

James McDonald Secures Every Advantage for Kootenay Gold

By Katherine Young

In a meritocracy, the pure, rich cream floats to the top. It's where people are selected competitively according to merit, talent, motivation and effort, based on the idea that positions of responsibility and prestige should be earned. Kootenay Gold and its team are an example of just that.

CEO and Director James McDonald, at 46, is one of the youngest men in a directorial role in Canadian mining and boasts a track record dating back twenty years. He started as a geologist in 1983 at Noranda. Then he went to work at Hemlo where he met Richard Hughes, the mining legend and brains behind the Hemlo discovery, one of the largest gold discoveries in Canadian history. This experience seems to be the impetus behind his formidable motivation. As McDonald put it in a presentation featured on Kootenay's website, "I really got bitten by the gold bug at [Hemlo]."

In the late 1990s, working closely with Hughes, McDonald and Albert Matter formed National Gold, secured the Mulatos deposit in Mexico, and joint ventured with Alamos Minerals. McDonald merged the two companies to form Alamos Gold, which opened the Mulatos mine that is still in production today, producing over 100,000 ounces of gold annually.

McDonald had other successes at White Knight, and Genco Resources (currently producing 1,000,000 ounces per year of silver) where he served as President until 2006, when he stepped aside (he remains on board) to focus his efforts on building Kootenay Gold.

"Part of the reason for creating Kootenay Gold," he said, "is an opportunity to put together a team of people that I had worked with mostly on a contract basis. In this industry it's not really the properties, it's the people that are valuable. If you put the good teams together, you'll get the good properties and you'll make the discoveries. You've got to have those people."

With Hughes as a director on the board, and McDonald at the helm, they began to pull together key players in the industry and an exploration strategy. McDonald says about forming Kootenay Gold, "There's a prospecting family that I'd worked with in various companies on various jobs. I was always looking for the opportunity to put them together in a company to form the core of a good exploration company."

McDonald and his team carefully selected the west Kootenay region because they considered it to be highly prospective, but underexplored. The mineralized belt, on the American side of the border, has produced over 6 million ounces of high grade gold, but on the Canadian side was somewhat untouched. McDonald put the Kennedys – a family of highly skilled prospectors – to work in the Kootenays where they have considerable knowledge. Their findings allowed Kootenay to stake 45 mineralized claims in the area, every one of which is a new discovery.

So, while generating discoveries in BC, Kootenay's strategy has been to joint venture with junior explorers to help fund and conduct exploration on the properties. The joint venture partners absorb some of the risk to Kootenay and pay Kootenay in cash and stock. The stock, in this resource market, becomes an appreciating asset. In other words, it's a win-win situation for Kootenay.

The best development for Kootenay Gold in the Kootenay area so far has been the Jumping Josephine project, which is a joint venture with Astral Mining Corp. Astral has the right to earn a 60% interest in the property. Recent drilling on Jumping Josephine reported on July 12, 2007, returned 19 m of 7.01 g/t gold, including 5 m at 16.42 g/t gold. In an interview with Stanley Hunt on Smartstox Talk Show, McDonald explained the potential at Jumping Josephine. "It's a high grade system...They're on round two of the drilling now. Personally, I think they're starting to drill off a resource now. This started out as a raw prospect. We've got an advanced project down in Mexico, which has been our lead project, but this is catching up."

Northern Mexico has been Kootenay's major focus. Using the philosophy that it is critical to select properties well and then commit time, work and money, McDonald and his team saw opportunity in Mexico. Their belief is that northern Mexico has potential similar to Nevada in the 1980s – a period that led to Nevada becoming the third largest gold producer in the world.

McDonald said authoritatively, "Mexico is already the number two silver producer in the world. It'll retake its number one position probably in another year. It's going to become a major gold producer and you can also expect to see a lot of base metals, copper, lead, zinc coming out of Mexico as well in new discoveries."

He points out that in a 250 km stretch, through the area where Kootenay has staked 500,000+ hectares, there have been five new mines opened in the last six years, with another two currently under construction and two more in the feasibility stage. In that time, the area has boasted the discovery of 15 million ounces of gold and 480 million ounces of silver.

In Mexico, once again, Kootenay has found an edge. Several edges actually. Kootenay hired a Brit named Dr. Tony Starling and his company Telluris Consulting Ltd. to conduct satellite imagery and interpretation of the geological structures over a vast area of land. Starling has spent fourteen years in Mexico working with some of the biggest names in mining.

McDonald explains, "He's developed a process, an analysis that allows him to identify mineral systems from the satellite imagery." The technology works by measuring the various wavelengths of reflected light to identify mineral systems, McDonald explained. "If you're doing it without a lot of skill and experience you get a lot of things that are not associated with minerals...You get a lot of red herrings." Based on results to date, McDonald says, Starling has about a 90% accuracy rate. "And that makes things suddenly very efficient, rather than running around, looking at hundreds of targets, the vast majority of which have nothing to do with mineral systems. We're now going in here and I would say it's about a 90% success ratio."

For Kootenay, the result is that they were able to identify more than 30 mineralized systems over approximately 180,000 square km area, which "allowed us to very quickly tie up a lot of prospective ground in Mexico."

Leveraging another advantage – a relationship with the skilled and powerful in mining –Kootenay's exploration efforts were funded by Richard Hughes through Klondike Silver. Klondike earned the right to choose six properties from Kootenay's claim package. Ken Berry, President of Kootenay Gold, says "Richard Hughes has a tremendous confidence in Jim McDonald's ability to identify mineral projects as well as grow a company. Because of that confidence level, Richard Hughes has been able to offer Kootenay joint venture support through Klondike Silver and Amador."

So Kootenay has the people, the connections, the properties, the technology, the land positions, and the financial structure. SmartStox host Stanley Hunt prompted McDonald to point out the advantage Kootenay has in Mexico and McDonald obliged, "We've built up a big infrastructure in Mexico. We've got a regional office there. We're way up on the learning curve. We know the ropes down there. For somebody to go in brand new into Mexico, it's going to take them quite a few months and a lot of dollars to get established like we are. They'll be there well over a year getting established, just to get going. We are optioning properties there. They can have a property and get going in a month by doing a deal with Kootenay Gold."

Kootenay's major project in Mexico right now is its flagship, advanced-stage, 100% owned, Promontorio silver project. Historic data on Promontorio show individual holes with 1 kg of silver over 5 m, 10 m, 15 m and an average silver grade of 367 g/t. Historic reports also cite widths of 20 m on average. McDonald is optimistic about the width, "you're going to have a low cost if you're able to find a deposit with that kind of width." Hughes is similarly positive. In a recent presentation he stated unequivocally, "That Promontorio, by the way, is a potential company builder. And as Chad Buckland, who couldn't be with us today, said – he's a broker and a geological engineer – "That's the kind of property that could really make a company. That gives a company the multi-dollar exposure... And so I think you've got a great project."

Investors seem to agree. Kootenay stock has been climbing steadily over the last month from below a dollar to above the dollar and a quarter mark.

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