



## KITCO CASEY EXPLORERS LEAGUE INDUCTS JOHN PROCHNAU MAY 2005 INTERVIEW

### The Bio

John Prochnau's quiet demeanor belies the fact that he may be one of the most successful resource project finders alive today. How successful? During the 1990s, while managing Brancote Holdings, he assembled a global portfolio of more than fifty exploration to development stage mineral properties in the U.S., Canada, Ireland, Australia, South America and South Asia, all 100 percent financed by industry partners as part of a low-risk, commercial strategy, prior to the breakthrough Esquel gold discovery in Argentina.

After getting a degree in mining engineering in 1964, paid for by summers in the bush whacking rocks for exploration firms, John decided that the only thing he wanted to engineer was resource deals, and he dived headlong into geology and prospecting. Even from a tender age, his instinctive understanding of faults, folds, and financing set him apart from other geologists, although it did prompt him to part ways with a few employers whose programs didn't jive with his "Midas" sense. Following his nose for gold, however, proved a good career move when he uncovered a million ounces at Nevada's Alligator Ridge.

After this success, John became a virtual mine-making machine; a guy likely to be found squinting through the darkness in an underground tunnel, learning the geological secrets of a deposit from the bottom up, or looking for project opportunities in London, Toronto, or Denver. He's been involved in at least ten important finds or projects leading to mine development – a success ratio that is truly outstanding in exploration annals.

Little wonder his consulting company gets calls from around the world, and he serves technical advisory positions for numerous companies including *Anglo Pacific Group* and *Minfin Investments*. And just to keep things interesting, he founded and manages *Hidefield Gold*, an explorer combing Brazil and Argentina for the next big find while providing advice and project opportunities for associate companies active in gold and energy in North America. With John, a new, major discovery seems to be a matter not of if but when.

**Hidefield Gold Plc** is listed on the London Stock Exchange [Click Here](#) to view the latest activity.

### ► The Interview

**XL:** Thank you for agreeing to this interview and welcome to the Explorers' League.

**JP:** Thank you very much. It's my pleasure to talk with you and an honor to be invited. I really appreciate it and am flattered to be included.

**XL:** Looking at your CV, it seems the honor is on our side. It's really quite an incredible track record you have. Perhaps we should call you "Midas Prochnau".

**JP:** (Laughs) I've been called a few things, never that, but seriously, before you commit it to print, maybe I should have another look at my CV.

**XL:** Could you give us a figure for the total number of economic discoveries you've been involved in?

**JP:** Well, during the first half of my career, the first twenty years or so, I worked in large corporations, and there were a number of successful projects during that period with which my involvement would not necessarily have come to the attention of the market. To answer your question, though, let's just say there have been about ten projects that became mines or will, in which -- I hope I'm not being immodest in saying -- I played a significant role.

**XL:** Ten discoveries. How many of them were major – in the multi-million-ounce category?

**JP:** Certainly major ones, though I would hesitate to characterize them as "my discoveries", would include Alligator Ridge and its satellite deposits including part of Bald Mountain in Nevada, Choquelimpie in Chile, and of course the undeveloped Esquel project in Argentina.

**XL:** So... three really big ones. Can you say on how many of them you were really the key person who identified the prospect?

**JP:** Discoveries, or rather events leading to successful mine development in this business, come in many different ways and this has certainly been the case in my career. The purest form is of course the conventional prospector's ore in outcrop discovery, but more commonly, opportunity recognition comes in other forms – exclusive introduction to project opportunity resulting from old relationships of trust, matching of financial sources with promising but undercapitalized development stage projects, acquiring undervalued projects in down cycles, including buying assets out of a bankruptcy court as was the case with the Mt. Cuthbert copper mine in Australia. So you can understand that's a really hard question to answer without considerable qualification. But as far as new discoveries, where I was involved from essentially the first chip off the outcrop, that probably includes the America vein in Mexico (with due recognition of the Spaniards who had been there first) for the old Rosario company early in my career. Alligator Ridge is another, but it was a kind of unique situation where I managed the Selection Trust Co. in the United States and grubstaked an exceptional but very prickly old prospector named Lyle Campbell. Everyone credits Lyle, quite justifiably, with identifying the deposit in the field, although a young geologist who worked for me at the time actually found the ore outcrop of the initial Vantage I orebody in a follow-up examination. My role here was to put up with Lyle's eccentricities for six or seven years while financing him and of course leading the company that defined and ultimately developed what became the Alligator Ridge mine. I think you can also fit Esquel in this category. The initial discovery of the Natasha vein was made by a young Argentine geologist, Daniel Hughes, but I immediately followed Daniel and in this case made the site evaluation and collected the initial samples. That led to the acquisition of Hughes' claim and the staking of the entire Cordon de Esquel, within which Minera El Desquite, the joint venture composed of Brancote and the Miguens Bemburg/Packer interests, discovered the other veins comprising the Esquel vein system. There have been a number of other projects where I recognized the opportunity and served as catalyst for subsequent development, but didn't necessarily chip the initial samples off the discovery outcrop.

**XL:** That's more common – not common at all, but more common. It seems that you've had a lot of early-stage involvement all the way through production, and that's really pretty unique. Okay, so how many discoveries were you involved in that did become producing mines?

**JP:** Let's start at the beginning. The America vein I mentioned earlier was a new satellite deposit of the Huautla silver mine in Mexico. It was later developed and mined as part of that operation. Certainly with the Selection Trust Group, Alligator Ridge became a very successful, long-lived mine. There were a number of others I was directly involved in or responsible for identifying the investment opportunity leading to mine development. While managing the WX Syndicate for a number of Northgate Group companies in the 1980s, we provided finance for the Little Bald Mountain mine in Nevada, and I put the Group together with Shell Chile in financing and developing the Choquelimpie gold mine in Chile. During the same period, I was involved in a lesser capacity, as Northgate's representative on the Joint Venture Management Committee, during the development phase of the Hog Ranch gold mine in Nevada. Also at that time, we made a grassroots discovery that turned out to be part of the Trenton Canyon gold mine of Newmont in Nevada's Battle Mountain district. The part we discovered, in which my private company Nevada Mine Properties II still retains a royalty interest, is on the south edge of the deposit and has not yet been developed. Then, with Brancote, there was the Mount Cuthbert copper mine in Australia that we bought in part out of bankruptcy court and put it into production in 1997. And then, of course, there's the Esquel project – while it should be a mine, there is an outside chance it will never be put into production.

**XL:** You say it's an outside chance, but it looks dead in the water. What's your take?

**JP:** My take on this – and a lot of people ask – is that there doesn't appear to be any real, overriding environmental or social issue that should prevent the mine from going into production. Even the most steadfast free enterpriser and developer would probably agree there are circumstances where a project should not be developed. I was involved in one in Puerto Rico, a copper-gold project called Cala Abajo, but it had legitimate environmental concerns. We were prevented from going forward and it has never been developed and I'm sure never will be. But Esquel really isn't that sort of situation, so I think reality and common sense will prevail in due course. The project can bring good jobs and investment into an area that sorely needs them. It's going through a difficult period now. Outside interests have turned the local population against the project, using arguments that are emotional but not, based on my understanding, scientifically sound.

**XL:** Sure. That's a common tactic. This is a sort of jumping ahead, but as we understand it, at that point you weren't involved anymore, and it was Meridian that let itself get blindsided.

**JP:** I'm very cautious about this because I wasn't there, but you're right that I was not involved. My involvement was to put together the Minera El Desquite joint venture, assemble all elements of the project and carry out the initial exploration – which effectively identified all of the outcropping veins that make up the deposit. Then I left Brancote, resigned as managing director and was replaced by a very effective project developer named Bill Humphries, who carried out the development work. So, I don't know exactly when or how the problems started. Certainly, while I was there, we had no apparent problems.

**XL:** Do you think the trouble was started by an outside environmental group that came up and scared the locals?

**JP:** That is my understanding, but since I wasn't there at the time, I'm not really the one to ask.

**XL:** We're not asking you to report gossip, but this is an important story for people interested in mining – a nightmare come true, for investors and explorers. Any lessons you learned from Esquel would be valuable.

**JP:** Everybody says the same when these things happen. The key element is community involvement from the outset. You have to communicate openly and very freely with the local people and make them fully aware of what is involved in mine development. There's the positive, the jobs and consequent advantages that derive from investment in the community, and the negative in terms of unavoidable environmental and social disruption. The main thing is communication; for goodness sakes, be open regarding your plans and intentions to avoid accusations of being secretive and withholding information.

**XL:** Do you think more companies are doing that now?

**JP:** I think they are. As I said earlier, I was involved in one of these unfortunate situations with the Cala Abajo project in Puerto Rico, which reached an almost violent stage at one point. We made the same mistakes and simply didn't engage the local communities from the beginning. When we got to the feasibility stage, local activist groups jumped in and stirred up the local communities with a lot of information that may not have been completely bogus but was far from objective. This drew the attention of the national political parties, particularly the small but vocal and influential Independentistas, who raised the political issues of natural resources and the people's patrimony. After that we didn't have a chance for sensible debate.

**XL:** All right. Let's rewind a little bit and go back to the beginning. Looking at your CV, it seems that, like a number of other explorers in the League, you always wanted to be a miner. Is there a story of a rock that lit up your eyes one day when you were a kid, or how did it happen?

**JP:** I grew up very close to where I'm sitting right now, in the Pacific Northwest. My brother was in the logging business. As a young kid about fourteen, I started going out in the bush with him, learning how to cut line, survey, cruise timber and that sort of thing. So I developed a fondness for field work very early. But the logging business is much like the mining business; very cyclical and difficult to predict. My brother continually preached to me: "For God's sake, John, don't get into the logging business". But I liked it, so I looked for a similar discipline, and mining seemed to fit. So very early, at the age of nineteen I think, when I was at the university, I went into the bush with what was then the Utah Construction Co., my first bush job in mining in Alaska. I was bitten and have been hooked ever since.

**XL:** So when you were enrolled in college, did you enroll with the idea of studying mining?

**JP:** Yes. I enrolled at the University of Washington College of Engineering.

**XL:** Do you remember what it was, when your brother said, "Don't go into logging", that caused you to think: "Well okay, how about mining?"

**JP:** I suppose it was the parallel lifestyle. The field work – being outdoors and not deskbound. Enjoying the field work and appreciating the natural environment.

**XL:** So, when your brother says, "Don't go in logging, it's cyclical," you go into mining, but it's cyclical.

**JP:** (Laughs) I'll just say I was raised properly by my dear old Mum and was respectful of my older brother. I didn't go into logging.

**XL:** Sound like you had lots of opportunities when you were in school. Was that unusual, or did everyone have such opportunities?

**JP:** I frankly don't know whether it was easier to gain that kind of experience then or not. I don't like to answer in a self serving manner, but I think people make their own opportunities. When I decided I wanted to get into the mining business, I went up to Vancouver and knocked on doors – made sure I got summer jobs. Also, since I supported myself 100 percent, I had to work.

**XL: You paid for your own schooling?**

**JP:** Yes. And to do that, I had to go into the field and work for six months and then go back to school for half a year. It took me 6 years, but I financed my way through. At the same time, I got some really good experience. Working for Utah Construction in Alaska a couple of years, spending a winter at the Sunshine mine in Idaho, where I worked underground for Jim Colson and learned what a vein looked like – not just from the outcrop down, but from the bottom up and on its ends. I worked for Kennecott in Montana one year, Rio Tinto on Vancouver Island another – I had a lot of experience by the time I graduated.

**XL: That's very interesting. Did your focus on outcrop prospecting start then, or did that come along later?**

**JP:** I think it started right at the beginning. I studied mining engineering, but I was always interested in the front end of the business: prospecting, exploration and development of mineral deposits. Despite my degree, I never worked or even really had any ambition to work as a mining engineer – say in operations. I was always interested in prospecting and discovery.

**XL: You have Indiana Jones in your blood.**

**JP:** (Chuckles) I guess I have a little bit of that.

**XL: All right. So, you went to school and it looks like, right out of the box, you went to work for a major company, the New York and Honduras Rosario Company. How did that happen?**

**JP:** When I graduated from University of Washington, I emigrated to Canada and I became a landed immigrant, . . .

**XL: Is that like a U.S. green card holder?**

**JP:** Yes. I went to Canada because that was where the business was and worked for Asbestos Corporation in B.C. and the Yukon for a couple of years. And then decided to go back to school, at McGill, where I took my master's degree in geology. While there, I received a research grant from Little Long Lac Gold Mines and went to Chibougamau in northern Quebec to study the gold deposits there. Chibougamau means "meeting place" in Cree Indian – it's a well-known copper-gold mining camp. That's where I met Rosario. They were active in Chibougamau, and I was a young geologist just starting my career and working on the gold deposits of the district as part of my thesis work. I met a very fine gentleman named David Moore, who was their head of exploration. Dave and I got on very well and he asked me to come to work for them, which I did. Rosario had a small copper mine on the periphery of the Chibougamau camp called Bruneau, which they'd operated for a couple of years and shut down. They needed it re-evaluated, and that was my first assignment – de-icing and re-logging 50,000 feet of drill core and mapping a few miles of underground workings in mid-winter. Following completion of my studies, they engaged me as a regional geologist for eastern Canada, initially, and then later in Tucson, Arizona, where I had responsibility for the Southwest U.S. and Mexico.

**XL: So, what was your recommendation to Rosario? Did Bruneau come back on line?**

**JP:** No, it didn't. I re-interpreted deeper mineralization below the mine as being discontinuous and recommended against developing it.

**XL: You saved them money instead of making them money?**

**JP:** I hope I did. Bruneau is still there – the deep mineralization was never developed – so I guess I was right on that call. But we all have a lot of them going both ways in this business. You just want to make sure that more of them go the right way than the wrong way because, with our imperfect science, you can't avoid a few mistakes.

**XL: So, your first big assignment from Rosario was the Huautla mine in Mexico?**

**JP:** It was one of several. Huautla was a small underground silver mine Rosario ran in the state of Morelos, south of Mexico City. I was district geologist and looked after the exploration in and around the mine. That was when we developed the America vein. However, I was also involved in a number of other development stage projects for Rosario at that time, including the La Colorada silver-gold mine in Sonora and the Todos Santos copper-silver project in Guerrero.

**XL: Right. The Huautla mine was already in production, and you were looking to expand the resource. How closely involved were you in the American vein discovery? Did you actually kick rocks?**

**JP:** Yes, that was an example of kicking rocks. I was a young field geologist then and mapped the vein, sampled it and laid out the initial drilling.

**XL: That must have been fun.**

**JP:** It was fun and a great experience working for Rosario. It's interesting to hear you characterize our business as fun because that's the way I always have and continue to describe it.

**XL: So, next you moved from Rosario to American Selco. Is there a story to that transition?**

**JP:** Well, yes. As much as I liked Rosario – they treated me superbly – I just had some technical disagreements with them. Even at a very young age, it was very important to me to follow my instincts. I was never immune to taking advice from people who were more experienced and knew more than me. On the other hand, I developed fairly strong technical opinions early on. In the case of Rosario, I had some differences of opinion regarding the underground development of the Todos Santos project and simply decided to leave. Getting the job with Selco was a very ordinary matter of answering an ad in the paper. They wanted someone to look after their work in the United States. At that time, it was centered in Elko, Nevada – where they were looking for Carlin-style deposits. I simply answered that ad and was subsequently offered the job.

**XL: Okay. What were the highlights from your period with Selco?**

**JP:** I think my whole career was shaped by the 10 years I was there – both by the people I worked with, my mentors there and particularly Bill Hancock, the Technical Director, and the Selection Trust-style of management.

**XL: Judging from your papers, does that mean they let you have pretty free rein?**

**JP:** Very free rein. Selection Trust was a classic old London mining finance house. They had investments all over the world, but were focused in the dollar countries: the U.S., Canada, South Africa and Australia. Each of those operating groups was staffed by locals, rather than ex-patriots from the UK, and given a very free rein in developing their projects, so long as the targets and the objectives were well understood and acceptable to management in London. In the United States, we focused on gold: Carlin-style gold in Nevada and also polymetallic massive sulfides.

**XL: Which of those types was Alligator Ridge?**

**JP:** Alligator Ridge was a Carlin-style gold deposit.

**XL: Did you kick rocks on that one, or was it something a prospector brought to you?**

**JP:** Alligator Ridge, like all discoveries I suppose, represents another interesting story which I briefly described earlier. However, it might be of interest to elaborate a bit more. When I came to Nevada, in the early '70s, the state was wide open and, despite a long history of intensive prospecting, there was clearly very significant potential for new discovery and, more important from the operational perspective, new discovery using very classical and traditional outcrop prospecting. Although a frequently repeated story now, this was because the Carlin deposits contain very fine-grained gold and were simply unrecognizable by earlier generations of prospectors. These people were superb prospectors, but if they couldn't see gold in their pan they couldn't find it. Their limitations to what they could physically see was what created the opportunity for the extraordinary record of gold discovery in Nevada from the identification of Carlin by John Livermore and Alan Coope in 1961 through the present time. This was only possible to occur, in spite of the area being overrun by capable prospectors for a hundred years, following recognition that you couldn't pan Carlin-type mineralization and the consequent, widespread use of improved analytical techniques. Most of these new discoveries, not all but most, including Alligator Ridge, were traditional outcrop discoveries. Alligator Ridge was found that way by Lyle Campbell, curiously by sampling sub-ore basal jasperoid below the gold deposit because it was resistant and outcropped. I have no doubt Lyle would have found the actual ore outcrop as well, but, following his prospector instincts, he was moving up the range successfully, finding a number of satellite deposits.

**XL: You mentioned him. Why do you call him prickly?**

**JP:** Oh, he was a cantankerous [expletive]. I've often said that if you could attribute anything to me during my tenure with American Selco, it would be that I put up with Lyle for all those years until he made the discoveries that made him very wealthy and American Selco a successful operating company. Please understand that description was given with affection. Lyle was a very good friend of mine and a super prospector. He deserved all the material reward and recognition resulting from Alligator Ridge, but his success definitely did not mellow him.

**XL: How big did Alligator Ridge turn out to be?**

**JP:** Times were different then. People interpret the past in the context of the present, and it now seems to take multi-million-ounce deposits to get anyone excited.

**XL: We understand that – a half million ounces was a much bigger deal back then.**



**JP:** That's right. In Nevada in those early days, there were only a couple of million-ounce deposits and you were doing very well if you found a quarter million or a half million ounces. If you got to that point, and you saw 30, 40 or 50 thousand ounces per year production potential, over 5 or 6 years, you'd normally stop, put the project into production and move on to explore for new ones. At the time we made a decision to go forward at Alligator Ridge, we had about 600,000 ounces. Over the life of the mine, I believe, it reached about a million ounces. But I was long gone by that time and don't have the precise figures. By the standards of those times, it was a very significant discovery. And a very profitable one. The grade was very good. Another small mine I was involved with in Nevada, not from the beginning, but very significantly in finding additional resources to maintain mine life, was Borealis. This was when I returned to the states from my stint with Billiton in Europe and worked a short time with Tenneco. The Borealis mine was developed on about a quarter of a million ounces and produced from 30 to 40 thousand ounces a year. It was enormously profitable, with operating costs well under 100 dollars an ounce.

**XL:** Yes, you mentioned that in your paper. Why was that? Was it at surface?

**JP:** Yes. The Borealis deposit had very good grade and metallurgy and was right there at surface. No stripping. Excellent operating characteristics and very well managed by Dan Martin.

**XL:** Were you there right at the beginning, or was that another prospect someone brought to your attention?

**JP:** Tenneco was operating at Borealis. They brought me in at a time when the original discovery, which was called the Main Borealis Deposit, was almost depleted. At the time, they were actually drilling a bunch of deep holes underneath the pit, trying to find another Comstock Lode. When I arrived and sized up the situation, I saw all these smallish peripheral satellite deposits that had maybe half a dozen holes in them, and a few trenches with reasonable grades. So I said: "Look, we're going to run out of ore in 6 months or a year. We wouldn't have time to develop anything at depth, even if the current program is successful, so why don't we look at these satellite deposits?" And we did. We outlined a number of them that served to prolong the life of the mine 4 or 5 years. We never found a Comstock Lode beneath the pit – maybe it's still there.

**XL:** We skipped over Billiton, were there any highlights from that period you want to mention?

**JP:** When I left American Selco and decided to do something different, I went to Billiton International Metals, part of the Royal Dutch Shell Group. In fact, I was the first American hired by them. I went to The Hague and lived there for about 6 months, serving as a kind of coordinator liaising between the central office and the North American and Canadian operations... I was a fish out of water. Billiton was an excellent company and they treated me wonderfully. It's just that I am not a head office kind of person. So, I went to my boss, Myles Bowen, and said: "Myles, you have to get me into an operating company. I'm going crazy here." He said: "John, I'm trying to get something going in Ireland. Nobody wants to go to Ireland. Would you like to start the Billiton company there?" I did and put together a small exploration group based in Dublin. Ireland is a lead-zinc province and this was one of the few periods in my business life when I was not directly involved in gold. We acquired two semi-developed zinc deposits from my late good friend Lawrie Reinertson, with Noranda at the time, during my three years running that company. The deposits, Ballinalack and Harberton Bridge, have yet to be developed, but I think there is a good chance they eventually will be.

**XL:** That's interesting. Tell me about the Samplex center tube core hammer. Some of your engineering training came to surface after all?

**JP:** Well... it did, to a certain degree. When I went to Ireland, I met a fellow who, oddly enough, had also come out of Selection Trust. Melvyn Ennis is an Ulsterman from Belfast who developed a very clever concept for a core hammer, a center-tube sampling hammer, and needed financing to support its further development. We needed such a tool in Ireland that was capable of penetrating and sampling deep glacial drift, because the country is covered with it, and you have to get below it to effectively sample bedrock.

**XL:** What is glacial drift?

**JP:** Drift is sand, gravel and rubble deposited after the retreat of a glacier. Large parts of the Northern hemisphere are covered by deposits of glacial drift that effectively obscure bedrock and of course mineral deposits.

**XL:** Why is it difficult to get through?

**JP:** Because it's thick. In Ireland and many other places, the cover is frequently tens and sometimes hundreds of feet thick. It's difficult to penetrate with augers and conventional percussion drills normally used to get through overburden because of its depth and bouldery consistency.

**XL:** So, you saw this technology and thought it was viable and decided to help with money?

**JP:** Yes, we financed Melvyn to do the early research on Samplex. After I left Billiton, however, they stopped funding him though he continued to receive support from several other companies over the years. The last was Seismic Supply International from Australia. They eventually manufactured and sold Samplex all over the world. I remained involved on an advisory basis and continued to work with Melvyn on field tests in Nevada, and consulting to Seismic, for a number of years in the 1980s.

**XL:** Very good. Did you also acquire an expertise in Irish pubs while you were there?

**JP:** You can't live in Ireland and not do that. I had my favorites and, given many friends and business associates in Ireland, still have opportunity to frequent them from time to time.

**XL:** The next section of your CV lists a large number of companies, including many projects. We can't cover them all, so how would you characterize the period from 1984 to present?

**JP:** This period represents the second half of my commercial life, following my return to the United States and corporate careers with Selection Trust and Billiton, during which I've operated independently. During this period, I've organized and run a number of private companies and syndicates as well as founded AIM-listed Brancote and Hidefield. The formation of the WX Syndicate for three companies in the Northgate Group really launched this phase of my career. Admittedly, many of the numerous ventures I've been involved with during this period look overlapping and perhaps confusing on a CV. However, most were actually formed under partial sponsorship of Brancote as a basis to tap outside sources of finance and increase exposure to multiple opportunities while minimizing financial exposure and risk. This is a strategy also being followed by Hidefield, but in a slightly different fashion through stakes in associate companies holding our non-core projects.

**XL:** What does that mean: "private syndicate"?

**JP:** The term Syndicate, commonly used in Canada during the early years of my career, but admittedly a bit out of fashion and perhaps quaint now, is simply a joint venture of several companies. In the case of WX Syndicate, it was composed of Ennex International (Irish), Whim Creek Consolidated (Australian) and Westfield Minerals (Canadian), all public companies controlled by the Northgate Group.

**XL:** Little Bald Mountain, Trenton Canyon – lots of interesting stuff happened while you worked with Northgate. What would be the highlights of that period?

**JP:** There were many as WX became one of the largest, if not the largest, claim holders in Nevada during the late 1980s. However, one of the obvious highlights, while not a resounding commercial success, was the Little Bald Mountain mine, which was developed on a tiny gold deposit by Northern Dynasty, a Canadian company now part of the Hunter Dickinson Group. My role here was to act as a representative of the WX Companies that provided finance to put the mine into production. I continued in this role during its development as a small open-pit and underground heap leach mine and through its operating life.

**XL:** Did it remain small or get bigger?

**JP:** No, unfortunately we failed to increase reserves and it remained small. One of the smallest operations in Nevada, where large mines are the norm. Little Bald Mountain produced 3 to 5 thousand ounces a year during an operating life of about 5 years, but was extremely well run by Glenn Simpson and Northern Dynasty and, I believe, paid back and returned a modest profit at the end.

**XL:** How about Trenton Canyon?

**JP:** Trenton Canyon was a deposit that was discovered and developed by Santa Fe, which later was acquired by Newmont. While I was running the WX Syndicate, we staked claims on a gold showing we discovered adjacent to what eventually became the Trenton Canyon deposit. We still have a small royalty interest in our claims, but although they were incorporated into the original Trenton Canyon mine plan, that part of the deposit was never developed and the mine is closed now. I naturally hope it's a temporary suspension and our ounces will eventually be mined.

**XL:** What would be the biggest thing that you were involved in via the WX Syndicate?

**JP:** The biggest thing was my introduction to them of the Choquelimpie mine in Chile. This came about through old Billiton contacts. In this case, the Choquelimpie mine was being developed by Shell Chile, which was part of Billiton, my former employer, and by Citibank. Shell Chile had no experience in developing or operating gold mines so, the manager at the time, a good friend of mine named David Whitehead, got in touch with me and said: "John, can you help us find a partner for Choquelimpie? We want a partner with operating experience." Of course, I was representing the WX Syndicate group at the

time that were very capable operators, so I put the two together. One of the WX companies, Westfield, took a stake in Choquelimpie and participated in its financing and mine development.

**XL: And how big did it turn out?**

**JP:** Choquelimpie was a really interesting deposit. We've all heard prospectors claim, "There's a mountain of ore there!" Choquelimpie actually was a mountain of ore. Until Esquel, it was probably the most impressive surface occurrence I had ever seen. The original resource was about a million ounces, and I thought it would go on forever through additional discoveries. However, it just didn't get much beyond the original forecast.

**XL: Do you think there is more gold there that hasn't been found yet?**

**JP:** I frankly haven't looked at it since my involvement as the representative of Westfield and the Northgate group through feasibility and development of the mine. When it went into production, my role there ended, so I wasn't part of the ongoing exploration around the mine. But it's one of those places that I would sure like to go back to and have another look at. There just seemed to be so much upside potential that wasn't realized.

**XL: You mentioned the Puerto Rico deposit, at Cala Abajo, that didn't go forward for environmental reasons. How big was that?**

**JP:** Cala Abajo has about a hundred and twenty million tonnes of ore grading 0.8% copper and a half gram of gold. Very good operating conditions. Low strip ratio. Good metallurgy.

**XL: What was the environmental drawback?**

**JP:** The deposit sits up in the headwaters of a tributary to one of the major rivers of Puerto Rico, the Rio Grande de Arecibo. The tailings would have had to have been deposited in the headwaters of the river. There was just no other place to put them, unless you were to try and slurry them down to the coast and deposit them offshore, which was one of several operating plans proposed by Amax, our predecessor at Cala Abajo. Of course, that's totally unacceptable in this day and age. It's not a bad way to dispose of tailings, but the idea of just putting them into the sea simply isn't acceptable any longer. So we were faced with a situation where our development plan included an open pit and very large tailings facility in the headwaters of one of the major freshwater sources of Puerto Rico. You could engineer it to put in all the protections possible, but you can never engineer against catastrophic failure. You can never be sure, no matter how careful you are or how much money you spend. Accidents can happen. There were also political issues involved with Cala Abajo, the normal emotive claims of patrimony and the people's resources, but in this case the environmental concerns were in fact legitimate.

**XL: Not to mention terrorism, these days.**

**JP:** Yes. As much as I wanted to see that mine go forward, from the very beginning I could understand the concern. It was a very big tailings dam we were proposing on a small island with limited water resources.

**XP: What about Esquel, how big was that?**

**JP:** How big is Esquel? I think the Meridian's published resource is some 4 million ounces. Excellent grade – 7 or 8 grams – and operating characteristics. Esquel is a major, major deposit. And it probably will grow bigger if it eventually gets developed.

**XP: There are a number of different projects listed under Brancote, besides Esquel. What else would be a highlight from that period?**

**JP:** What I'm most proud of with Brancote, apart from Esquel and the consequent financial success it meant for our backers, is the company's operating style and business strategy in general. It's also what I received the most criticism for. Our policy was to identify and acquire multiple projects, at the lowest cost possible, and have them funded by industry partners. We did this through grubstake arrangements with Kennecott and Hemlo in Nevada, Gencor/Billiton in Ireland, and of course through numerous conventional JV's with major or junior companies. In other words, Brancote was set up essentially as a risk-free or low-risk exploration vehicle, really almost a contradiction in terms, in a traditionally high-risk business. Although it sounds a bit trite now, because many companies were forced to adopt a similar strategy during the difficult period from 1998-2003, this was not a common business plan in the early to mid-'90s.

**XP: Right. But getting other people to pay for the high-risk exploration work – that's Doug Casey's favorite trick. He loves companies that do that.**

**JP:** That's the way Brancote operated. And at the height of the development of that strategy in the mid-1990s, we had over 50



project interests or minority, free-carried stakes – in North America, South America, South Asia, Australia, UK, Ireland, and Russia – that were fully funded by other parties.

**XP: That sounds like quite an achievement, John!**

**JP:** Thanks. It's an operating style I believe in wholeheartedly and absolutely. But it's also an operating style that at that time received a lot of criticism, especially by North Americans. Rick Rule, an early supporter, and Doug are exceptions along with a dozen or so London institutions that backed us on the road to Esquel and success.

**XP: What was the criticism?**

**JP:** Lack of a clear focus. How can you manage all those projects? Well, in the first place, we didn't manage them; we just identified and acquired them and assured that they got funded. The other parties managed them. However, the typical North American analyst, and more than a few in London, maintained the typical resource investor is looking for situations where he can clearly understand what the company is after -- a single project, or maybe 2 or 3 at most, with a common focus. I was continually told that our multi-commodity, diverse geographic base strategy confused the investor and that the farm-out policy reduced upside – whereas in reality I believe it simply increases exposure to opportunity and eventual success.

**XP: Weren't there experienced investors who would have balked at investing in a company that had all its eggs in one basket, increasing their risk?**

**JP:** Of course. That's why, though I suffered this criticism from a lot of North American analysts, on the other hand, in London, where we were listed, we had a very supportive institutional shareholder base. They really believed in our strategy and, in the end, were highly rewarded.

**XL: Would it be a stretch to say that you brought that strategy to North America? That you pioneered it?**

**JP:** I don't know, but I feel it would be a bit self-serving to characterize myself a pioneer, especially after being called Midas earlier in this interview. Grubstakes, joint ventures, farm-outs have always been a part of our business, and I'm sure there were others operating similarly, if not necessarily exclusively, and with so many projects and over so broad a geographic area. Having said that, I haven't grown too old to appreciate compliments. Rick Rule might agree. He backed Brancote, before Esquel, when he didn't know me from Adam because he liked the strategy. However, one thing I've learned – one of those tenets never forgotten – is that you are never first or unique with an idea or concept. You are never, except perhaps on rare occasions with extraordinary innovators, the only guy with a bright idea. The only real advantage for the ordinary guy like me comes from not hesitating to act on that idea. Because you are rarely alone and, if you don't act quickly on your convictions, you lose opportunity to the other guy thinking the same thing.

**XL: That's a great lesson for life in general, really, not just mining...**

**JP:** In our business, I like to relate this to the simple act of staking claims. You don't wait until the boss comes back from holidays or until you necessarily have all the assays. If a prospect looks good to you, if you sense it's something good, stake now and think later. It doesn't matter how smart or innovative you've been in identifying opportunity, you lose if you don't act on it quickly and end up losing the ground to a competitor. The grassroots discoveries at Alligator Ridge and Esquel were examples of successfully assembling very large and ultimately dominant land positions by acting immediately and staying ahead of the competition.

**XP: Let's expand on that a little bit. If it's not a trade secret, can you tell us how you identify opportunities, particularly at the early stages?**

**JP:** It's not a trade secret at all, just subjective and very difficult to answer in a simple manner covering all opportunity. I liken recognizing opportunity to entering a business negotiation. You can't pre-plan how to handle the situation until you face it, draw your conclusions from the moment and react accordingly. Every business opportunity is different and can vary enormously depending on the circumstances and environment in which it's encountered. I guess if you were to attribute some kind of operating style that has worked well for me, I'd say that it is to try and act counter-cyclically. Some of the better things I've done simply resulted from taking advantage of low-cost opportunity when no one else cared or was looking.

**XL: Buy low, sell high.**

**JP:** Yes, exactly. I know, too many of these ideas seem overly simplistic and commonplace – certainly the "buy low, sell high" philosophy. However, the mining business is so cyclical, it offers great opportunity to do just that. For example, in the late '90s, after I had resigned from Brancote, I spent a couple of years looking for opportunity on my own. Of course, those were pretty depressed years for our business, so I looked at companies divesting properties because they no longer seemed to fit their

business profile or simply represented an unwanted administrative burden or holding cost. During this period, I bought a number of properties outright, using a few simple criteria apart from technical merit, mainly low holding cost or non-mineral value in the case of saleable surface rights to remove risk, when no one else cared. These properties eventually formed the original asset base of Hidefield and the subsequent basis for our share positions in Alto Ventures, home for the Canadian projects, and Columbus Gold, the private company holding the U.S. projects that is currently in the IPO process. These acquisitions simply represented an assessment of projects with good technical merit available at bargain basement price because of a temporarily depressed market – my definition of opportunity.

**XL: How important a role does outcrop play in what you consider to be a reasonable technical matter? You've written about it a lot, but these days we have all these new technologies that can help find deposits with no surface showing.**

**JP:** All you can use is the information you have at hand. Sometimes it's outcrop information. Sometimes it's information from historical work. Sometimes indirect evidence from geophysical or geochemical surveys or some form of remote sensing. Satellite imagery has been used extensively in the last ten or fifteen years. Whatever you are trying to assess, you can only use the information that is available to you, as well as, of course, experience and common sense, to make judgments. But each case is so individual and so unique, it's hard to put a formula on how to recognize opportunity. I guess I would simply emphasize again that when you see something you like, and your instincts, your experience, your common sense – all of those things are extraordinarily important, almost more important than intellectual capabilities – if those things tell you something is worth pursuing, then you follow those instincts and act quickly.

**XL: You can't be too risk-averse.**

**JP:** No, you can't be too risk-averse but, on the other hand, you have to clearly understand the cost of risk and your capability to absorb it in the event of failure, which is all too common an outcome in our business. Again, it's judgment and common sense.

Another interesting story about opportunity recognition and response in connection with Esquel. The original discovery there was called the Natasha vein and was found and staked by a young Argentine geologist named Daniel Hughes. When I first saw the massive Esquel veins, some forming outcropping ledges 20 meters thick and 10 meters high, and received initial assays averaging 6 to 10 grams per tonne, it was clear Esquel was going to make a mine – if you did nothing more than knock over the outcrops and scrape up the rubble. It was also clear we had to go forward to secure the project. So I immediately called my Argentine partner, Alberto Orcoyen, with whom, by the way, I'm still doing business in Argentina, and told him to go forward with the Hughes deal and, at the time, stake the rest of the Cordon de Esquel, the small range of mountains in which the veins occurred. The original Hughes license was 1,000 hectares and the balance of the range perhaps 50,000 hectares, including two third-party licenses. Alberto responded. "That's a big area, John. All of it?" "Yes, all of it." "That will cost a lot, John – maybe 25 thousand dollars." "All of it, Alberto, we have to have all of it." He said, "Okay, I'll get our land man to go down to Rawson next week and do it." And I said: "No, Alberto, it's got to be staked now. Tomorrow. Just send someone down to Rawson and take out licenses on the rest of the range." And he said: "Well, okay John, I will." So we did it. We staked the rest of the range the next day and effectively secured the project for Minera El Desquite and Brancote. And, unsurprisingly, when we told Hughes we were interested in his property, he quite naturally thought it might be in his interest to shop around a bit. So he advised a couple of other companies, including a very aggressive group called Minera Andes, which immediately went to Esquel, a day or two after we filed our claims. The point of the story is that if we hadn't acted immediately, if we'd waited for any reason, we almost certainly would have lost the whole project. Most of the ultimate Esquel resource was eventually found on the licenses we acquired that day, and we gained a position of strength enabling us to eventually get the Hughes license and consolidate the entire district. It's the reaction time that is so important. Instinct, experience, common sense, and reaction time.

**XL: Great story. Okay, so the projects are all unique, but is there any pattern to how you decide which regions of the world you want to go into, when, for example, it's a good time to go into Africa, or South America?**

**JP:** The principal criteria I consider for area selection are technical potential, competitive opportunity and security of mineral tenure. Canada and the U.S., Australia and parts of Europe are no-brainers for North Americans. We know these jurisdictions, understand the business and social cultures and how to operate reasonably effectively in them to assess risk. Once you venture beyond these "safe" areas, technical potential and competitive opportunity should be, and in my judgment frequently are, sufficiently compelling to override potential concerns regarding tenure. In non-familiar jurisdictions, I've always tried to mitigate inherent risks with local partners – which we should perhaps have tried in Puerto Rico!

**XL: Country risk.**

**JP:** Yes. And wherever I've worked outside North America, whether representing Brancote, or Hidefield, or other parties, I've gone into areas where I am reasonably certain we have local partners who can help us navigate the choppy waters. With Hidefield, we're involved in Brazil and Argentina. In Brazil, we had a ready-made infrastructure, an administrative setup and

very capable Brazilian engineers, geologists and technicians we could draw on, through our partner Brazilian Diamonds. In Argentina, we're in partnership with a group of Argentine businessmen and Europeans with very significant investment in that country . . . .

**XL: Can you tell us about Brazilian Diamonds? Doug met with Ken Judge in Vancouver last September, and he told us a good story, but many other folks were quite skeptical. What do you think of the situation?**

**JP:** I think it's exactly as represented by Ken and his associates. Brazilian Diamonds is a major shareholder of Hidefield and our JV partner in Brazil. On the other hand, I have no role whatsoever in Brazilian Diamond's management or prospecting activities, so what I know is what I hear and read, the same as any investor.

**XL: Speaking as a prospector, then, does what you read and hear make sense to you?**

**JP:** Yes, it does. Basically, what Brazilian Diamonds is doing is following up on earlier work in Brazil by De Beers ....

**XL: That's one of the things that makes people skeptical; if there had been anything there, De Beers would never have let go of it.**

**JP:** You know what we used to say in Nevada? If you want to find a mine, just go where Kennecott was and pick up one of the projects they abandoned.

**XL: Very good.**

**JP:** De Beers invested a lot of money in Brazil, generated an important data base and found a smallish diamond-bearing pipe. However, it apparently didn't fit their parameters for probable number of carats per year, and so they disposed of it. But what doesn't fit De Beers size guidelines could very well fit a smaller company.

**XL: We were just speaking with Bob Dickinson at Hunter Dickinson, and he said something quite similar. Many of their best successes were projects dropped by majors at some point in the past.**

**JP:** That's right. My acquisitions of Coldstream, Oxford Lake and others in 1999-2000, which were put into Alto and Columbus, were all projects with past exploration and at least partially defined resources or clear targets. I didn't go out looking for outcrop discoveries during that period. I looked for opportunities where early prospecting risk was removed.

**XL: Speaking placing properties into vehicles, you've done a lot of JV's, well over 100...**

**JP:** Too many to count, but I'm sure the number is well over 100.

**XL: How do you decide how to structure and price a deal?**

**JP:** It depends on for whom I'm doing the business. I've done a lot of deals privately and, in that case, I'll do a simple lease agreement through which participation in the upside is assured through a royalty. If you want to operate risk-free in the mining business, you can't find a better formula than a straightforward royalty. Look at the extraordinary success of Franco-Nevada. However, if you're operating in a junior company dependent on capital markets, like Hidefield or Brancote, you have to take into consideration the market's perception, and the market likes to see a structure where some sort of participating stake is retained – in other words, a JV whereby the carried company participates in the success of the financing party through its retained interest. Frankly, I've never really understood why the market prefers a participating, risk-sensitive interest to a risk-free royalty – perhaps it's the perception of compromised upside.

**XL: Any particular words of wisdom to remember in setting up these JV's?**

**JP:** From the standpoint of the party farming out, don't be greedy or assume a good deal is necessarily one in which advantage is gained to the detriment of the other party. In any negotiation, it's important to be able to put yourself on both sides of a deal, to be able to understand what the other party needs in order to be able to go forward, what's going to encourage them to stay in the deal and continue to invest. Naturally, your principal responsibility is to assure proper recognition and reward for conceiving, acquiring and bearing initial risk, but don't be too demanding in terms of short-fuse payments and work commitments – that will just encourage the other party to leave before they finish evaluating the project.

**XL: No thumb screws; they are bad for business.**

**JP:** That's right. Despite the famous Wall Street movie – greed isn't necessarily good.

**XL: So what's the most interesting thing you are working on now?**

**JP:** I am CEO of an AIM-listed company called Hidefield. Our principal activity is in Brazil where we have projects in the Quadrilatero Ferífero or "Iron Quadrangle" in the state of Minas Gerais. This is one of the major historic mining provinces of Brazil, famous for iron ore production by CVRD, the world's largest iron ore producer, and major gold operations, run principally by AngloGold. Hidefield has a project there called Cata Preta that currently contains a small deposit of about 150,000 ounces on which we are drilling to expand the resource.

**XL:** It must have nice characteristics, though, for you to be working on something so small?

**JP:** Well, most deposits start small. It has a reasonable grade, about five grams, and pretty good operating characteristics including great infrastructure, but we clearly recognize that it's small and has to be expanded, and that's what we're striving to do.

**XL:** Very good. And, presumably, you have your finger in many pies and are helping them move along, looking for the next big thing...

**JP:** That's right. When I founded Hidefield in early 2001, we put those projects I told you about acquiring during the difficult years – largely gold projects in Canada and the U.S. – into the company. To realize value from these projects, Hidefield has vended them into Canadian companies, one you know of, Columbus, which holds the Nevada properties, and another one called Alto Ventures, which holds the Canadian gold properties. We also had some coal and coalbed methane interests that have either been sold, subject to retained carried interests, or put into another TSX-V company called Forum Development. So, Hidefield really has two aspects to it. It has its principal operational activities – gold exploration and development in Brazil, with a second, less advanced package of gold projects in Argentina -- and it has its investments in the Canadian companies, which are self-funding and developing the non-core North American projects.

**XL:** And Hidefield trades on AIM. What do the share structure and market cap look like?

**JP:** You know UK companies – we've got, I think, 125 million shares and it's capitalized at 7 or 8 million pounds. I'd have to look to provide precise numbers. I'm one of those people that rarely look at the share price – or the gold price, for that matter. My focus is on building value in projects and when you achieve that, the share price will take care of itself. Maybe some investors don't like to hear that sort of comment, but that's the way I manage my business.

**XL:** Let's switch gears here for a bit. You are widely respected and people would like to know what you think about the geopolitical and macroeconomic situation in the world today, and what that portends for the resource sector. Have any opinions on that?

**JP:** Oh, absolutely none at all. (Chuckles) Seriously, I just don't think about those things. I don't allow myself to get distracted by issues I can neither influence nor properly understand – the only time I do think about them is when the sector is really in the tank, and I can say: "This is an opportunity." I gave up trying to forecast metal prices years and years ago. I remember that Chester Beatty, the old chairman of Selection Trust, used to say: "We're a mining company. We explore for and develop mineral deposits. That's what we do. People are always going to need minerals, so we're going to continue to do this, through difficult times and good times."

**XL:** It's interesting that bad times are not depressing to you – that's when your eyes light up.

**JP:** Absolutely. I may be a more clever fellow in difficult times than in good times. Good times almost scare me. I hate to go to the PDAC or similar conferences. You walk out into those big rooms and you see all these smart guys with great projects, and you wonder how you can compete in this business. I prefer to focus on my own world, and there it's much easier to recognize and capitalize on opportunities during difficult times.

**XL:** All right. Another question we like to ask our explorers is, who else do you see out there doing it right – who do you respect in the mining community?

**JP:** One with whom I've done considerable business and who I know reasonably well, who you've already recognized in your League, is Ross Beatty. You got room for one more story?

**XL:** Sure.

**JP:** The last time I saw Ross, probably 4 or 5 years ago, I just ran into him and he said, "John, how are you doing? Do you have any good projects to talk to me about?" And I said, "Ross, if I had a good property, you'd be the last guy I'd talk to about it!" (Laughs) If Ross reads this, I hope he takes that comment for the compliment it's meant to be. Ross is just too clever for me. Another of your explorers for whom I have enormous respect, though don't know him well, is Patricio Jones. He has a

great record. Duane Poliquin, who I've known and held in high regard for years, is also already on your list. One person I think very highly of who is not on your list is Tom Patton of Western Silver. He is a very successful explorer, a decent, honest guy, and a valued friend. A couple of people who have never really operated in the eye of the investing public but have an unmatched discovery record in Nevada are John Livermore and Andy Wallace of Cordex. I consider myself very fortunate to currently be working with them in Columbus and expect a little coattail recognition when they find their next one.

**XL: Okay. What about companies – any that look good to you out there?**

**JP:** If you think I'm counter-cyclical in my business activities, I'm even more so in my private investing and, frankly, I think equities in all sectors, including resources, are pretty fully valued now. However, there are always opportunities with speculative resource companies, for those with the time and sophistication to analyze them properly, and a lot of good companies out there. One of them would be Novagold, run by Rick Van Nieuwenhuyse, who I think you might consider for the League – he's a very clever fellow and a classic example of someone capitalizing on undervalued opportunity with exceptional success. However, this really isn't a very good question to ask me. I'm focused on my own activities and really don't pay a lot of attention to what other companies are doing unless they are direct competitors.

**XL: We understand. Any final words of wisdom then?**

**JP:** Oh, I don't know ...

**XL: You've shared so many stories with us, and they are all fascinating – do you have a funny one?**

**JP:** One that might be thought of as humorous, but didn't seem very funny at the time, closely followed our discovery holes at Alligator Ridge. We identified and staked the property in 1976, but didn't actually drill until the winter of 1977-78 because our partner at the time, Chevron, pulled out citing that the project didn't meet its size guidelines (remember De Beers in Brazil and Kennecott in Nevada), and we were under pretty severe budget constraints at the time. Anyway, following completion of a new JV with Occidental, the first holes were completed just before Christmas 1977 with the assays received in the New Year. I remember sitting in my office – we had a small office at the time on a street in Reno with the conversation-provoking name of Bible Way – and our geologist, Steve Sutherland, who still does a lot of work with me, poked his head through the door and said "Hey, John, we just got the assays from Alligator Ridge and they're not bad". So Steve handed me this assay sheet and it was extraordinary. In 4 of 5 of the initial holes, we hit 200-foot intercepts averaging 0.2 ounce per ton and I don't think one of the 5-foot intervals varied by more than a few hundredths or so. I'd never seen such long intervals of gold with such uniform grade. Anyway, following receipt of the initial results, I wrote a short note saying it looks like we had about a million tons at 0.2 ounces gold indicated in the first 5 holes and gave it to the secretary to telex to our partner. Well, she sent it to Chevron – the old partner (laughs). The poor woman, I thought she was going to have a heart attack. Now, fortunately if you're going to mistakenly send a report of a new discovery to the wrong party, Chevron might just be the ideal candidate. The telex probably went into some large communication center in San Francisco where the operator didn't recognize our name, or the potential significance, and chucked it. We never heard a word. Now if it had gone to someone like Hunter Dickinson, we'd have had a staking rush on our hands.

**XL: Yes!**

**JP:** Alligator Ridge represents another instance of success through quick reaction. The discovery was made in mid-winter and, while the Nevada winters are not normally too severe, they can be rough and this one had heavier than normal snowfall. However, we emptied our office, camped on site and staked 50 square miles – the entire Alligator Ridge district up to Placer's Bald Mountain mine on the north – before anyone knew what we were up to.

**XL: You're a humble man, John, but you have characteristics of a person who is at times anything but humble. You're aggressive when you need to be; when you know you're right, you don't hesitate, you do what needs to be done.**

**JP:** Well, this is a very humbling business – let's just say, at least when I think I'm right. I'm sure some of the other chaps you've spoken to have done and said the same things.

**XL: Yes, none of them seem to have a weak sense of self-esteem.**

**JP:** To successfully compete in this business, you have to assume that in your competition, be mindful and respectful if not overly pre-occupied of it, act quickly, and instinctively follow your own judgments. This is what separates the successes from the failures in our business.

**XL: Great story! Well, thank you so very much for your time.**

**JP:** My pleasure



