

Exploration

Macassa rebirth sparks optimism in Kirkland Lake

■ Kirkland Lake Gold plans to produce 100,000 ounces in 2005

BY JOHN WROE

"There must be more than 100 cars in your parking lot," I said to Mike Sutton, chief geologist at Kirkland Lake Gold. "How many people do you have on the payroll?"

"Well, we are quite busy ... let me see." He punched a number on his intercom and asked a question. "Two hundred and fifty-two? Thanks. That's what I'll tell him."

He turned back to me. "You got that? But that doesn't include contractors."

The re-opening of the Macassa Mine three years ago has certainly perked up this grumpy old mining town.

Re-opening the mine has been a lengthy process. The main working is off the Number Three shaft, which at 7,200 feet is one of the deepest single-lift shafts in North America. The mine had flooded up to the 3,000-foot level, and the first task was dewatering.

"We could start mining on the 3,400 level," said Sutton. "But the first ore pocket was on the 5,000 level, so we had to be creative about getting ore to the mill."

Dewatering is now below the 5,000 level, and the results show in gold production. In 2003, production was 8,571 ounces. In 2004, it increased to 28,324 ounces.

The company's \$20 million exploration program has taken an innovative approach. Conventional wisdom in the Kirkland Lake camp has been that the gold is largely in the Main Break, which is near surface in the east end of town and then dips towards the west.

The Macassa Number Three shaft, sunk by Lac Minerals in the early 1980s, reflects that wisdom, delving deeper to follow the vein.

Although companies explored away from the Main Break, they tended to look for similar structures running parallel.

Different approach

Kirkland Lake Gold has taken a different approach. The company embarked on a long-hole drilling program, looking at areas other than those that would normally be explored. This approach is graphically displayed by looking at mapping of the orebody and the three-dimensional model in the company's exploration office.

"In the old days, they followed the veins," said Sutton. Kirkland Lake Gold started looking back up at the blank areas on the maps. The results were a bit surprising.



Mike Sutton and Sean Farrell of Kirkland Lake Gold examining core

The drilling found orebodies running at an angle to the Main Break. One oddball orebody shows up on the model, just barely below the surface.

"Can I borrow a shovel?" I ask. "I'd like to dig around there."

Sutton grinned. "Sorry. We already mined it. It was right under a church."

The average grade has been about 0.4 ounces per ton. Back in the 80s, Lac was getting .45 ounces per ton, but then gold was around \$US250 per ounce. The current price in the \$US460 range has made mining a lot more economic.

The impact of the re-opening of the mine on the town of Kirkland Lake is profound and quantifiable.

Recovery

"This is the catalyst that ignited our start to recovery," said Mayor Bill Enouy. "It was a slide for years."

Wilfred Hass, the town's Manager of Economic Development, agrees. "It gives us something to believe in," he said, noting that property values are rising. Hass said he has seen the boom for the past two and a half years. When he came to Kirkland Lake five years ago, there was a mood of cynicism.

How that corner got turned is interesting. Mayor Enouy is not shy about giving credit. "A lot of this has to do with Mike Sutton."

He said that it was Sutton's persistence in looking for gold where others thought nothing would be found that convinced

mining companies to make the investment necessary to re-open the mine. As well, Mayor Enouy said Sutton's prediction that the price of gold would rise influenced the decision to proceed.

Right now, Kirkland Lake Gold is moving into the realm of profitability. The company has posted deficits for the past three years, but the exploration program has added to reserves, resulting in a fairly healthy balance sheet with cash in hand to continue exploration. Future projects are based on a projected gold price of \$525 (CDN). With gold trading in the \$550 range, and almost no analyst predicting a decline in the price, profitability is promising.

Other strategies are also going to help lead to profitability for the mine, said Sutton. The company is becoming increasingly mechanized in an environment where there is a labour shortage. As well, it has gone from being unionized to a non-union environment. The result is not necessarily a reduction in wages, but an increase in the flexibility of the operation.

Sutton is confident.

"I was just down to one of the lowest levels that we de-watered," he said. "It's sort of eerie. I went to one of the refuge stations, and tried to imagine it with all the lights on and the guys there. It takes a lot of work, but we'll get there." ■

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Kirkland Lake Gold at a glance

Kirkland Lake Gold Inc. owns and operates five contiguous gold properties: the Macassa, Kirkland Minerals, Teck-Hughes, Lake Shore and Wright Hargreaves mines.

- These mines historically produced 22 million ounces of gold.
- The Macassa gold mine was in continuous production from 1933 until operations were suspended indefinitely in June 1999. The mine was the last of the seven major gold mines in Kirkland Lake to halt production.
- In 1998, the 3.5 millionth ounce was produced from Macassa Mine.
- The No. 3 shaft gave access to 21 levels from 3800 feet to the 7050-foot level until 1997. As a result of a rock burst on April 12, 1997, only the levels between the 4250 and 5150 levels remained active.
- Kirkland Lake Gold acquired the Macassa Mine and mill and adjoining properties in Dec. 2001 for \$5.0 million.
- Proven and probable reserves have increased 80 per cent to 1,321,600 tons at 0.48 oz./ton (630,100 oz.) since acquisition.
- Measured and indicated resources total 3.2 million tons at 0.32 oz./ton.
- Kirkland Lake Gold has pumped 1.3 billion gallons of water from Macassa Mine.
- Targeted production for 2005 is 100,320 oz.