

MEXICO MIKE

Kodiak's work on huge property is impressive

By Mike Kachanovsky

Mounting evidence suggests that Kodiak Exploration Ltd. (KXL-TSX/VEN, \$2.46) could be on to a major new gold discovery at its Hercules property in North-ern Ontario.

Kodiak is not the kind of junior miner that would be content to poke a few holes in a property and ride a resource bull market. It is focused on achieving the discovery of large mineral deposits, and that objective led to the acquisition of the Hercules property in the Beardmore-Geraldton mining district.

The project is certainly located in the right neighborhood for a gold discovery. The Beardmore-Geraldton greenstone belt has already yielded several high-grade gold deposits, and numerous mines have been operational in the area, with combined historical production of more than four million ounces.

However, due to extensive overburden and forest cover, the area has remained very under-explored compared to higher-profile mining camps like the Cadillac Break in Quebec, or the Red Lake district in Ontario. Kodiak plans to systematically explore its 1,400-square-kilometre property, which covers several significant gold-producing or gold-bearing structures in this Archean greenstone gold camp. Archean greenstone belts have produced 66 per cent of Canada's gold.

The potential for a gold system at Hercules was revealed in 2005 by impressive samples taken from an outcrop. Trenching work and a drill program confirmed multi-ounce gold values shortly thereafter, and the company then commenced an aggressive program of land acquisition through staking and option agreements. As a result, Kodiak now controls the dominant land position in this highly prospective gold belt, and that is a good thing because many



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other companies are suddenly very interested in this part of Ontario.

I was able to tour this property late last year, and the sheer size and scale of the exploration effort that I witnessed left no doubt that the company is on to something special at Hercules. Work has advanced at a rapid pace, and impressive results continue to be reported.

Several massive gold-bearing structures have now been exposed in more than five kilometres of surface trenches, including a newly discovered structure known as the Golden Mile with an exposed strike length of more than two kilometres and a geophysically indicated strike of more than four kilometres.

It is a geologically accepted rule of thumb that Archean greenstone veins commonly extend to a depth equivalent to 50 per cent of their surface extent.

Golden Mile

Continuous gold mineralization has been traced for more than 365 metres along the Golden Mile, and visible gold is frequent and conspicuous within this interval. Channel samples taken every 20 metres along this zone averaged 20.2 grams per tonne gold, over an average width of 3.8 metres.

The Golden Mile is unparalleled in geometry and scale in the Geraldton-Beardmore gold camp and remains open along strike and to depth. Wide intervals of mineralization build tonnage quickly, and given the potential of this region for productive veins to extend to great depths, Hercules could host a multimillion-ounce gold deposit.

A large amount of drilling will be needed to establish a big resource, and Kodiak has commissioned at least three drill rigs to speed up the work. With a recent bought-deal equity offering that raised \$55 million, Kodiak locked

in the funding necessary to fast-track its exploration, and has commenced a 60,000-metre diamond-drill program to evaluate the economic potential, which should ensure an exciting news flow for a long time.

High-grade gold continues to be intersected in wide-spaced drill holes, and every hole to date has intersected significant gold mineralization accompanied by strong hydrothermal alteration. Normally in Archean systems, a hit ratio of one hole in four is considered outstanding and justifies further drilling.

Many new veins continue to be uncovered in this area of strong gold potential measuring some 30 square kilometres. Several other parallel or ladder vein systems have already yielded strong gold values across significant widths, including the Marino vein where a drill hole intersected 38.5 g/t Au over 1.6 metres, and most of the property remains unexplored. The widespread distribution of gold-bearing grab samples confirms the untapped potential of the entire area, both along strike and to depth.

A new dimension to the story was reported late last year at the Sleeping Giant target, with the discovery of high-grade nickel and copper across a solid interval of drill core. This target was generated from geophysical work and is just one of many such anomalies that add further upside potential to the project. It also serves as a testament to the intensity of mineralization within the property area controlled by Kodiak.

Access to this property is excellent, via a network of all-weather roads that in some places are just steps away from the exposed veins. Kodiak is very happy to be working in the Beardmore-Geraldton area. Both towns are historic mining centres, with a strong pool of skilled labor available, and communities that are supportive of mining development. Kodiak management is excited about the chance to create some much-needed

economic development in the area and will work to build beneficial relationships with the local community, including local First Nation groups.

Based on the high grades of gold encountered so far, and the encouraging size and number of gold bearing veins that have already been identified, Hercules could become one of the most exciting gold discovery stories in Canada. This upside potential gained the attention of speculators, and Kodiak shares appreciated by several hundred per cent since the first announcement of high-grade gold assays. However, the overall market sentiment is currently conservatively biased and like many in its peer group, Kodiak stock has undergone a correction to start this year. I believe the current share price represents an attractive entry point for new investors to establish a position.

Investors love to see high-grade exploration results, and Hercules seems to offer the potential for many more big hits. As the limits of the known mineralization are extended laterally and to depth, the potential resource is likely to grow.

It is not a ride for those who are faint of heart, but the upside of a major discovery is often worth putting up with volatility and risk. I have been a shareholder of Kodiak Exploration for two years and recently added to my position. There are never any guarantees in this sector, but with a large cash position in the bank and a strong management team running the show, I think Kodiak is going to be a good news story for a long time to come.

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