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Fjordland, Cariboo shift Woodjam

SITE VISIT

HORSEFLY, B.C. — There is little for a geologist to see while driving along the dirt roads outside the town of Horsefly. The logging roads that crisscross the forests are mostly punctuated with cattle fields and clear cuts, not rock outcrops.

The lack of surface anomalies, however, has not stopped 60-40 joint-venture partners **Fjordland Exploration** (FEX-V) and **Cariboo Rose Resources** (CRB-V) from spending the past decade poking around their patiently accumulated land package in the area.

That determination now looks to be paying off with gold and copper zones identified at both the North and South portions of the partners' Woodjam copper-gold-molybdenum project, which could lead to a sizeable porphyry deposit. And international majors are taking note.

Gold Fields (GFI-N, GFI-J) secured access to Woodjam North last summer with an option agreement. The South African-based company has now completed its due diligence on a similar but richer deal for Woodjam South. It is set to spend millions on exploration to find out what is really going on underground.

The Woodjam land package spans 480 sq. km in an area roughly 50 km east of Williams Lake. It falls within Quesnel Terrane, with **Imperial Metal's** (III-T) Mount Polley copper-gold mine, 30 km to the north.

Horsefly's residents seem to have embraced the name. The sign marking the edge of town sports a trippy cartoon of a horsefly, basically a grinning horse head on a fly's body, as a sort of mascot. The community also boasts being the



BY IAN BICKIS

source of the first Cariboo gold rush in 1859.

Bill Morton, president of Cariboo Rose, can take credit for assembling the original Woodjam property. In 1998, with both metal prices and exploration in B.C. down significantly, Morton picked up claims that lapsed around the previously identified Megabuck zone and assembled a 35-sq.-km property. He even snagged some lapsed claims from famed explorationist Mark Rebagliati.

Like most encouraging targets in B.C., several majors have poked around at one point or another, with Megabuck as the focus. Placer Dome (then Placer Development) explored the claims in 1983-84, but a recession and inconclusive shallow holes ended that. Noranda drilled in 1991-92, but withdrew from the province in 1992 after the New Democratic Party government came into power. Cariboo optioned the property to Phelps Dodge in 1999, but Phelps decided to pull out despite hitting some gold.

Morton brought on Fjordland as a partner in 2001. Fjordland earned a 60% interest in the joint venture in 2006, after spending \$1.5 million on exploration, again mostly at Megabuck.

All in all, the various companies have drilled roughly 17,000 metres over 67 holes on the Megabuck zone. Mineralization is now outlined over a 200-metre-wide envelope dipping 55 degrees and at 500 metres depth. The best drill holes include 274.9 metres grading 0.14% copper and 1.03 grams gold per tonne from 4 metres downhole, and 233.2 metres of 0.14% copper and 1.01 grams gold from 9 metres depth.

Further drilling at the Megabuck zone showed the mineralization continuing deeper, but gold grades were petering out. The partners needed to change tactics.

Turning point

In late 2006, the joint venture launched an induced polarization (IP) survey at Woodjam to look for new targets. The partners have significantly increased the land package in the area, which then stood



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Tom Schroeter, president of Fjordland Exploration, points to the promising Southeast zone at the Woodjam copper-gold-molybdenum project, near Horsefly, B.C.

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at 270 sq. km.

About the same time as the survey data were coming in, Tom Schroeter was appointed as president of Fjordland, fresh from more than 20 years at B.C.'s Ministry of Energy, Mines and Petroleum Resources. Vic Tanaka, Fjordland's former president and now a director, had been asking Schroeter for some time when he planned to retire and move on to new things.

"At the PDAC convention in 2007, they came after me again," says Schroeter. "By that time, I had just had enough of the bureaucracy and said, that's it.

"On the table was a recently completed IP survey of the area and the task was, what do we do with these anomalies?" says Schroeter.

The partners targeted an area roughly 4 km southeast of the Megabuck zone called the Southeast zone, based on strong showings in the IP survey.

The first two holes in the zone, 72 and 73, showed some interesting results, but nothing extraordinary. It was not until Fjordland drilled hole 78, 350 metres north of hole 73, that the story of the Southeast zone changed.

As Morton tells it, winter was setting in as the drill operator was trying to get the last hole done. The thick overburden was making it difficult to drill and there was not enough casing for the hole. But the operator pushed, looking to get one more hole in before the season ended.

Driving down one of the logging roads, Morton passed by Bruce Laird, a contract geologist, who is now working for the Gold Fields team. Laird told Morton to turn around and get back to the core shack right away.

"I've got some good news and some bad news," Laird said to Morton, back at the shack. "The bad news is we lost the hole. The good news is, before losing it we cut a metre of good rock."

The operator had managed to punch through to bedrock at 139 metres and drill 1.2 metres with significant chalcopryrite, something not seen before at the Woodjam project. Morton drove the section straight to Williams Lake, to have it flown to Vancouver for a rush assay.

The short intersect graded 0.38% copper, 0.1 gram gold and 0.012% moly, and occurred along quartz veinlets and fractures forming an intense stockwork.

With a better understanding of the geology, the operator changed tactics and managed to drill one last hole for the season, number 79, a few metres away from the lost hole 78. That hole cut 203.6 metres carrying 0.4% copper, 0.06 gram gold and 0.014% moly, from 145 metres downhole.

The partners were excited by the find, and the potential for the next drill season. The markets, however, were not.

"We released these nice holes, and the market didn't react at all. Most people couldn't have cared less," says Schroeter.

Gold Fields

Some did take note, however. Shortly after the discovery of the Southeast zone, Gold Fields put in an unsolicited offer for the Woodjam project.

"They suddenly wanted to come look at our core," says Morton.

The partners were pleased to receive the offer, but opted for caution, and rejected it.

"Our respective boards of directors came to the conclusion that it was too early to put a value on the Southeast zone," says Schroeter.

The partners kept drilling in 2008 to better understand the Southeast zone, with more long intercepts. Hole 83 cut 402 metres of 0.44% copper, 0.05 gram gold and 0.006% moly, hole 84 hit 359 metres carrying 0.69% copper, 0.27 gram gold and 0.006% moly and hole 88 intersected 222 metres averaging 0.46% cop-

per, 0.05 gram gold and 0.013% moly, all starting at around 130 metres depth.

That same year, the companies also boosted their confidence in the Deerhorn and Takom zones. At Deerhorn, a little over a kilometre northeast of Megabuck, the companies hit 28.5 metres carrying 0.21% copper and 0.5 gram gold from 215 metres depth, then 69 metres averaging 0.22% copper and 0.5 gram gold from 34 metres depth. At Takom, they hit 53.3 metres carrying 0.27% copper and 0.29 gram gold from 207 metres and then 71.8 metres intersecting 0.34% copper and 0.6 gram gold from 109 metres depth.

Despite the results, the year was a struggle.

"When we released news in 2008, of course nothing happened," says Schroeter. "We were doing everything we could to survive."

Both companies' stock prices peaked at over 40¢ at the end of 2007, only to be trading at under 5¢ at the end of 2008. Both have made some recovery, with Cariboo recently closing at 16¢ and Fjordland at 12¢.

Not helping matters was the perception that the mineralization of the Southeast zone was too deep.

"The first comment we got was that's a lot of overburden," says Schroeter. He contracted out an informal economic study of the project factoring in the overburden to see if they were "in the right ballpark" and was told they were. While the results are not National Instrument compliant, they gave the team enough confidence to proceed.

Gold Fields, for one, has not expressed concerns with the overburden, says Schroeter. The major came back in late 2008 to see if a deal could be worked out.

Fjordland, Cariboo and Gold Fields came up with a compromise to split the property north and south, and allow Gold Fields to option the north half. The deal

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was finalized in June 2009.

The Woodjam North deal gives Gold Fields the option to earn up to a 70% interest in the 405-sq.-km north section of the property and designates it operator. The first 51% can be earned by spending US\$7 million on exploration and paying \$350,000 to the joint venture over three years. The final 19% can be earned by spending US\$12 million more on exploration over a four-year period.

Schroeter saw Gold Fields' early interest as a confidence booster.

"Here's Gold Fields that came in and didn't come after a project that had a resource on it, they've come in at a lower level, and picked projects that they felt had potential, really good potential. We're very pleased to be in that category," says Schroeter.

Fast-forward a year later and Gold Fields has completed due diligence on an option agreement for the 138-sq.-km Woodjam South. After a rough economic year, Schroeter is excited to start exploring again on the Southeast zone.

"In the case of the Southeast zone, we've been treading water for over a year. There's been nothing happening. We firmly believe that once a large program starts there, this project is going to get some legs," says Schroeter.

While work stopped on the Southeast zone, a number of encouraging results were released from the Takom and Deerhorn zones last year.

At Takom, hole 09-01 cut 101 metres of 0.43% copper and 0.58 gram gold and hole 10-12 hit 61.9 metres carrying 0.41% copper and 0.82 gram gold, both starting at 110 metres depth. At Deerhorn, hole 09-03 cut 89.5 metres of 0.26% copper and 1.17 grams gold from 165 metres and hole 10-09 intersected 90.8 metres of 0.4% copper and 0.6 gram gold from 69 metres downhole.

With encouraging drill results and a resurgent economy, the terms of the

second deal were improved.

The Woodjam South deal gives Gold Fields an option to earn 70%, with an initial 51% by spending US\$7 million over 3.5 years. Fjordland and Cariboo, however, will be operators for the option period, and for Gold Fields to earn 70% it must complete a comprehensive feasibility study of all known targets on the property and spend an additional US\$2 million a year for the next four years. Gold Fields will also buy \$300,000 worth of Fjordland shares and \$200,000 of Cariboo shares at a premium. Schroeter sees being operator as a real advantage. It was something the partners had to negotiate.

"That's pretty important because it gives us a presence at the table," says Schroeter. "We will be at the table constantly, sort of having our two cents worth, which is what we negotiated in it. We're not unhappy with what they're doing on the north, but we wanted more involvement on the south."

What most allowed for better terms, however, was that **Freeport-McMurray Copper & Gold (FCX-N)** made an unsolicited offer for Woodjam South with apparently generous terms.

Gold Fields (which declined to be interviewed for this article) then exercised its right of first refusal to buy into the Woodjam South. Morton says, "They didn't want anybody playing in their sandbox."

Looking ahead

Gold Fields has roughly 10,000 metres of drilling planned for the rest of the year, split evenly between Woodjam North and South. The company will complete significant IP and magnetic surveys on both properties as part of a multi-million dollar exploration program starting this month.

Already this year, Gold Fields has released a number of results from

Woodjam North that reinforce previous, long gold-copper intercepts.

Cariboo and Fjordland are now waiting to see what Gold Fields will do with Woodjam South.

"Gold Fields has shown to be pretty aggressive. If they want to play, they're at it," says Morton. "Gold Fields throws its full artillery; it gets in and out fast."

The company has already taken initiative with native relations in the area. Schroeter says relations, so far, are positive, with Gold Fields recently making a presentation at a treaty night meeting with one of the bands. Morton says the area has also historically seen less settlement than other parts of the province due to harsher winters.

"We're pleased that the engagement is going along smoothly," says Schroeter.

After years of cobbling money together for modest drill programs, the companies are relieved of that pressure at Woodjam for now.

Neither company, however, will be at a loss for what to do. Both hold interests in several other properties in B.C. Most recently, Fjordland expanded its Tak gold-copper project and now controls over a 520-sq.-km area directly south of the Woodjam project.

But Woodjam is still the focus. With the project still in early stages, Schroeter already thinks of Woodjam as one of the biggest discoveries in the province in decades.

"I was thinking, when's the last new discovery of a significant porphyry deposit in British Columbia?" says Schroeter. "Aside from Kwanika (a copper-gold project owned by Serengeti Resources), that takes us back to the mid-'80s ... it comes down to Kwanika and Woodjam, I can't think of any other new ones in the last 25 years ... there's a long drought there."