

## Likely BC's Premier Gold Discovery

Richard (Rick) Mills

[www.aheadoftheherd.com](http://www.aheadoftheherd.com)

As a general rule, the most successful man in life is  
the man who has the best information

The current situation many of our junior resource companies face today reminds me of late 2002 when sentiment was about as bad as it could get. That kind of widespread pervasive bearish sentiment has pushed today's junior market into oversold/under-valued levels compared to today's gold price.

**But consider this, those very same juniors, the same ones who are so oversold and under valued, are the present owners of the world's future gold supply.** They are the companies who explore for, find and develop deposits to the point where they hopefully attract a major's attention. And the majors need them more then ever, they need them to explore for and find gold, and they need them so they can purchase them or their projects to grow their reserves and production. Many of our major gold mining companies are not keeping up with reserve replacement and production is slowing.

Mining is the story of depleting assets, and that asset must be constantly replenished; miners that want to stay in business must replace every oz taken out of the ground and there isn't a lot of the larger size deposits left to buy that would really affect most of these company's bottom lines. Replacing what they've mined let alone finding more productivity/resources is becoming harder and harder.

### Leverage

*"Of the seven asset classes, the precious metals asset class is the only one with a negative average correlation to the other asset classes. Excluding cash, precious metals is the only asset class with a positive correlation coefficient with inflation. Precious metals provide a substantial hedge against inflation and provided a positive returns when they were needed most." Professor Roger G. Ibbotson, founder and Chairman Ibbotson Associates*

Thankfully, using history as our guide we know all about the benefits of owning gold. Higher inflation, perhaps leading to hyperinflation, is coming, the trillions of dollars worth of new money being injected into the global financial system guarantees it.

Gold will act as a go to safe haven and it will preserve our purchasing power. Again using history as our guide we know that the greatest leverage to precious metals is to own the shares of junior precious metal companies.

One of the most undervalued junior precious metal companies I've found is...

**Skygold Ventures SKV.tsx-v (skygold.ca)** whose ounces in the ground are currently being priced at only \$6 per.

There are not a lot of quality gold deposits available. And with raising capital being so difficult lately there are going to be fewer and fewer available as the weak (cashless) die off and the amount of exploration dollars being spent nosedives.

So far, Skygold has put 323 diamond drill holes, representing 74,797 meters of drilling, into its Likely, British Columbia Spanish Mountain project. They have recently updated their 43-101 resource estimate and boosted the resource from about 1.8 million ounces to 113.91 million tonnes grading .78 g/t for 2.9 million ounces at a 0.5 g/t gold cutoff.

Over 50% of the deposit is close to the surface. The Gold is contained in 9 zones, that may sound like a lot but 90% of the gold is in just 3 zones. In those 3 zones 60% of the contained gold is close to the surface. Using a .7g/t cut-off 50% of the gold grading over 1g/t tonne is in the upper layer.

The three-dimensional geologic model recently completed demonstrates a shallow north-south structural corridor of mineralization that may extend for over 2000 meters, is up to 600m in width, is open to the north, south and to depth, has a low strip ratio and might be amenable to open pit mining.

Metallurgical recoveries using a coarse grind and a simple flotation circuit are between 88 – 90%.

Using a \$900 price of gold (POG) and 90% recovery there's an in ground resource of \$2.32 billion US with \$631,000,000 million US in the potential starter area.

All needed infrastructure – power, water, rail, supplies and major highways are close by. There are many operating mines in the area and locals are very receptive to resource extraction as a way to make a living. There is an experienced trained labor pool to draw from in the nearby towns of Likely, Williams Lake and 100 Mile House and supplies are easy to access.

The last decade has seen a pine beetle problem that has devastated the forest in the area. The northern part of the Provinces economy has been based almost exclusively on logging but because of the recent Lodge Pole Pine Beetle infestation and the resulting destruction of a large part of the working forest the Liberal government is actively trying to diversify the northern economy and mining is hoped to play a large part in the plans success. The upside of BC's pine-beetle infestation is the government rebate on exploration dollars spent in declared bug kill areas of the province.

The proposed 2009 program at Spanish Mountain includes:

- Drilling to test the extents of the deposit to the north, south and to depth.
- Collection of a bulk sample. Permits have been applied for.
- Economic and engineering studies will focus on defining preliminary economic parameters for the Spanish Mountain deposit. This will include potential operating costs, capital expenditures and scale of production.

- One of the primary goals of these studies will be to determine realistic cut-off grades for the deposit. Currently the company is using a .5 g/t cutoff but its thought further tests will prove a lower cutoff economically feasible. A .40 g/t cutoff grades .68 g/t (\$19.95 rock at \$911 gold) and works out to 165,555,000 tonnes containing 3.62 million ozs of gold. Using a .3 g/t cut off the numbers work out to a grade of .58 g/t (\$17.02 rock at \$911 gold) and 238,470,000 tonnes containing 4.4 million ozs of gold.

- Drilling will also focus on targets away from the Main Zone that are derived from the current geological model.

The updated geological model for Spanish Mountain has identified a north south oriented structural corridor extending through the Main Zone.

[http://www.skygold.ca/resources/zoom/nr\\_NewRes09.htm](http://www.skygold.ca/resources/zoom/nr_NewRes09.htm)

This north-south structural corridor is interpreted to exist up to 2.5 km away from the Main Zone into areas such as Cedar Ridge and Oscar where favorable geology or geochemistry has been identified.

The potential also exists for parallel structural corridors elsewhere on the Spanish Mountain property, particularly to the west where Hole 07-DDH-632 intersected 73.8 g/t gold over 1.5 meters. This hole is located approximately 2.2km west of the center of the Main Zone

Because of this recently done three-dimensional geological modeling by Company geologists upcoming exploration will become more efficient which in turn results in a more efficient use of exploration/development capital.

#### Spanish Creek (Thunder Ridge)

The Thunder Ridge Showing is located approximately 100 km southeast of Skygold's flagship Spanish Mountain Project and approximately 50 km northeast of the town of 100 Mile House in central British Columbia.

In 2008 Skygold completed seven preliminary exploration holes totaling 1552 meters at their 100% owned Spanish Creek property.

Highlights of the 2008 Spanish Creek (Thunder Ridge) drill program:

- Hole SC-005 intersected 45.49 g/t over 2.5 meters including 223.0 g/t gold over 0.5 meters.

- Hole SC-007 intersections include 28.0 meters of 0.68 g/t gold and 1.23 g/t gold over 11.5 including 4.83 g/t gold over 1.5 meters and 1.32 g/t gold over 6.5 meters in separate horizons.

- Hole SC-002 intersected 28.2 meters of 0.48 g/t gold.

- Holes SC-005 and SC-007 are approximately 600 meters apart.

This property has been the subject of very little previous exploration, has no outcrop exposures and had never been drilled. The results from drilling have identified a corridor at least 400 meters wide and 750 meters long that contains numerous sub

parallel quartz veins with anomalous gold, silver and arsenic values. The corridor appears to be open in all directions.

[http://www.skygold.ca/resources/zoom/spanish\\_creek\\_Jan14.htm](http://www.skygold.ca/resources/zoom/spanish_creek_Jan14.htm)

The broad zones of quartz veining and the scale of the initial soil anomaly indicate a very high priority target that warrants further exploration. Skygold believes that the potential is high for the extension of the mineralized corridor and to identify additional high grade gold mineralization as well as lower grade potentially bulk mine able mineralization within this corridor.

While Skygold's main focus will remain Spanish Mountain the company is going to do a limited amount of work including a 10-hole drill program on Thunder Ridge in 2009. Exploration of Thunder Ridge will be very inexpensive. Skygold can set up a small fly-camp on the property and run the program from the main full service camp at Spanish Mountain.

### **Share Info**

As of Feb 11<sup>th</sup> 2009  
Shares Issued and Outstanding 87,009,515  
Fully diluted 95,199,287  
Options 5,445,300  
Warrants 4,875,090

Treasury \$3,000,000  
+  
\$2,650,000 exploration credit from the BC government's Mineral Exploration Tax Credit (METC) program for exploration work done in 2007 and when they file their T101 in May the company will apply for another large rebate for work done in 2008. The METC is a 30% rebate on exploration hard dollars spent in declared bug kill areas in the province of British Columbia, Canada.

### **Gold & Juniors**

If, as some analysts suggest, there's ten years of gold production left at current rates should we be worried about a lack of new large deposits being discovered?

Well yes we should be.

*"What really bothers me is that in the 1980s or 1990s, we saw three to five discoveries of 5 to 20 million ounces each, and upwards of 30 to 50 million ounces a year. That is what makes or breaks the industry. There are no discoveries of that magnitude now."* Pierre Lassonde a veteran gold analyst, co-founder/chairman of Franco Nevada Mining Corp., acting chairman of the World Gold Council, and former president of Newmont Mining Corp. For The Gold Report [www.aureport.com](http://www.aureport.com)

Each year the mining industry must come up with a major new gold discovery of five million ounces just to replace what one of the world's top gold miners dig up. Also miners never mine all their reserves, they get too hard to produce so the mine shuts down with considerable ounces left in the ground. So **"how much gold is there really left to mine?"**

With world wide gold production down so drastically and the dramatic disruption of the junior markets last year, and continuing still, supply and demand is going to be completely out of whack. There will be fierce competition for stable safe ounces in the ground by producers having to replace their reserves in an extremely competitive environment.

Larger mining companies will have to resort to "debit card exploration" to replace reserves.

Thankfully, using history as our guide we know that the greatest leverage to precious metals, the most profitable rewarding way to get involved in precious metals, is to own the shares of junior precious metal companies. Gold juniors are going to be the most rewarding, the most lucrative way to garner the huge rewards from the coming freight train rush to gold.

And the best gold shares to own will be the shares of companies who own and are developing the deposits the major gold producers might want to buy. With sufficient size, grade and good metallurgy the junior will successfully move the deposit along the development path towards a mine and perhaps a major's interest will be sparked. If this happens your payback as an investor can be a many fold return of invested capital.

If a junior does move it's deposit along the development path towards production but it's not bought out then that company is a growth story in its own right. Cash is king and if a junior can fund acquisition, exploration and development of its properties internally then you've found something truly special. A junior in this enviable position could be the preferred partner for many other juniors. Sometimes a major isn't sympathetic to a juniors timely news release needs and another junior with what's obviously good management and the cash in hand to get things done could get all kinds of excellent joint venture offers.

Skygold happens to be one of **my** favorite post discovery resource definition stage companies. For anybody starting or looking to add to a junior gold portfolio SKV.tsx-v is, in my opinion, worth spending due diligence time on. I believe Skygold Ventures has a very large, + 5 million ounce, economically robust gold deposit at their 100% owned Spanish Mountain project and is presently very undervalued.

This large resource, combined with the blue sky potential of their Thunder Ridge property, one of the most exciting early stage gold/silver properties anywhere, makes Skygold, in my opinion, one of the best precious metal bargains on the TSX-V exchange.

\*\*\*\*\*

If you're interested in the junior resource market and would like to learn more please come and visit us at.

<http://www.aheadoftheherd.com/>

Richard (Rick) Mills

[www.aheadoftheherd.com](http://www.aheadoftheherd.com)

[rick@aheadoftheherd.com](mailto:rick@aheadoftheherd.com)

## [Archives](#)

Bio - Richard is host of [www.aheadoftheherd.com](http://www.aheadoftheherd.com) and invests in the junior resource sector. His articles have been published on over 30 websites including - Wall Street Journal, Kitco, USAToday, Safehaven, SeekingAlpha, The Gold/Energy Reports, Gold-Eagle and Financial Sense.

\*\*\*\*\*

### Legal Notice / Disclaimer

This document is not and should not be construed as an offer to sell or the solicitation of an offer to purchase or subscribe for any investment. Richard Mills has based this document on information obtained from sources he believes to be reliable but which has not been independently verified; Richard Mills makes no guarantee, representation or warranty and accepts no responsibility or liability as to its accuracy or completeness. Expressions of opinion are those of Richard Mills only and are subject to change without notice. Richard Mills assumes no warranty, liability or guarantee for the current relevance, correctness or completeness of any information provided within this Report and will not be held liable for the consequence of reliance upon any opinion or statement contained herein or any omission. Furthermore, I, Richard Mills, assume no liability for any direct or indirect loss or damage or, in particular, for lost profit, which you may incur as a result of the use and existence of the information provided within this Report.

Richard Mills may from time to time, have long or short positions in, and buy and sell the securities or derivatives (including options) of companies mentioned in this article.

Skygold Ventures SKV.tsx-v is an advertiser on [www.aheadoftheherd.com](http://www.aheadoftheherd.com)