difficulties encountered in the world financial markets including the lack of liquidity at the commercial and private banking levels. There has been a significant improvement in the numbers of people looking to Western as a source to provide long-term security to their investment portfolios through the acquisition of physical gold. The problem is that the values of their portfolios have been reduced to a level where there is no longer sufficient equity left to secure the funding regardless of the potential benefits.

We are confident that our JV partners will be successful in providing sufficient initial capital to begin the development of Sun Gold, Treasure Gulch and Oro Cache mines during the operating year 2010. Western will continue to provide any assistance it can in order to achieve that objective.

## **Reporting Status**

Our financial and corporate reporting will continue to be filed at Pink Sheets.com as will any significant press releases for the present time.

As always, should you require any additional information or have any questions, you may contact the office between the hours of 7:00 AM to 7:00 PM, MST Monday through Friday. We will do our best to return your calls.

# WESTERN SIERRA MINING

## **Statement for Forward-Looking Information**

Certain information set forth herein contains "forward-looking statements" within the meaning of the federal securities laws. Forward-looking statements include statements concerning plans, objectives, goals, strategies, future events, future revenues or performance, capital expenditures, exploration efforts, financing needs, plans or intentions relating to acquisitions by the Company and other information that is not historical information. The word "estimates," "expects," "anticipates," "forecast," "plans," "intends," "believes" and variations of such words or similar expressions are intended to identify forward-looking statements.

The Company's forward-looking statements are based upon the Company's current expectations and various assumptions. The Company's expectations, beliefs and projections are expressed in good faith and are believed by the Company to have a reasonable basis, including without limitation, management's examination of historical operating trends, data contained in the Company's records and other data available from third parties, but there can be no assurances that management's expectations, beliefs, and projections will result or be achieved or accomplished. The Company's forward-looking statements, apply only as of the date made.