



Transcript of initial interview with Mr. Dunham L. Craig



President and CEO of Geologix Explorations, Inc.



Toronto Stock Exchange: GIX

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Mr. Dunham L. Craig - President and CEO of Geologix Explorations, Inc. Mr. Dunham Craig graduated from the University of British Columbia with a Degree in Geology in 1988. From 1970 to 1983, he worked in the heavy construction industry and also operated his own construction company for seven years. Upon graduation from university, he served as a project geologist for Cominco Exploration Ltd. and later consulted for Cominco and Kennecott Canada Inc.

Subsequently in 1993, as the vice president of exploration and corporate development for Wheaton River Minerals, Dunham was responsible for the discovery of three mineral deposits at Wheaton River's highly profitable Golden Bear mine and for participating in the project through bankable feasibility and bank financing. He later directed the acquisition of the Bellavista Gold Project in Costa Rica and oversaw its design through bankable feasibility. From 2002 to 2005, he was a member of the initial management team of Glencairn Gold Inc. that acquired and developed two operating mines in Central America. Dunham joined Geologix in 2005 as its President and was later appointed CEO and President by the Board in 2006.

Smallcaps.us: Hello everyone and welcome to another Smallcaps.us interview. We are excited to have Mr. Dunham Craig with us today, the President and CEO of Geologix Explorations, Inc. Geologix is a Canadian-based mineral exploration Company with its main focus on the Tepal Gold-Copper Project in Mexico. The Company is listed on the Toronto Stock Exchange with ticker symbol GIX. Dunham, thanks so much for taking the time to join us today.

Dunham Craig: Well, thank you and it's a pleasure to be here.

Smallcaps.us: As this is the first interview with the Geologix Explorations, would you be so kind as to give us a brief overview of the Company's primary properties?

Dunham Craig: We have two components of the Company. We have a primary asset located in the central of Mexico, which is a gold-copper porphyry system that we are currently halfway through a pre-feasibility study. So, we're converting all of our resources into reserves at that point with an economic mine plan around it that will qualify us for permitting the project to go into production in Mexico.

The balance of the Company is in Peru, Nevada and also in Mexico, and they're "greenfields" projects that are early exploration stage. And our philosophy in 2008 and 2009 was to joint venture those out which is currently the case in

Peru where the properties are being drilled by Glencore International. And in Nevada, we have a drill program starting this month on the RO property.

So our philosophy is to stick to the production profile we're trying to build and joint venture out our secondary properties.

Smallcaps.us: Okay, thank you. Now, because the Tepal Gold-Copper project in Michoacán State, Mexico is the Company's biggest project at the moment, I'm hoping you can shed some light on it. In April of 2011, a Preliminary Economic Assessment or PEA was published for Tepal. What are the most important aspects of that report?

Dunham Craig: Well, it's actually pretty simple. The most important aspect of that report is that the project makes a lot of money at a \$1,000 gold price and \$2.75 copper price. The purpose of the Company is to march forward in a step by step program on the development of Tepal to justify our capital investment into it. And so the project's function in that report was to illustrate, not only to the Company but also to the shareholders, that it had an 18-year mine life, a good production rate, and was quite profitable.

Smallcaps.us: Although Tepal, as you just indicated, already has a very nice resource, you commenced a new drill campaign in June of this year to both expand the resource and to upgrade the current inferred

resource. How is this drill program going and what are the first results like?

Dunham Craig: The drill program is going very well. We've actually completed it in October and right now, we're doing engineering work for geotechnical and other components of the pre-feasibility.

So we've got about 140 drill holes that are currently in the laboratory waiting for result. We released a few batches of those and they've expanded the Tizate Zone quite nicely. We've drilled underneath the south zone and we got a great intercept to double the average grade of the deposit and dropped the depth of the deposit quite a bit.

So, the expansion side of that project is going very well. The infill drilling is going extremely well. We're very pleased with the continuity and that's all working towards the engineering standards that are required for a pre-feasibility study.

So, we expect to have news flow going well into January on those drill results that will drop into our engineering group for calculation for a pre-feasibility study. So we expect it to be bigger than it was in April in that PEA, better grade and the infill drilling is showing very good continuity. So the program is going like a Swiss watch. I'm very proud of our team and the efforts they've put in on that.

Smallcaps.us: OK. Now let's switch to the future. How do you see Tepal developing in the short to medium term?

Dunham Craig: We are going to complete a pre-feasibility as targeted for the second quarter of 2012. That seems to be on track and doing quite well. And then from there, we submit for permitting in Mexico which takes about six months. While we're permitting in Mexico, we'll begin our bank financing and our bank feasibility study in June and we've already laid out the groundwork for that. So we're targeting at the end of the year to be prepared with a bankable feasibility study, of financing well underway as far as getting the groups together

in the organization, and then hopefully starting to break dirt in 2013 to start construction, with production following at the end of that year for the oxide component and then going into the sulphide component a year later, as it takes quite a bit of time to build such a large size mill.

Smallcaps.us: Now, that's very interesting. And what should investors know about the other projects of Geologix?

Dunham Craig: They're grassroots projects looking for gold in Nevada. We're looking for gold, copper and zinc with Glencore in Peru. And so those projects are what we call our "free lottery tickets" with every Geologix share you buy because they are early stage. We don't like to make big promises and not deliver, so we've put those out as a high-risk, high-reward asset to the Company as any other exploration Company would do also, but we'd like to keep our investors centrally focused on the Tepal project because we know we can measure our asset value everyday on the assets in that project down there.

Smallcaps.us: Over to the financial side. Can you describe the Company's shareholder structure and its most recent financing activities?

Dunham Craig: Yes. We have about 134 million shares issued in the Company and we closed a financing in March 2011 with Raymond James and Wellington West. It was a bought deal and no warrants attached to it, and we got \$23 million out of that, which was promised to drill one of our grassroots properties and also to bring Tepal to pre-feasibility. So we're doing that.

We're in good shape right now. We had \$17 million in our last quarter reported in cash, and our budgets are on target and things are rolling well. So we should end up at the end of the year with anywhere from \$8 to \$10 million in cash. The bulk of the fieldwork done on Tepal and going into pre-feasibility engineering work in Canada. So we should be good for most of 2012. We can carry out to the full year if the market is terrible. If we want to march ahead

with an aggressive bankable feasibility study, we might have to look at raising some money in the summer.

Smallcaps.us: I see. Okay, very interesting. I'm also curious to find out how you feel about the commodities markets in general at this moment. And because Tepal is a gold-copper project, how do you see the gold and copper markets developing in the coming years?

Dunham Craig: Well, we acquired Tepal in 2009 when copper was at \$1.47. It had a short-term dip and management of our Company comes from BHP Billiton, Teck Cominco, and so we did a quite a bit of research on the commodities' side of it and we felt bullish long term, which is why we picked this project up.

Copper, we feel quite good about long term as do almost all the brokerages on their analyses. So we feel quite solid on these two commodities. They're easily saleable. The third world is developing no matter what the rest of the world does. The demand for copper is quite good. Gold, we see as a natural currency ahead.

So basically what we see is if you draw the five-year trend line through copper and gold, we don't see dramatic spikes coming up. We don't expect gold to go to \$5,000 but we do expect to see gold and copper following the central trend of that five-year chart. So we feel quite comfortable with that. It's one of the last things I worry about actually.

Smallcaps.us: Thanks for sharing your thoughts on that with us. And would you also share a bit about Geologix' management team?

Dunham Craig: Yeah. I started off with Cominco in my career and went through Wheaton River Minerals, which is now Goldcorp, and then went off down to Central America to build a mine down there. I spent two years on site as manager for that and came over to Geologix as a challenge for me to build one more. So that's kind of my history. My

strength is that I have the vision of taking it all the way to the end, which I've done twice in my career. I'm also strong on the mine build, see the big picture, take it all the way.

Sig Weidner is our vice president of exploration. He spent 18 years at BHP Billiton and discovered the Spence deposit in Chile plus numerous other awards for discovery. We call him "Sig the Rig Likes Big" because from his BHP sort of perspective, he's interested primarily in big projects with a big tonnage. And he was the lead on this Tepal project seeing geologically that it did have that potential and he was right. He doubled the size of it in less than six months when we put a drill on it.

We expect to do that again down there to expand it to more and there will be some news out on all of our exploration work within the next month.

So a very strong management team with major experience on both sides and sort of well-balanced between the big picture on the exploration geological side and also on the take it through build it and production side.

Smallcaps.us: And finally, from an investor's standpoint, what would you say are the most attractive reasons to invest in Geologix right now?

Dunham Craig: We're covered by six brokerages in Canada and all of them have an identical target of about \$1 to \$1.50. That's based on the project economics of Tepal in Mexico. I think it's quite obvious that the net asset value is there and right now what we're seeing is a strong pull back from the market, especially in the junior resource sector and the mid cap resource sector. I think it's such a trend in the market and we think that it will come down to buying into the sector probably later in the next four or five months of next year.

Right now you're seeing people going to safe havens with the uncertainty in the world. We've been in Europe extensively and through the United States and it's not a valuation issue that people are buying and selling stock on right

now. It's basically around the cash, so if you're contrarian and you feel comfortable that the world is going to be okay in the next six months or eight months, it's a very good time to come in to our sector as there are really good values on the equity side right now.

Smallcaps.us: Fantastic. Dunham, it's been a pleasure speaking with you and on behalf of

all our listeners, thanks for helping us gain insight on your Company. We'd be happy to have you back for an update and wish Geologix all the best.

Dunham Craig: Thank you very much and it's been a pleasure.

Interview Feedback

We welcome your questions and feedback regarding this interview at: <http://smallcaps.us/geologixs-3-48-million-ounces-gold-resource-discussed-in-smallcaps-us-interview>

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