The following interview featured Mike McInnis, Abacus Mining's Executive Chairman who was interviewed by Gerardo Del Real, Editor of the Junior Mining Monthly Newsletter.

Written by Gerardo Del Real
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EO Interview: Permits and Promising Properties

This is Gerardo Del Real with the Outsider Club. Joining me today is Executive Chairman of Abacus Mining and Exploration, Mr. Michael McInnis. Mike, how are you this afternoon?

Mike McInnis: Doing well, Gerardo, how are you doing?

Gerardo Del Real: I am doing excellent. I want to thank you for your time today. Outsider Club readers will know that Abacus Mining is a company that — full-disclosure, I'm a shareholder of — was a top pick for my Junior Mining Monthly newsletter.

That was predicated on a two-part dance, and the first part of that dance was the permit at Ajax that we anticipated would come in December.

That permitting decision obviously went against us. The permit was denied. Before we talk about all the exciting news at Willow, which is part two of this dance, I want to talk about Ajax and just get your thoughts on what happened and where we're at as far as the project goes.

Mike McInnis: Happy to, Gerardo. Thanks for the opportunity to talk with you and give people an update on where we are.

As you've already pointed out, the permit decision was not in our favor. Very disappointing. We thought we had done a superb job on the report, the environmental report, and when we looked at the actions to see what happened, our view was it was two-fold.

One was a political decision. The current government in British Columbia is supported by the Green Party. There is a certain element within both the party and the Green Party that really does not favor a lot of development projects.

The second element was the First Nations, one in particular. We were doing well with the other three bands, but one of them was a bit recalcitrant and we didn't get a deal done before the application went in.

Thinking about this after the fact, we thought, "Okay, let's not just sit back and wait for a government change that'll get it back on the rails, let's see what we can do in the interim." We're looking at a strategy — in its early days, I have to emphasize — but we're engaged with a large environmental group with a view that we may be able to get them to work with the First Nations and ourselves to come up with a broader agreement on what every party might get out of this.

If we're successful at that, I would take it back to the government, along with our partners on this thing, and see if we can get that permit re-looked at. We're not sitting by, we have a plan we're working on, and we'll keep you posted on any developments in that area.

Gerardo Del Real: And I want to provide a bit of context. Abacus owns 20% of a project that has an after-tax net present value, at 5%, of $543 million. That's U.S. Abacus currently has a market cap of U.S. approximately $9 million. Again, I want to stress the fact that you still own the 20%, the permit decision obviously did not go your way, but you do have a plan in place and it sounds like something that you're working on Mike?

Mike McInnis: That's correct Gerardo. We have that 20%, it's carried, so there's no cost to us going forward. At such a time as the permit comes back, we expect a new government would approve it actually quite readily. In fact, before the election we'd already been given signals the permit was going to be given, so it was a bit of a bad change in the government, but at the end of the day we're going to see what we can do to get it back on the rails.

Gerardo Del Real: Well, that's excellent Mike. Let's talk about part two.

Part two is Willow, and Willow — just a bit of background — is a property that I've been familiar with since 2010. Almaden Minerals, which was then spun out into Almadex Minerals, had this as part of their exploration portfolio. And it was staked by Dr. Duane and Morgan Poliquin, the father/son team that ran Almaden at the time and now Almadex.

You have an option to earn into 75% of Willow, and frankly you've done some of the better exploration work in defining the current target. Before we talk specifically about Willow, can you talk about where it's located?

Mike McInnis: Yeah, the Willow property is within what's called the Yerington District in Nevada, it's a historic porphyry copper mining district. They had a deposit mined by Anaconda in the 50s to 70s, and there are other known deposits in the district, one of which is on track now for a production decision. Well located within the United States. There seems to be a favorable government in the states right now to get these kinds of projects moving, so that's where we are there.

Gerardo Del Real: Excellent. Now, Willow, I visited the property last year if I'm not mistaken. I was frankly very impressed. And I'm not a geologist, I never pretend to be, but the alteration signatures, they were obvious even to a layman like myself. Can you talk a bit about the geology at Willow? And then I'd love to get into the work that you've done, the science that you've put in to defining the new drill target there.

Mike McInnis: Sure, no problem there. Just stepping back a wee bit... We, as a company and as a board, decided that we wanted to be in the copper space, we already had Ajax, and so we defined our corporate strategy as being a copper vehicle going forward.

When Ajax appeared to be heading towards production, we started looking for another copper project or two to augment and put it in the pipeline. We looked at many projects, over 100 by our count, and we found Willow.

I have a high respect for Morgan Poliquin's technical capabilities, and on the face of our meeting with Morgan, we went down and had a look at Willow. I was quite impressed. It had three things that I kind of look for when I do an evaluation of this sort. It's in another district, we know that the mechanisms that produce porphyry coppers were operated there because there's several deposits in that district.

The other thing that impresses, and I think you noted that when you walked on the property, was the size of the alteration footprint. I mean, it's 10 square kilometers. That to me, always suggests that a major mineralizing event has taken place when you get that size of an alteration footprint.

The last thing I kind of liked was that there's a number of wide-spaced drill holes that were drilled in the 70s when the original Yerington deposit was being mined. Although none of them have ore grade, many of them have lower-grade mineralization of a porphyry copper style, .08 to .2 copper. I like that when you see that much copper in an area, you know that there's been a lot of mineralizing going on. That again suggested to me that the size of the copper distribution suggested a very major mineralizing event. That's what drew us to the Willow property, as you've already pointed out. The challenge then when we took it on was to find the center of this mineralization that we were speculating on.

Mike McInnis: We can talk a little bit about the geology, what we did, why we did it, and the results if you'd like right now Gerardo?

Gerardo Del Real: I would love that Mike. It's long been postulated that there's a fifth porphyry in this Yerington camp, and all of the work that you've done thus far here in the past several years suggests that you very well have that fifth porphyry on the company's claim. So much so that you recently added to the land package, is that right Mike?

Mike McInnis: That's correct. All of our work that we did pointed to a target on the eastern side of the property, and we'll go through that with you to see how we got there. But once we saw that, it was clear that

half the target was probably on claims held by a local individual in Yerington. We acquired all those claims so that we have now, complete control over where we think the target is.

Gerardo Del Real: Now, in looking over your company presentation, looking at the mapping [of the Willow property], I want to start with the geological mapping. You have two broad alteration zones, one zone in the north, one zone in the south.

Tell me about the work that went into the mapping and why you now believe that the southern alteration zone is the better target?

Mike McInnis: Yeah, absolutely. Maybe again, if we step back a tiny bit, I should put this in a broader context. Maybe just talk a wee bit about the architecture of a porphyry copper system so we can put our work into that context if that's okay with you?

Gerardo Del Real: That would be excellent Mike.

Mike McInnis: Yeah. Porphyry copper deposits are known all through the world, as you know, and they form underneath volcanoes. Anywhere from three to four kilometers underneath that volcano. This is a very hot area where the copper mineralization is deposited, and streaming out from that copper mineralization are extremely hot gasses, hot fluids, streaming up towards the surface.

Well, as they are moving up through the rock column, they alter the minerals in the rocks overlying the deposit, and created these various assemblages of alteration minerals. As the gasses, et cetera, rise to surface they cool and they make different alteration minerals. If we understand the alteration system, we can go from the cooler alteration minerals to the hotter ones, and that's a vector.

That's kind of what we tried to do. In addition to the alteration, these gasses, et cetera, are depositing trace metals, and they have a specific pattern that's well-identified within porphyry copper systems. So if you can define the trace metal pattern, you will also get pointed in the right direction.

In other words, some of the cooler minerals like the leads, and zinc, they're further away from their deposit, where some of the other ones are closer, like molybdenum. Very briefly, that's kind of the broader architecture.

We have a large system, and our plan with our work was to design a program to understand the distribution of not only the alteration, but the trace metal patterns and vector into the center. That was the premise of our program.

The geological mapping that we did, they had three goals on that. One, we wanted to confirm that we had the right age rocks consistent with the rocks that had held all the other porphyry coppers in the district. And we wanted to define the broader patterns of alteration, and we wanted to look at structure.

Mike McInnis: I hired a fellow by the name of Brock Riedell, who is a consulting geologist. He spent his entire career in porphyry coppers. Very, very experienced. So, I thought, "This is a job for Brock," and he and his partner carried out an exceptionally good body of work there. Goals were, "Are we in the right rocks?" Brock's work, plus the age dating said, "Yeah, we have the same rocks as everybody else in the district."

"Are the alteration patterns consistent with porphyry coppers?" "Yes, we got that."

And we defined some structures, so we could see if there's any dislocation that we might have to take into account when we did the drilling program.

So, very successful on the geological mapping. Alongside of that geological mapping, we said, "Well, we need to see what the distribution of these trace metals are, as well as copper."

So we did a grid geochemical program over the targets, and ended up with again, a pattern-worthy trace metal distribution. The cooler ones were to the west of the property, and the hotter ones were to the east.

The other thing that Brock identified is the number of quartz veins. We created a map that had the intensity of quartz veins. And again, the intensity was lower on the west side of the property, and higher on the east side. To get back to your original question about the two.

The alteration in the northern one is similar, but we're not seeing the same alteration that we would've liked to have seen up there. And we're not getting any of the geochemical patterns, and we're not getting any

quartz veins. So we've focused on the southern alteration zone because it had all the elements that we were looking for in the geological mapping.

We think the northern one is likely an alteration pattern related to porphyry copper, but if there is one that's way off to the east end of our property... That's how we got focused in on the southern one, if that makes sense to you?

Gerardo Del Real: Absolutely. Tell me a bit about the soil's geochemistry? The copper and soil's geochemistry?

Mike McInnis: The geochemical work, as I said, showed some of the trace metals increasing towards the west. But the copper, and this is on our website, the copper just showed a bullseye copper anomaly on the eastern side of our property. It's quite strong, and again, it's where you would want it to be in terms of all the other vectors. There's a solid copper anomaly on that east side, supported by trace metals increasing towards that direction. So, from the geochemical work, and that's both soils and rocks, we had a clear vector onto the east side as well, and the copper anomaly certainly supports that.

We did also some geophysical work. We did a magnetic survey, and we did an induced polarization survey, or an IP. The purposes of those, often in and around the center of mineralization, the heat will destroy the magnetite within the rocks, and as a consequence you'll get a [magnetic] low in and around the center of the mineralization.

This was evident to us on the Anne Mason deposit, which is a number of kilometers just east of us where the deposit, Anne Mason, lies right within a mag low, surrounded by mag highs. When we got all the mag done, we had the exact same thing, mag low over that eastern side, flanked by mag highs.

The induced polarization surveys, they pick up subsurface sulfides. The idea there is the more sulfides, the bigger the anomaly. So most of these porphyry coppers, they're surrounded by pyrite, and that ends up being your strongest IP. But right over the deposit of course you have copper sulfides and you'll get a weaker anomaly in that area. This is exactly what happened last we looked, nice IP anomaly just flanking this target. So again, a vector onto that target zone.

Gerardo Del Real: So the theory Mike, is that Willow has formed a separate porphyry center that's now displaced further west? Is that accurate?

Mike McInnis: Yeah. One of the original thoughts is that it was an alteration zone coming from quite a distance. It's a possibility, but we thought, "Well, we don't know if that's the case or not, so let's do our work and see if that's the case."

Brock went in with an open mind about it, because he'd always read all the literature that, "Yeah, it's an alteration zone, but the center would be probably far to the east."

In fact, everything that we had done confirms that we had that target on our property. Brock Riedell, you probably don't know Brock, but he's the kind of guy that doesn't tell you what you want to hear, he tells you what he thinks. So if he doesn't like it, or he doesn't think it's there, you're going to hear from Brock that, "Forget it." Brock is quite firm that we have a target on the property here based on all this work we've done.

We've corroborated that work with spectrographic work. Spectroscopy is sort of an instrument that'll measure wavelengths from particular minerals, and without going into a lot of the science there, you can determine, fairly clearly, alteration patterns with the TerraSpec instrument.

That helped refine, if you will, our alteration patterns and again, supported a vector off to the west of the property. Sericite is a particularly good mineral for this because even though you have sericite, there are different varieties of sericite that will form under warmer or hotter conditions versus cooler. So the sericite that you find, if it's of the hotter variety you're getting down close to the center of mineralization. And again, that spectrographic work pointed us right to where we are right now.

Summing it all up, the geological work, the geochemical work, the geophysical work, the spectrographic work, they all vectored right into where we're targeting right now. So it's a very solid target that we developed and we're pretty happy with it.

Gerardo Del Real: The truth machine Mike, when can we expect drills to start turning, and what will the initial program consist of?

Mike McInnis: We've got all the drill bids in right now, we're evaluating them before we award the contract. We're in the permitting process, getting the drill hole sites permitted, and we expect all that work to hopefully be done towards the end of March or early April.

Then it's a function of whether we can get on the project, or when we can, because we want to get in there as soon as weather permits. You may recall it's relatively steep terrain getting up to the target area, and when the snow is melting off that can be quite muddy. We want to make sure that we've got everything dried out before the drill rig's on.

We're planning a program of three to four holes, 2500 meters initially, that will test the target and validate the premise and the hypothesis. If we get good long intervals of decent porphyry copper grade, that tells us we're in the ballpark and we've got to keep going.

It should be up and running sometime in April, hopefully before the middle of April, weather depending.

Gerardo Del Real: And just to be clear Mike, there are multiple targets on the property, correct?

Mike McInnis: Yeah, that's correct. There's actually another target that jumped out that we weren't expecting, towards the western side of the property. And then we have a number of gold anomalies that are flanking this overall alteration sheet.

As you're probably aware Gerardo, a lot of different kinds of golds are associated with porphyry coppers as well. We're looking at seeing if something catches our eye on those as well, see if there's another, specifically a gold target flanking this whole alteration sheet.

Gerardo Del Real: That's exciting, that's exciting. Well Mike, in the interest of full-disclosure, I'm fully biased, I allowed Junior Mining Monthly subscribers to participate in this financing. I want to thank you for the access to subscribers.

I know it was a bit of a roller coaster with the permit decision, as far as the share price goes. I want to remind everybody that I also personally participated in the financing as I said I would.

I also want to remind everybody that this is a high-risk, high-reward business, but with a market cap of $9 million, the 20% ownership of the Ajax project that isn't just going to idly sit by, there's still a plan in place there. And drilling at Willow, it's a pretty compelling risk/reward proposition to say the least.

Mike, is there anything else that you'd like to add?

Mike McInnis: Well, full disclosure too, I'm a shareholder and I'm participating in the financing too, as are most of our directors and managers. We're certainly behind this target a lot, and looking forward to it.

What I've talked about today, there's a PowerPoint presentation on our website and it goes through this. And what I've just talked about may help you walk through that website and see how that target developed on the eastern side.

Gerardo Del Real: Fascinating work Mike, I can't wait to get the drills turning, and I'm looking forward to visiting the property, hopefully to witness a discovery.

Mike McInnis: Well, we're hoping you do that too Gerardo, so we'll keep you posted.

Gerardo Del Real: Thank you very much for your time Mike.

Mike McInnis: Thank you.