

Transcript of initial interview with Mr. Andrew Thomson



President and CEO of Palamina Corp.



TSX Venture Exchange: PA

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Mr. Andrew Thomson – President & CEO. Mr. Thomson is the former President and Chief Executive Officer of Soltoro Ltd. which defined a significant silver resource on the El Rayo silver project in South Western Mexico. Soltoro was subsequently acquired by Agnico Eagle Mines in June of 2015. Mr. Thomson is an Entrepreneur who has actively been exploring in Mexico, Honduras and Panama since 1993. Mr. Thomson is fluent in French and proficient in Spanish and currently holds positions on the Board of Directors of Gossan Resources Ltd. and Montero Mining and Exploration Ltd.

SmallCaps Investment Research:
Welcome everyone to a new interview on Smallcaps Investment Research. We're very pleased to have Mr. Andrew Thomson, the President and CEO of Palamina Corp. with us today. Palamina is a very interesting resource Company, as it is directed by a group of proven mine finders. The Company, which currently owns properties in both Peru and Mexico, is listed on the TSX Venture Exchange with ticker symbol PA. Andrew thanks so much for taking the time to join us today. Welcome.

Andrew Thomson: Thank you, it's nice to be here.

As this is our initial interview, could you give us an introduction of Palamina and its activities?

At the moment our main focus is in the Puno Gold Belt in south-eastern Peru. Currently, we are investigating the potential for gold deposits in this orogenic gold belt that is about 75 kilometres long and 175 kilometres wide.

My main interest in this area stems from the fact that there is a modern-day gold rush underway. There are 30,000 informal miners at the top of the mountain range and there is more area to cover as there is another 600 square kilometres at the bottom of the range.

The activities there represent roughly 30% to 40% of the declared gold production in Peru and we believe that the majority of it comes from the Puno Gold Belt. The potential has been confirmed by the informal miners who are illegal workers that focus on ground mining. There is also core infrastructure being built in the area that makes it even

more attractive.

What we have focused on in 2017 was to assess and acquire various projects in this area. We have now acquired six districts within the gold zone and we have prioritised areas where the infrastructure is more prominent.

To reiterate, a lot of the ground in this area is being mined by informal miners. However, these miners usually do not go deeper than 100 meters and they do not drill on the properties. Thus, our focus is to assess the six districts we own and then move forward to drill the gold deposits.

Palamina acquired several attractive properties in Peru. Before we discuss them in more detail, could you first tell us a bit more about why Peru and why specifically the areas in which you're active?

Firstly, our board of directors and management team are well experienced in Latin America.

Secondly, my focus is to find two to five million ounce gold deposits and I believe that Peru is well situated for this. More so because of the heavy mining tradition in the country and local mining teams with proven experience.

The latter is especially important as having an experienced board is not enough. You have to have a reliable team that you are going to move things forward with. We have chosen to work with a team that has 27 years of field experience in the Puno Gold Belt.

Finally, Peru is underexplored for gold, silver

as well as zinc and lead and thus we believe this area is filled with potential.

Let's focus on the Gaban Gold Project, which is your main asset in South East Peru. Would you give us some more details about the history of the property and its existing infrastructure?

At the base of the watershed and around the main highway is the Gaban area, which sits just outside of the town of San Gaban. It has everything that a major mining company would want. It is only a four and half hour drive to the major international airport of Puerto Maldonado. It sits along the highway that connects both coasts of the continent, and it has electric power.

They are also building two new bridges across the river to provide year-round access to the project area. At the moment access is not that straightforward as we are accessing the property through streams. However, it won't cost much to build roads there.

In essence, there are three streams that meet below Gaban which are alluvial deposits and thus our primary target is to locate the source of these deposits. So far, we have already identified 11 sets of alluvial coarse gold on our property and we also identified similar shear zones to Ollachea, the deposit that our mining team worked on previously. Therefore, we feel we will be able to at least find areas that we can drill test.

We have seen up to 4.9 grams per tonne of gold in the Gaban streams. Thus we are confident we are close to the source. In fact, we are making headway now on acquiring more ground to tie up 100% of the watershed within the Gaban property.

What work do you plan to conduct at Gaban in the next 12 months?

So far, we completed four campaigns and we are looking at starting again after the rainy season. Our intention is to tie up certain surface rights to get a road built into the middle of the property. We are also going to perform a fair amount of sampling and

geological reconnaissance at the top of the hill. A potential airborne geophysical survey could be the next step as we feel that we will be able to detect the gold if we fly the property. We would like to conduct this sometime in June, July next year as these are favourable dates to perform such survey.

We expect that this is going to provide us with indications as to where we would need to go look within the jungle to be able to find the source. After that, we can start clearing the area and try to find real targets to drill.

Another property that is located in the same Puno Gold Belt in Peru is Coasa. Would you give some color on this one?

The aforementioned Gaban property is at the base of the mountain range up until about 500 meter elevation. However, there are three distinct areas above this belt with elevations up to 4,400 meters. Coasa is one of them and we think that it is a host of significant gold deposits. This property has been previously examined by our management team.

We elected to acquire this specific east-west trend also because of its proximity to a nearby gold deposit called Crucero which is within a shear zone that extends to Coasa. Crucero is a two million ounce deposit with one million ounce indicated and one million ounce inferred. It was formally held by Lupaka, but was recently purchased by GoldMining Inc. for about CAD\$5 million to CAD\$7 million, paid part in shares and part in cash.

Finally, what we see in Coasa is a similar deposit to Ollachea as this is also an offset of a shear zone. Due to the similarities in the geologies, we are very confident that Coasa is another prolific gold zone.

Next to Gaban and Coasa, Palamina owns a few more projects in the Puno Gold Belt. What can we expect from these properties?

These areas are known to be quite prolific for gold mining by informal miners but not many

companies have been able to acquire a stake here. Thus, we are in what I would call a ground acquisition mode which is similar to our last company which acquired a fair amount of ground in south-western Mexico. We then entered into several joint ventures to move the properties forward.

This is a similar sort of situation. We are seeing basic infrastructure being built in areas where there is significant gold mineralisation, which include a lot of visible gold. We do not feel that we have a lot of competition at this stage. Thus, our strategy here is not only to continue to do assessment but to also try and aggregate those land positions into something substantial while we look to define resources on the balance of the Peruvian projects.

One final Peruvian project that I'd like to highlight is the Tinka Iron Oxide Copper Gold ore deposit. What work has been conducted on this property?

I have to preface everything by saying that we do not yet own the project. It is going to be auctioned, but we feel confident that we have the winning bid. We looked around this area for the Iron Oxide Copper Gold (IOCG) potential and Tinka looks promising. There is good road access. There is the standardized NI 43-101 report available which allows us to have a good idea regarding the mineralisation and potential drilling targets. We also got our own sampling results which have been positive.

Furthermore, the surrounding area looks promising. For example, there's a project led by Camino Minerals, which has seen a lot of success.

We are not going to fully disclose our strategy connected to this project until we actually acquire it, but I can say that the potential is there. Especially given the fact that the area was not properly drilled in the past. Even major companies, such as Minsura, have mined around Tinka but have stopped short of drilling into the hills or below the point where the gold disappears in the sand.

The poly-metallic aspect is also interesting as we believe that prices for Copper and Zinc are going to climb higher. Copper is likely to benefit from the craze around battery base metals and there are simply not enough Zinc mines currently operating. Silver might also see a bump in price soon, and it doesn't hurt that there's some gold present as well.

Thus, from our perspective we are exercising a buy and hold strategy here and we might look to support this by acquiring other projects with the view to build significant tonnage.

Palamina also owns one property in Mexico, called Santuario. What makes this project so special?

Well to be honest right now it is more of a 'sit back and wait' situation there as we are not spending a lot of time in Mexico. One of the reasons for this is the fact that I am not happy with the way that the government is running the mining department and how it deals with mining companies.

That being said, the project located in the La Negra district has very good silver, lead and zinc targets that we would be interested in drilling. However, that depends on the change in the attitude of the Mexican government.

Do you plan to acquire more properties in the coming months?

We do have an acquisition strategy. We have been focused on the Puno belt and have potential deals that we are working on and feel confident about. We are going to complete one of these in fairly short order. There are also one or two projects that we have been negotiating for some time that will make Gaban – not so much a secondary project, but it may no longer be our flagship.

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

I am an entrepreneur. I have had some success in the past. For example, we drilled

off a fairly significant silver deposit in Mexico and then sold it to a gold company. In addition, we also realized six joint ventures with senior production companies. So, I have the ability to work with these groups and to move projects forward and finance them.

In terms of the management team, Donald Mc Iver and Yuri Valdivieso are coming from Minera IRL. They have put Ollachea, a four million ounce project, into production before it ran into financial problems. They also led the exploration team that we are now using ourselves. Again, this team spent 27 years in around Puno. Therefore it was intriguing to sit down with them and hear their ideas.

Lastly, Brian Jennings is our CFO. He is a geologist and used to work for Ernst & Young. He is good at keeping the financial situation in order.

In terms of our board, we have Hugh Agro, who is a former VP of Kinross, a major mining company that went from \$4 billion market capitalization to \$17 billion during his time there. He started his own company, Revival Gold, which is doing well. Therefore, he is no stranger to the mining game.

Alistair Waddell is one of our new directors. He is familiar with running junior mining companies. He started GoldQuest at one point and more recently was a greenfields manager for Kinross. He is active in Chile now, but knows Peru well as he spent three years there.

Our last board member is Darin Wagner who has a Canadian exploration company called Balmoral. He sold his last company to Lake Shore Gold.

As you can see, all of our board members have proven track records and experience in defining metal deposits and moving them forward.

Turning to the advisory board, we have Jose Vizquerra-Benavides who is currently involved with Osisko Mining. There is also Philip Walford who is the president of Marathon Gold. Philip recently defined almost a three million ounces gold deposit based on similar geology to the one we are seeing in Peru. Thus, his experience will certainly come in handy.

Finally, there is Doug Reeson who was part of my last board and ran the listings department. He is a solid individual when it comes to corporate conduct and helps to run things properly on the stock market end.

To conclude, I think we've got a significant team of discovery and development individuals. I can't think of a better board.

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

Our Company has an above average ability to define significant gold deposits and is ahead of the curve in what I feel strongly is one of the most prolific gold belts in the Americas. The Puno Gold Belt is experiencing a gold rush and our six different properties will enable us to benefit from that. I also believe that there are no issues with Peru. The country is making significant changes to be able to drill more quickly and there were no issues regarding property rights.

Finally, we have a group that has been successful in defining significant gold deposits and bringing them forward.

Fantastic. Andrew, we really appreciate the time you've taken to speak with us today. All the best to you and Palamina, and I look forward to speaking with you again soon.

Okay, thank you very much.

Interview Feedback

We welcome your questions and feedback regarding this interview at:

<http://www.smallcaps.us/why-the-puno-gold-belt-is-experiencing-a-modern-day-gold-rush-palamina-corp-ceo-andrew-thomson-explains>

Transcripts are edited for clarity.

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