

Klondike Gold Corp. (TSX-V: KG)

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KLONDIKE GOLD CORP.

For a junior mining company Klondike Gold Corp. is not short of ambition. Consider its current agenda.

At Dawson City in Yukon it is pursuing the mother lode that eluded placer gold miners in the late 19th century gold rush.

In southeastern British Columbia, using modern geological/geophysical tools including satellite imagery, it hopes to find a new Sullivan type lead/zinc/silver deposit, which could be massive.

And in the Slocan Valley area of British Columbia it has spent the last four or five years assembling about 75% of the best properties in an old silver mining belt that includes several former producing mines.

The driving force behind Klondike Gold is Richard Hughes, its president, whose track record is impressive. As president he helped transform several successful junior resource companies into producers. Most significantly, he was involved with both Goliath Gold and Golden Sceptre in the huge Hemlo gold project in Northern Ontario (420,000 ounces of gold production per year). He was also involved with Belmoral Mines Ltd. and Perron Gold (Aurizon Mines) – each 60,000 ounce per year gold producers.

Says Hughes: After our Hemlo discovery we decided to go into the famous Klondike area. I thought after a year or two we would find the source of the gold up there but it took seven long years. We finally have found three major sheer zones which cross the Eldorado/Bonanza creek basin. They extend for two or three miles in length. These sheer zones seem to be vertical and they contain free gold as well as gold within pyrite.

"The sheer zones vary from 10 to 15 feet wide to almost 100 feet in width. Wherever Eldorado Creek or the Bonanza creek and various gulches cut the sheer zones you had a major amount of gold into the creek basins. This is why it is such a rich area because a lot of the gold is in nugget form."

"We were offered a proposal by one of the largest mining companies in the world to put an additional \$4 million into bulk sampling and drilling. We turned them down because they were only going to leave the company with a 10% net profits carried interest. Our minimum objective there would be to have a 30% carried net profits interest. That 10% net profits carried interest was a deal breaker so we have not gone ahead with that."

Klondike is planning an additional sampling and drill program around Dawson City this summer.

Hughes says Klondike Gold's strategy has been to build up very large land positions in the Slocan area near to Nelson, B.C. – either through staking or by joint venture agreements. It has done the same in the Kimberley/Cranbrook/Creston area -- part of the Purcell Basin where it is the largest landowner.

"B.C. in particular was a great place to acquire ground because there wasn't much interest in mineral exploration in the province in the last five or six years," says Hughes.

"We have what we consider over 20 targets to drill and hopefully that program will be completed by October/November this year. We just started a drill program. We have just drilled two targets so far and we are now ready to start drilling additional Sullivan type targets."

Hughes says the Sullivan ore body is a world class deposit of about 155 million tons of approximately 12% combined lead/zinc with two ounces of silver. At today's metal prices, it would be worth, if still intact, about \$21 billion.

"We are looking to find another Sullivan in that camp and through satellite imagery and very detailed prospecting we now think we have 20 very interesting targets which we think are vents which we can drill and out of all those targets we expect to find some very interesting mineralization."

"There are no guarantees until you drill but we have worked out a model of why the Sullivan is there."

The company reasons the location of the Sullivan deposit was controlled by a major regional north-south geological fault that was intersected by smaller east-west trending faults or geological breaks. About 1.4 billion years ago these intersections acted as conduits for mineral-rich fluids rising from deep in the earth to spread along the sea floor. The accumulating fluids remained undisturbed, were eventually buried, and turned into the Sullivan deposit.

"The Sullivan had an ore body at a volcanic vent (black smoker) which is about 300 feet thick and which has contained that 155 million tons. It is all mined out now."

Klondike has identified 24 potential exploration targets. Eighteen are on ground Klondike owns 100%; the others have been optioned from other juniors. The company aims to run drill tests this year on all 24 vents.

"Our company philosophy is to go into an area where there have been some good mines found and slowly build up a ground position and work out the parameters why there should be other good potential mines in the belt and then we start the drill program," says Hughes.

Heading Klondike Gold's exploration effort in southeastern B.C. this summer is Dr. Trygve Hoy, formerly with the B.C. Geological Survey, an expert on the southern Canadian Cordillera.

"We are very fortunate to have Dr. Hoy who was 30 years with the government of B.C. and has written a number of bulletins and papers and he is now working full time for this little company Klondike Gold," says Hughes.

Klondike has sufficient cash in hand to do three of the Sullivan tests. A second phase of this year's activities, five further Sullivan tests as well as drilling two "very interesting" gold properties, will be financed by flow-through shares, which Hughes says should not be a problem.

The company plans to raise further funds through a short form public equity financing probably in late August or September.

Hughes says the company was approached recently by a very senior gold company and also by an intermediate-sized company concerning the Klondike project. "They both expressed an interest to tackle that project." The Klondike project, he says, could be drilled either of those two companies or by Klondike itself.

In the Slocan, Klondike is looking for a partner/operator to develop the various properties and put them into production.

If the company meets with drilling success in the Cranbrook/Kimberley area -- "my main focus, because there is nothing like finding a world class \$20 billion deposit, if you can" -- it will farm the properties out to major companies like Noranda or Cominco or BHP.

"There is a ready market for anyone who finds a world class deposit of the magnitude of the Sullivan. There will be a line-up at your door to option your ground from you."



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