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SPECIAL EXPLORERS' LEAGUE DISPATCH

Please welcome [Andy Wallace](#) to the Casey Research Explorers' League!

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We've been trying to convince Andy to join the Explorers' League for years; he's one of the most successful geologists working in Nevada, having been responsible (so far) for four major economic mineral discoveries. He's now agreed to join our exclusive club. Andy is a principle for Cordex, a private company that currently does exploration work for Columbus Gold on an exclusive basis, and was recently made president of Columbus Gold. Read on for his insights into gold exploration, Nevada, and the secrets to why he's been so successful.

Please help us welcome our 20th Explorers' League honoree, Mr. Andy Wallace...

Explorers' League Editor Jeff Clark: First, Andy, welcome to the Explorers' League. We're honored to have you.

Andy: Thank you, I'm glad to be included.

Jeff: To start, tell us what sparked your interest in geology.

Andy: My first love was mathematics, but I needed financial aid for college, so I took a scholarship at New Mexico State University in electrical engineering. That was not a good match for me, and I was floundering at the start of my second year. My brother-in-law was a landman for an oil company in Midland, Texas, and he suggested I try geology, which turned out to be perfect for me.



There was no degree program offered in geology at New Mexico State at that time, so I transferred to Eastern New Mexico University that offered a geology degree and that had a great four-man geology department. Bill Pitt, Paul Krutak, John Puffer, and Fred Nials were great professors and instilled a love of geology in me that has lasted my whole career.

Jeff: How did you get started in the industry?

Andy: My first real job in the mineral industry was in 1971 with Bill McAnulty in El Paso, who had a long relationship with Dow Chemical. We worked out of a field camp in the Eagle Mountains of West Texas, seeking fluorspar, and I was totally hooked after that. I had a number of small consulting jobs in a variety of commodities after that, but was lucky enough to hook up with John Livermore after I moved to Reno.

I have been asked a number of times how I started with John, and I have always known it was mostly luck. When I was in grad school at the Mackay School of Mines, I was one of six grad students sharing an “office” in a rock-walled room, hollowed out under the old Mines building. One morning a Cordex geologist came through the building looking for someone to do some petrographic work on drill samples from Hasbrouck Mountain, near Tonopah, Nevada. Any of the six of us could have done the job, and we all needed the money, but I happened to be the only one there that morning. That small job led to a field visit to Hasbrouck a few months later where I met John Livermore. He later offered me a contract job doing geologic mapping and watching after drilling around Beatty, NV.

I went to work for John not knowing he was a famous geologist, and not knowing anything at all about gold. I knew nothing of the Carlin discovery or his success for Newmont in Canada. It was ten years or so before I began to understand how very lucky I was to be sitting in the Mines building basement that morning in 1973. He was a demanding boss but, over the years, he has taught me nearly everything I know about mineral exploration – from the business side to the geologic nuances of importance.

Jeff: How did Cordex get started, and how long have you been a part of them?

Andy: John Livermore and Pete Galli started Cordex in late 1969, with the first real exploration work done in 1970. John had been with Newmont for many years and had developed an idea for gold exploration in Nevada. Newmont had no interest in being in the gold business in Nevada at that point, even though they were operating the Carlin Mine. John resigned from his position as president of Newmont-Canada in 1969 to start Cordex and arranged funding for gold exploration in Nevada from four Canadian juniors – Rayrock Mines, Lacana Mining, International Mogul, and United Siscoe. He partnered with a well-known, local Nevada geologist, Pete Galli. The partnership dissolved in a few years as Pete wanted to do more work in Alaska. However, they remained partners in several significant gold deposits acquired in Nevada in that first year – namely Pinson and Florida Canyon.

I went to work for Cordex full-time in late 1973 after finishing school and became exploration manager in 1985. Except for a few semesters teaching college in Ohio in the mid-’70s, I have been there ever since.

Jeff: Tell us the story of how you came to find each of your discoveries, starting with Pinson.

Andy: First off, no one person is solely responsible for a discovery except in very, very rare situations. It is generally a team effort, and the one leading the team generally gets the credit, rightly or wrongly.

The main high-grade deposit at Pinson was discovered before I went to work at Cordex. John acquired the Pinson claims in 1970 from the Pinson family. The nineteenth hole drilled by Cordex cut what came to be known as the A zone, with a seventy-foot-thick intercept of 0.25 opt Au [ounces per ton gold].

I did run a very successful mine exploration program at Pinson after the start of production, along with Ed Kretschmer and Joe Foster. That program resulted in a tripling of the size of the overall reserve, locating about 800,000 new ounces of gold at Mag, Delaney, Bluebell, Felix Canyon, and the CX deposits, all of which were operated and processed by Pinson as satellite operations.

The early years of Cordex yielded a number of other discoveries that were thought to be too small or low grade to yield an acceptable return on investment. These deposits were farmed out, and some, such as Florida Canyon and Stirling, are still in production today. Others, like Hasbrouck Mountain, are being readied for production with today's higher gold prices.

Jeff: Next up is Dee.

Andy: I believe that Whit "Dee" Delamare deserves the main credit for the Dee discovery, which is located on the north end of the Carlin deposits. Dee, a prospector employed by Cordex, took some float samples there in 1979, which had remarkable gold grades. I was the second Cordex person on the ground after Dee, and there was an obvious drill target indicated by those first samples. We acquired the land, and a near-surface deposit of gold was easily drilled out and placed in production.

Jeff: Then there's Marigold.

Andy: Marigold was a known gold occurrence south of Valmy, NV, that had been mined in the late 1930s by the Horton family. The property was drilled by almost every company in the gold business from 1969 to 1984, with 217 holes already completed. A prospecting group consisting of Vic Krak, Bob Reeves, Ralph Roberts and Jerry Hartley had acquired land in the area in 1984, with funding provided by Andrus Resources of Houston (collectively called VEK/Andrus).

I was on a visit to another VEK property with Ralph, along with Charlie Ronkos and Ed Kretschmer of Cordex, in the high country near Mt. Lewis out of Battle Mountain. We could not finish our exam of that property due to snow cover. We were headed back to Winnemucca and were passing the Marigold area where I had heard VEK/Andrus had recently drilled some holes. I asked Ralph to show it to us, and he did.

Their target was on the covered pediment on the valley floor beneath the old Marigold mine. The drill cuttings were stacked on the ground by the hole collars. We looked at those and were impressed by the deep oxidation and the favorable host rocks cut below the valley gravels. I made an offer that afternoon to continue the drilling there, but VEK turned it down. A few months later they came back to me and took my proposal. I laid out a simple drill pattern of holes on 400-foot centers stepping away from the VEK holes. Our drill holes 1, 2, 4 and 5 all returned good gold grades and thicknesses (up to 65 feet of 0.25 opt gold) under 150-300 feet of gravel cover. The deposits at Marigold were placed in production three years after that first visit and continue to produce today.

Jeff: And last is Stonehouse.

Andy: Yes, this discovery followed Marigold. I was running exploration programs at our three gold mines in Nevada, as well as running Cordex's effort for new discoveries, in the 1980s and 1990s. The mine exploration was going well with considerable increases in reserves at most of our mines, at a very low cost. We eventually acquired 35 square miles of land centered on Marigold. Doug McGibbon was the mine geologist at Marigold, and he and I met weekly to discuss plans and lay out our next exploration drill holes. It was getting late in the assessment year (those were the days when we had to expend \$100 per claim in actual work to maintain the claims legally), and we laid out quite a few drill holes for assessment purposes.

One of these holes was on the northernmost claims in our package, near the end of our land position. The position of the hole was chosen as much as anything for ease of road access for the drill, although it was located somewhat near a known small gold showing just off our land. As luck would have it, this hole was the discovery hole of what became known as our Stonehouse deposit. Santa Fe Gold was one of our joint venture partners at Marigold and, unfortunately for us, the deposit continued off our property onto land they controlled solely and where they subsequently developed what they called Lone Tree. Stonehouse and Lone Tree were eventually consolidated in a complicated land swap, and Lone Tree continues to operate today.

Jeff: You've been in the gold business in Nevada for 38 years and have seen the state grow into one of the largest gold producers in the world. How has the gold business there changed during this period?

Andy: The major change has been the consolidation of the operators active in Nevada through merger. In the 1980s, there were about 25 gold-producing companies in Nevada. They all had exploration offices, and there were many others doing exploration that did not have production. Now there are two big producers, Newmont and Barrick, and a couple that have some production (Kinross and Goldcorp). Unfortunately, Newmont, Barrick, Kinross and Goldcorp do not have a major exploration effort outside of their immediate mine fences. They are all interested in acquiring new reserves in Nevada but prefer to buy ounces that have been found and developed by others.

Exploration for new deposits in Nevada rests squarely with the junior company sector, but they have their problems as well. Most cannot stay adequately funded for the time it takes to find a new deposit, and they concentrate on testing old gold showings that have some historical drilling, or on the acquisition of land on "trends" that are more easily funded with the investment community. The result is that there is almost no grassroots exploration going on in Nevada these days.

Jeff: Columbus Gold just acquired a 1.9 million oz inferred gold resource in French Guiana. Do you think there's potential to make it bigger?

Andy: The Paul Isnard project in French Guiana is one of several deposits in Birimian rocks that have been very productive in West Africa and the Guiana Shield. The deposits can have many millions of ounces of gold. Paul Isnard has a 43-101-compliant inferred reserve, but has barely been scratched by drilling. The main deposit, Montagne d'Or, is still open on strike and at depth. Other targets defined by geochemical sampling on the property are not tested at all. There is little question this deposit will grow in size with more drilling.

Jeff: Why do you think you've been more successful than most geologists, Andy? To what do you attribute your success?

Andy: Although we are scientists, most any explorer that has been around discovery will tell you that luck was a factor.

I have also been fortunate enough to be adequately funded to do exploration through most of my career by a number of companies. Cordex currently has an exclusive funding agreement with Columbus Gold providing all the funding for Cordex's activities. Few geologists get the freedom that I have had to go out and find what they think are good targets, then get the money to acquire, map, sample, run geophysics and drill the prospects. One of the things that gives me a surprising amount of confidence is that I have rarely been second guessed after drilling a dog, and I have drilled way too many of those.

We also are incentive-oriented at Cordex. John and I have managed to keep little pieces of the things we have found, generally retaining royalties, and we have shared that with our employees over the years. Incentives work well – I am surprised so few in our business recognize that.

Jeff: Can you give investors some basic guidelines about navigating the junior sector?

Andy: I cannot remember the last time I read a truly negative press release, particularly from a junior explorer, yet we all know that most exploration efforts result in failure. That is why it is the riskiest of all businesses that I know. I think our investors recognize that risk and would welcome straightforward honesty in a press release. I for one would love to read, “We had a great idea, but our drilling was a complete bust.”

I think the best advice I can give is for investors to get the advice of a pro – one who has had broad experience and understands what it takes to make a mine. Even the smartest of investors cannot possibly know all the geologic characteristics of a given terrain, nor what grades are required to make a mine in every setting. I think that is particularly important in that many of those that run resource companies have little experience in mining themselves.

Jeff: What are your thoughts on gold as an investment?

Andy: I don't have any advice. I am not a gold bug in any way, nor do I feel qualified to speak as to the geopolitical factors that influence the price every day. I learned a long time ago to try and locate deposits where your production costs will be in the lowest quartile of all producers. That way you are somewhat protected from the ups and downs of commodity prices.

Jeff: Is there anyone you feel deserves consideration for our Explorers' League?

Andy: The most glaring omission on the list is obviously John Livermore, currently a consultant to Cordex and Columbus Gold, who is the preeminent gold geologist of our time. However, it is highly unlikely he would be interested at this stage of his career.

Jeff: Thanks for your time, Andy, and we'll be following your ongoing efforts.

Andy: Thank you for the opportunity to be part of the Explorers' League. I consider it an honor to be a member.

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