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Hugh Balkam

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Exciting Exploration Results near the renowned Eskay Creek Mine

Few names in Canadian mining history carry the magic of ‘Eskay Creek’. The area in northwestern British Columbia went from virtual anonymity in the early 1980’s to be the hottest exploration camp in the country by 1990. The Eskay Creek mine became renowned for its exceptionally high grades of gold, silver, lead, zinc and copper; much of its ore was so rich that it was shipped directly to smelters without first being concentrated.

Now, Canadian exploration junior **Eskay Mining Corporation** is working with new geological models and modern technology in the same geological belt. Their latest exploration results suggest they’re on track towards their goal of finding another Eskay.

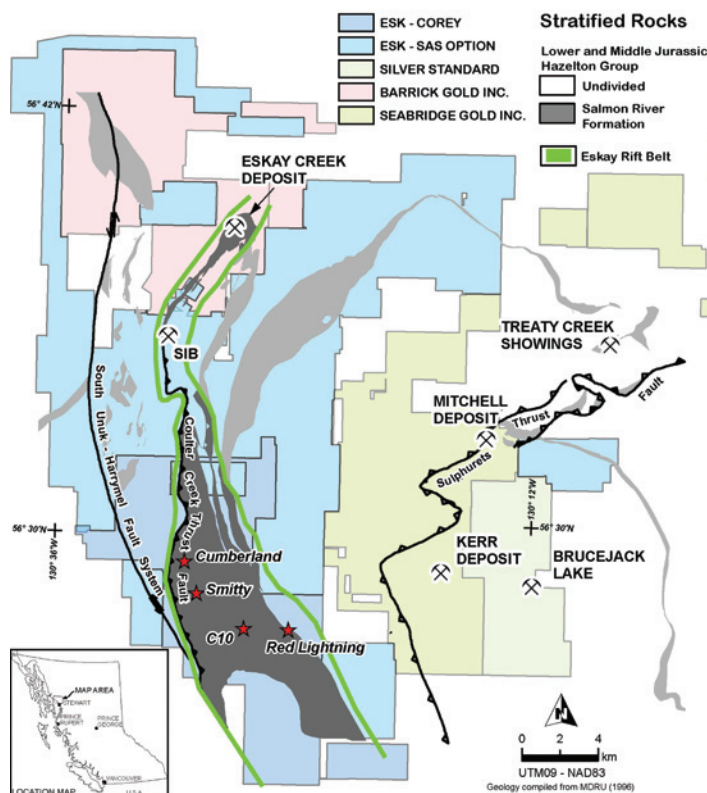
In retrospect, much of the challenge for the region’s early prospectors was because of the geological model being pursued. Exploration had always been primarily directed at quartz vein mineralization, but the true riches lay in a non-descript rock unit termed mudstones. The Eskay Creek deposits are volcanogenic massive sulphide (VMS) deposits,

ESKAY CREEK HISTORY

Hardy pioneer prospectors discovered metal values in the Eskay Creek area as far back as 1881, but it was largely forgotten when the Klondike Gold Rush of the late 1800’s seized the attention of most gold seekers. While a few intrepid prospectors continued to explore the region, it wasn’t until the 1980’s that a few discoveries in the area prompted several juniors to accumulate land positions. The largest claim holdings belonged to Prime Resource Group, run by fabled mining financier Murray Pezim. In 1989, on Prime’s 109th hole on the property, they hit the home run—682 feet of drill core grading 0.88 ounces of gold per ton!

Homestake Mining (now Barrick Gold) purchased the Eskay Creek properties in 1991 and put the mine into operation in 1995. Prior to its closure in 2008, the Eskay Creek Mine was Canada’s highest-grade gold mine and the world’s fifth largest silver producer, with cumulative production well in excess of 3 million ounces of gold and 160 million ounces of silver. The average grade of the resource was 45.57 grams per tonne gold and 2231 grams per tonne silver, along with approximately 3.2 % lead, 5.2 % zinc, and 0.7 % copper.

Land Tenures along the Eskay Rift Belt



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formed when ancient underwater hot-springs precipitated metals along the sea floor, which were then covered by later sediments.

ESKAY MINING'S EXPLORATION

Eskay Mining was one of the early entrants to the Eskay camp, assembling a prospective land position even before the Eskay Creek discovery. Market conditions saw the company's activity in the region rise and fall, but they held their ground and continually accumulated data and experience.

Eskay remobilized efforts in 2003 to analyze and reinterpret their existing data on the Corey holdings and undertake new fieldwork. The **Corey property** covers 10,200 hectares and is located 12 km due south of the Eskay Creek Mine. The work programs on the Corey holding since 2003, including prospecting, geochemical and geophysical surveys, and drilling, have shown that the Corey Property spans the southern portion of the Eskay Rift basin and that it does contain mineralization directly analogous to the Eskay deposits, though identifying economic amounts has so far proved elusive.

Drilling at the property's Red Lightning zone in 2008 produced an important development. Where surface grab samples had previously returned assay values from 3.9 to 6.9g/t gold and from 0.11% to 0.50% copper, drillhole CR08-86 intercepted 5.3 m of massive sulphides with grades of 1.03% copper, 0.55% nickel, 0.10% cobalt, 0.16g/t platinum, 0.15g/t palladium and 1.1g/t gold. These sulphides are interpreted to be magmatic in origin rather than hydrothermal, and could represent somewhat younger overprinting of Eskay-style mineralization. This zone of mineralization is open along strike to the north and south and presents an exciting new regional exploration target.

In May 2008, Eskay Mining optioned important ground lying between the Corey property and the Eskay Creek Mine. The addition of the **St. Andrew properties**, covering 33,000 hectares, means Eskay Mining controls 28 km of the Eskay Rift belt, with Barrick holding the remaining 4 km. Of particular interest to Eskay Mining is the SIB claim block adjoining the

southern extremity of Barrick's Eskay Mine property.

Drilling by past operators at the SIB claims revealed the Lulu Zone where gold, silver and base metal-enriched stringer and semi-massive sulphides carry the same geochemical and geological characteristics as the nearby Eskay deposit. Notable intersections at Lulu included 14.4 gpt gold and 1059.5 gpt silver across 14 m, and 11.7 m of 19.5 gpt gold and 1,602.9 gpt silver. However, the drill results also led past operators to believe the mineralization was restricted along strike and at depth. Paul McGuigan, Eskay Mining's chief geological consultant and an expert in the Eskay region's geology, believes something different.

“Along with showing that the required Eskay Rift rocks were present below the Coulter Creek Thrust Fault, the drilling established the presence of precious and base metal mineralization at least 300m north of the Lulu Zone. Eskay Mining’s upcoming drill program will probe for the fault-displaced continuation of Lulu’s high-grade material.”

Eskay Mining's drilling in 2008 revealed that the Coulter Creek Thrust (CCT) Fault intersects and displaces the Lulu Zone both in the downdip direction as well as along strike to the south. Previous drilling had tested only the “hangingwall” block, located above the CCT fault.

Three deep drillholes targeted untested, fault-offset Lulu Zone host rocks to the west and below the CCT fault. All three holes successfully intersected Eskay Rift structure, opening up several kilometers of highly prospective new drill targets below the Coulter Creek Thrust Fault that is blind to the surface.

Diamond drill hole EK08-134 found 1.5 m of 1.7 g/t gold, 8.5 g/t silver, 0.59% zinc, and 0.40% lead at 395.1 to 396.6 m depth, and then intersected a 25.4 m interval averages 2.1 g/t gold, 0.2% zinc and 0.1% lead from 488.2 to 513.6 m depth.

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DYNAMIC CONCLUSION

Eskay Mining now has a new management team led by Hugh (Mac) Balkam who, for 13 years, was with the Canadian Mounties investigating stock market-related fraud. He then became established in the mining and capital markets, and consulted with Eskay Mining on its financing activities. Earlier this year, he brought Chet Idziszek and David Mallo onto the company's advisory board; those gentlemen were key figures in the discovery and development of the Eskay Creek mine, and have numerous other discoveries to their credit as well.

With strong management and geological talent, and compelling indications of additional mineralization about to be revealed at the SIB claims, Eskay Mining will be on many junior investors' radars through 2010. The original Eskay Creek discovery shook up the market when a small VSE entity found what became richest goldmine in the world; a ‘new Eskay Creek’ discovery will create the same reverberations.

Shares Outstanding: ~ 83 MM

6-Month High: \$0.37 | Low: \$0.13

FOR MORE INFORMATION

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