

**Transcript of initial interview with  
Mr. Greg D. Smith**



**CEO and Director of JDL Gold Corp.**

**JDLGOLD**

**TSX Venture Exchange: JDL**

**October 29, 2016**

**Greg D. Smith - Chief Executive Officer and Director** Before the business combination that formed JDL Gold Corp, Mr. Smith co-founded Anthem United in 2013. He also held the roles of President and CEO of Esperanza Resources prior to its sale to Alamos Gold and CFO of Minefinders Corporation prior to its sale to Pan American Silver. Mr. Smith has also held management positions at both Goldcorp and the mining division of KPMG LLP. Mr. Smith is a Canadian Chartered Accountant.

**A warm welcome everyone to a new interview on Smallcaps Investment Research. We had been following Anthem United for some time, but now the Company formed a business combination with two other resource firms. High time to talk with Mr. Greg Smith, the CEO of the new gold and copper group coined JDL Gold Corp. JDL Gold is listed on the TSX Venture Exchange with ticker symbol JDL. Greg, it's a pleasure to have you with us, welcome.**

Greg D. Smith: Thanks. It's a pleasure to be here.

**Smallcaps Investment Research: As mentioned in the introduction, JDL Gold Corp is the result of a business merger between three resource firms. Can you briefly describe these three companies and also, what were the main drivers to execute the business combination?**

Of course. JDL gold was formed by the merger of Lowell Copper Inc., Gold Mountain Mining and Anthem United Inc. The three companies were listed on the TSX Venture Exchange and were each primarily advancing one single asset in the gold and copper space.

Lowell copper was focused on the Warintza project, a copper/molybdenum deposit in Ecuador. Gold Mountain was focused on the Elk Gold project in British Columbia and myself at Anthem was focused on the development of the Koricancha gold milling operation in Peru.

I was approached in the middle of 2016 on the potential transaction with Lowell Copper and Gold Mountain. The concept of the

merger was that each of the three companies would be stronger together than apart.

Basically we had good people involved with each company. Each company had an asset of value, but each company was also relatively small in the context of the capital markets in Canada and U.S.

And so the merger of these three companies basically facilitated bringing good people and good assets into one single Company. This reduces the single asset risk, increases access to capital and also enhances the capital markets profile, which helps facilitate liquidity for our shareholders.

**Let's discuss JDL's three main properties in more detail. First, the Koricancha mill in Peru. This is a so-called toll milling project, which is producing gold. Would you describe the project and the concept of toll milling for us?**

I actually refer to the project as an industrial gold milling project rather than toll milling. I say that because rather than processing material for third parties and therefore charging a toll, we actually purchase mineralized mill feed from those parties, which we then process for our own account.

It's a 350 tonne per day, conventional crush, grind, and leach operation. We produce gold and silver loaded carbon at the plant, which we ship to a desorption facility in Lima. Next, we ship gold and silver dore bars to the United States for further refining and ultimately for sale.

The Koricancha mill project is a joint venture. We own a 75% interest in the project, plus a royalty, while our Peruvian partner owns the other 25%.

**To give us a bit more background information, could you tell us about the history of gold mining in Peru and about the recent improvements that were achieved thanks to the efforts of the Peruvian government?**

As most people know, Peru is a major producer of gold. In addition to the large scale mines, Peru also has – like many Latin American countries - thousands of artisanal miners.

It is estimated that these small scale miners produce between \$2 and \$3 billion worth of gold per year. So this industry is very meaningful in size. However, the majority of these small miners historically have been operating outside the formal legal and regulatory framework.

This resulted in a situation where much of the gold production was not conducted in the most efficient and environmentally responsible way. In addition, the government missed out on substantial tax revenues.

The Peruvian government clearly takes a leading role in the world to address these types of issues associated with small scale on artisanal mining. It enacted a formulization process, which mandates that processing of ore from these small mines is conducted with environmentally friendly and modern methods in government regulated facilities.

And that's really where we come in with the Koricancha mill. We basically buy this material from the miners and then we process it for our own account. As a result, the miners get paid more for their feed because we can achieve higher recoveries, the government is able to collect taxes and we don't use any mercury in our process, which is beneficial for the environment. So really, it's a win-win-win scenario for Peru.

**As you're still ramping up the throughput at the moment, this may be a tough question, but what's your outlook for gold production at Koricancha in the next 12 months.**

Well, we had actually ramped up production around this time last year when we started commercial production. But in the first half of 2016, due to delays we were experiencing in the initial recovery of our taxes from the Peruvian government, our working capital dropped and we actually had to reduce production.

Over the course of the past summer however, we started collecting out IGB taxes, which are really meaningful in Peru. Consequently, we started the project back up, and we're now increasing our throughput.

If I look at what we did last year as a reference, it took us around 3 or 4 months to approach half of our maximum capacity of 10,000 tonnes per month. We'll probably see a similar process this time around. Of course our goal is to ramp up towards full capacity.

As you notice, I tend to think in tonnes of materials that we process, not in ounces of gold that we produce. It's very difficult to accurately predict gold production at Koricancha because the grade of the feed that we buy can vary considerably.

**At this moment you own 75% of the Koricancha project, do you have plans to increase that stake in the future?**

Not really. We work very well with our partner in Peru. We believe their involvement as a local partner is actually beneficial to the Company. So we're very happy with the current situation.

**As a final question about Koricancha, about a year ago, you tried to acquire the Chaparra assets in Peru, which were comprised of an additional 350 tonne per day mill and several associated mineral claims. Unfortunately, the acquisition didn't mature at the time. Will you pursue it again now that circumstances have changed?**

Although the asset remains on my radar, there are no immediate plans to pursue that transaction. We were very disappointed that we weren't able to complete that transaction

at the time, as we thought it made tremendous sense for Anthem.

However, we've just undergone a fairly substantial transformation in terms of our market cap, and I think it's safe to say we're currently refining our focus going forward.

**That's good to know. Also in South America, JDL is the 100% owner of the Warintza project, a copper/molybdenum deposit in Ecuador. What work has been conducted on this property so far?**

Around 33 holes have been drilled on the Warintza project. These holes have resulted in an inferred resource of 195 million tonnes containing over 1.8 billion pounds of copper and another 12 million pounds of molybdenum. Together that's a copper equivalent grade of 0.61%, making it a very attractive project.

The deposit is wide open and there are a number of undrilled targets. As a result, we consider Warintza an extremely perspective project.

That said, very little work has been conducted on the project in the last number of years. This is in part due to the weak market environment that we've known, and also due to the uncertainty around mining regulations in Ecuador. There was a moratorium on mining concessions, and a moratorium on exploration for a period of time in the country.

Fortunately, with respect to the market environment and with respect to the regulatory environment for mining in Ecuador, we've seen substantial improvements recently.

**What are your plans with the project in the near term?**

The near term is focused on continuing to work with the government of Ecuador and the local communities to ensure we can obtain the environmental and social licenses we need to recommence exploration on the Warintza project.

It will probably take some time before we actually drill on the project again, but as I said, it's extremely perspective and there's already a significant copper endowment. So we're certainly looking forward to getting more active once we are able to recommence work there.

**The final property that I'd like to cover is the 100% owned Elk Gold Project in British Columbia, Canada. Would you also elaborate somewhat on this one?**

Elk Gold is located only about 3 hours from Vancouver. So it's quite nice having an asset so close to home. Elk Gold is a high grade gold deposits in Southern British Columbia and has resources of approximately 212,000 ounces of gold in measured & indicated categories and another 210,000 ounces in the inferred category.

What's particularly great about Elk Gold is that the grade of the project is over 6 grams per tonne. In addition, the overall claim block is highly perspective. There's basically lots of upside potential beyond the current resource.

**What plans do you have in mind for this property?**

We just updated the technical report on the Elk Gold project as part of the business combination of the three companies, because we had to update the required disclosures for the filing statement of the information circular that we did.

We're going to assess the potential of the Elk Gold deposit and determine a plan forward. Ideally, the property would become a source of gold production to the Company.

**Next to the development of these three properties, will you also focus on staking or acquiring other assets?**

Having only completed the business combination a couple of weeks ago, we're still in the integration process. That said, we are absolutely looking at acquisition opportunities. As a matter of fact, there are a

number on the side of my desk right now. It's a key focus for the Company going forward.

**Concurrent with the merger of the three companies, you undertook a private placement in which you initially aimed to raise \$40 million, but ended raising over \$60 million dollars. A very impressive achievement.**

We're very happy with the results of the private placement. It's very nice to see some life back in the resource markets after a number of softer years. The raised cash gives us far more options in terms of the size and quality of the assets that we can evaluate and potentially acquire to further grow the Company.

**Can you tell us a little bit about yourself and the other key executives of the Company?**

Absolutely. I'm a chartered accountant by trade, but I've been working in the mining industry in one way or another, my entire career. I started at KPMG and their mining assurance group, then went on to Goldcorp and then Minefinders where I was CFO. After Minefinders was acquired by Pan American Silver, I became CEO of Esperanza Resources, which was subsequently acquired by Alamos Gold.

At that point, my business partners Daniel O'Flaherty, Kylie Dickson, and myself started Anthem United. As Anthem recently was part of this business merger, I ended up in the CEO role here of JDL Gold.

The board of JDL Gold is just fantastic. We have David Lowell as chairman. Dave is probably the most successful exploration geologist of all time with multiple major discoveries to his credit. We have Catherine McLeod-Seltzer on the board, who is the Chairman of Bear Creek Mining and she's also on the board of Kinross Gold. We have Jim O'Rourke on the board, who is the CEO of Copper Mountain Mining and who has also been inaugurated into the Canadian Mining Hall of Fame. In addition, we have Matt

Hornor and Marcel de Groot on our board. All in all, we're very pleased with the team we have pulled together.

**Greg, you've been involved in the mining industry for many years. That makes me curious to know your view on the commodities markets in general at the moment and how you see them developing?**

I always find this a tough question to answer. Although I'm absolutely a long term gold bull, we may see some volatility in the short term, as we have the US elections coming up, the uncertainty in monetary policy, interest rates, economic growth, etc.

All these factors can move the market in one way or another in the short term, and I think they'll absolutely have an effect on gold prices.

In the long term however, gold has traditionally gone up and I think gold will continue to go up in terms of purchasing power. After all, that's why I'm in this business.

The copper market is a little tougher for me. I guess generally speaking, it's been in a bit of a trough lately. Although the exact timing is hard to predict, I believe that longer term, copper – as most commodities have the tendency to move up and down - will also come back. Obviously we want to ensure our portfolio is ready to capitalize when it does.

**Before we go, what would you say are the two or three most compelling reasons for a long term investor to consider JDL Gold Corp today?**

Well, JDL Gold has a team of fantastic people, we have an attractive asset portfolio, and we also have a fortress balance sheet with over \$60 million in cash.

But probably most importantly is that our team is very passionate about the Company and passionate about creating value for our shareholders. All our stakeholders can be assured that we'll be relentless in our focus in that regard.

**Well thank you Greg, it's been a pleasure speaking with you and we appreciate your time and insight. All the best to you**

**and JDL Gold, and I look forward to speaking with you again soon.**

Thanks, anytime.

## **Interview Feedback**

We welcome your questions and feedback regarding this interview at:

<http://www.smallcaps.us/initial-interview-with-jdl-gold-ceo-greg-smith-after-merger-and-60-million-financing>

Transcripts are edited for clarity.

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