

NEWS

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Geoinformatics Claims Success As Proxy Exploration Arm For Other Companies.

By Charles Wyatt

When the prolific Red Lake mine ceased production for a few years as a result of a strike, Goldcorp's chief executive Rod McEwen had time to reassess the potential of the mine. He decided to release the entire geological database of the company onto the internet, challenging anyone to come up with answers as to where more gold lay in the area. It attracted a lot of attention, various theories were put to the test in 2001, and two new intriguing target areas were confirmed by drilling. Whether or not these were a direct result of the challenge has never been confirmed, but what is known is that Dr Nick Archibald and his company Fractal Graphics won the prize and were catapulted into the headlines in Canada.

At the time Fractal was operating as an independent geological consultancy specialising in three dimensional modeling, structural mapping and software development. The following year Fractal divided into two parts, with Fractal Technologies continuing the software development, while the geological consultants became an exploration company called Geoinformatics Exploration.

It was this company that listed in Toronto a couple of years ago via a reverse and it was Nick Archibald, chief executive, and Kevin Snook, chairman, who gave a presentation on the company and its potential to a select band of investors in London on 13th February. A point made at the outset was that the mining industry has not had a great record of success in exploration in recent years and one reason for this is lack of collaboration. Geoinformatics, which has no interest in ever becoming involved in the development of a mine, has therefore formed partnerships with a number of companies, from majors to minors, to ensure a pipeline of quality projects.

The biggest of these partnerships is the Master Strategic Alliance Agreement signed with Rio Tinto's Canadian subsidiary Kennecott in August 2006. The geographical areas covered under this agreement include parts of Mexico, the US and Canada, but specifically exclude any areas where Geoinformatics has agreements with other companies as well as certain areas controlled by Kennecott. The initial agreement is just ending, but Geoinformatics can renew it annually for another three years provided it meets certain obligations. For the initial 2 year period this included generating and drilling a total of 30 exploration targets and spending a total of US\$20 million. That's a hefty sum for any junior and Geoinformatics raised it via a US\$20 million convertible loan facility from Geologic Resource Fund.

For its part Kennecott transferred to Geoinformatics targets which had not reached its own criteria in Alaska, Mexico, Utah, Nevada and British Columbia. These cost the company nothing in terms of purchase price, but Kennecott reserved back-in and royalty

rights on each of them. The back-in right allows Kennecott to acquire up to a 60 per cent interest by completing a positive feasibility study. If it doesn't exercise this right all it will have is a 2 per cent net smelter royalty. What has to be understood is that deposits have to be very big to have any impact on companies such as Rio Tinto, so a lot of these targets will fall back to Geoinformatics which will then have to devise a deal through selling, joint venturing or some other method that generates cash.

When you get a couple of very bright people such as Nick Archibald and Kevin Snook in a room with a number of experienced mining investors the conversation tends to go over the head of a mere journo. It is best, therefore, to accept Geoinformatics' own description of itself as having developed an innovative approach to resource exploration. Its team of geoscientists and technical experts has created a scientific and technology platform which identifies and prioritises exploration drill targets. The Geoinformatics process, as it is called, introduces a faster, less expensive and more reliable methodology to resources exploration. For example, surface sampling from over 30 different sources was accessed for the Redton project in British Columbia which, when overlaid and compiled together with modern geophysics, revealed a number of potentially world-class porphyry copper targets.

The Whistler Zone and project in Alaska is the most advanced of those in the Kennecott Agreement and early in January an initial resource estimate to 43-101 standard was announced, showing 840,000 ounces in the indicated category and a further 2.74 million inferred. This makes Whistler one of the biggest gold discoveries in North America in recent years and establishes Geoinformatics as controlling a big advanced gold project.

A certain amount of time was subsequently taken up at the recent presentation by arguing whether a value could thereby be put on Geoinformatics: management and its fan club reckon the shares are too cheap. The conclusion appeared to be that it was a bit early to assign an actual value as Kennecott might want to exercise its buy-back, or the economics might not turn out to be sufficiently strong since the project is some distance from nowhere and the grades are low.

What could not be denied is that Geoinformatics has brought this project a long way in a short time and there is still plenty more potential. Indeed a new world-class porphyry province could be hosted on the extensive landholding, but only time will tell. Comparisons were made with the Pebble deposit owned by Northern Dynasty and Anglo American which is 340 kilometres to the south west. This has well over 3 billion tonnes at grades of 0.28% copper, 0.32 grammes per tonne gold and 0.015 % molybdenum at Pebble West alone. At Pebble East there is a slightly bigger tonnage in the inferred category at grades of 0.57% copper, 0.36 grammes per tonne gold and 0.036% molybdenum. This is massively bigger than Whistler with its total of 134 million tonnes in the indicated and inferred categories, and so appears to support the opinion of Nick Archibald that Whistler will never measure up to Kennecott's requirements.

The question now is where will Geoinformatics find a suitable mid-tier producer to take on what could be a big, but expensive, development in Alaska. No doubt Messrs Archibald and Snook have some ideas, but they aren't saying too much at this stage. Being a proxy exploration arm for other companies has its advantages, but it brings some headaches as well.

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