

NEWS

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Skygold Ventures Assembles An Interesting UK Fan Club For Its Big Sediment Hosted Gold Deposit In British Columbia

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The Canadian company Skygold Ventures hit gold at Spanish Mountain about 600 kms north east of Vancouver back in June 2005. The original excitement was based on the results of some RC holes, but it was not until the September of that year that drilling results from the first four of an 11 hole diamond drilling programme confirmed the earlier results. They also extended the average intercept of the upper horizon to 84.4 metres at a weighted average grade of 1.27 g/t gold; discovered a new deeper horizon; and expanded the area of gold mineralization through step-outs. By this time other juniors realised that Skygold could be on to something big and a gold rush developed in which the company participated. As a result it has three other sediment hosted prospects – Prince George, Manson Creek and Spanish Creek - in the neighbourhood.

Although Minews first wrote about Skygold back in 2006 it was Jim Slater, a well known investor in gold and junior mining stocks in London, who introduced the company this time around. He will be remembered, with his associate Ian Watson, for their success with an AIM listed company called Galahad Gold. Its main asset was a major holding in TSX listed Dynasty Gold with its giant Pebble deposit in Alaska. Pebble is one of the five largest copper/gold/molybdenum porphyry deposits in the world, with the considerable advantages of low-cost open pit mining and its politically safe location in the US, but it is low grade. In 2005 the resource was estimated to be 31.3 million ounces of gold, 5.8 billion pounds of copper and 361 million pounds of molybdenum in the measured and indicated categories. It is now much bigger and Anglo American has partnered with Northern Dynasty to bring it into production.

Skygold is nowhere near that size, but the principle behind Jim Slater's decision to invest was the same for both and is based on the late Julian Baring's 10 per cent theory. He accepted that there was no way an accurate value could be put on gold in the ground, but suggested that it was reasonable to take 10 per cent of the measured and indicated resource, multiply by prevailing metal prices and then compare the result with the market capitalisation of the company. The latest resource estimate for Skygold is 2.58 million ounces of gold which is currently priced at around US\$1,000/oz so that would be worth US\$258 million compared with the current market capitalisation of C\$20 million. That is a whacking disparity and it helped Jim make his investment decision. He was encouraged, of course, by the fact that Spanish Mountain is in a neighbourhood with plenty of infrastructure thanks to two local mines Gibraltar and Mount Polley.

In fact it lies in the headwaters of the Cariboo placer gold rush back in 1860 when around 3 million ounces of gold are estimated to have been recovered from the creeks and rivers around it. Spanish Mountain could therefore represent the mother lode which has never been identified even though the

region has a history of mining going back to 1920. In those days, however, a low grade sediment hosted deposit, like those on the Carlin trend in Nevada, would not have been of much interest.

At the beginning of 2006 our Canadian Correspondent drew attention to the fact that this small company had starred at an investment show in Vancouver and over the following weeks the shares doubled. It is always difficult to maintain interest when a lot of drilling lies ahead and that was the position in which the company found itself. Things changed, however, when Brian Groves came on board as president and chief executive right at the end of 2007. Brian is an Australian with massive experience in Canadian mining companies big and small and his immediate aim was to crack things along towards development. The first thing he did was raise C\$3.12 million by a flow-through financing to accelerate drilling. Next he announced very encouraging results from metallurgical work which envisaged recovery of 88-90 per cent from a fairly simple circuit. Third, he came to an agreement whereby Skygold Resources could buy Wildrose, the company which had retained a 30 per cent interest in Spanish Mountain when Skygold originally farmed in. And while all this essential corporate business was in progress the good drilling results kept rolling in.

There is clearly plenty of scope to increase the resources as the Main Zone at Spanish Mountain is open to the north and south and to depth and modelling of drill data has identified a north-south oriented structural corridor within and extending beyond the current limits of the Main Zone. In addition to this there is potential at depth and interpreted parallel structural corridors will be drilled in areas where these structures intersect favourable stratigraphy similar to that which hosts the gold mineralization within the Main Zone. Brian Groves also made the point on the telephone from BC that he intended to drill some large diameter core holes. These would have three uses. First they would provide samples for metallurgical testwork, second they could be used to confirm grades from narrow diamond drilling and third comparisons could be made with bulk sampling data obtained by Imperial Metals in 2000. He has a feeling that in low grade sediment hosted deposits such as Spanish Mountain vital amounts of gold may be lost in narrow diamond drilling.

Brian has now embarked on what he agrees is effectively a scoping study as it involves preliminary engineering studies to evaluate conceptual pit designs and potential mill capacity. Metallurgical work is also ongoing as is environmental baseline work. Drilling will continue until winter closes in and a further 8,000 metres should be achieved by then. All the time he is looking to the future and has been encouraged to find that there is at least one mill within realistic distance which could be available next year when Spanish Mountain is getting close to a development decision. This should reduce capex costs significantly, but in the meantime the company is in a strong cash position. It has C\$1.7 million in the kitty, has just raised a further C\$2.1 million and is awaiting a further C\$1.9 million from the BC Government in subsidies.

What should never be forgotten is that Skygold is not a one-trick pony. Its three other properties have potential and could even warrant stand-alone operations. The latest news from Spanish Creek, or Thunder Ridge as it is now called to prevent any muddle with Spanish Mountain, is that additional high-grade gold intercepts have been encountered. Trenching and prospecting work are being carried out on the Manson Creek and Prince George properties, but Spanish Mountain is the focus and it would be a bulk tonnage open pit project. Fortunately Brian Groves will be over in November to give a presentation at our Forum and he will be able to put flesh on these bones. He will be supported by Ian Watson who recently joined the board.