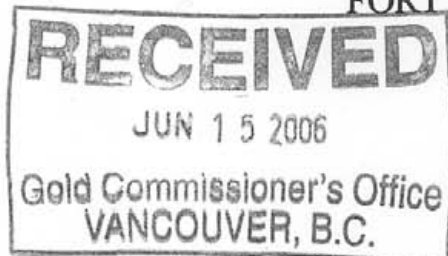


**DIAMOND DRILLING ON THE THEA CLAIMS IN THE UPPER
MOYIE RIVER AREA**

FORT STEELE MINING DIVISION



THEA 1 CLAIM

PAYDAY PROPERTY

TRIM MAP 082F030

UTM's 0562259 5460458

Claim Owners: Sedex Mining Corp. and Klondike Gold Corp.

Operator: **Klondike Gold Corp.**

Klondike Gold Corp.
Suite 711 – 675 W. Hastings Street
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V6B 1N2

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Date: March, 2006

GEOLOGICAL SURVEY BRANCH
ASSESSMENT REPORT

28,457

Diamond Drilling on the Thea Claims – Payday Property

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DIAMOND DRILLING ON THE THEA CLAIMS IN THE UPPER MOYIE RIVER AREA

1.0 Introduction

The Thea claims of the Payday property on which the diamond drilling took place are part of a large set of claims occupying the upper part of the Moyie River, Lewis Creek, and Irishman Creek drainages. This drill hole is part of a continuing series of holes exploring for Sedex Pb-Zn. Located about 38 kilometres southwest of Cranbrook, B.C., the area is accessed by use of a series of logging roads from the Lumberton turnoff of Highway 3/95 up the Moyie river road to the South Moyie logging road then to the area south of Cooper Lake. The logging roads are extensive, some dating back to 1970's activity. The relief is significant ranging from 1600m to 2400 metres ASL.

2.0 Property Definition, History, and Background Information

2.10 Property Definition

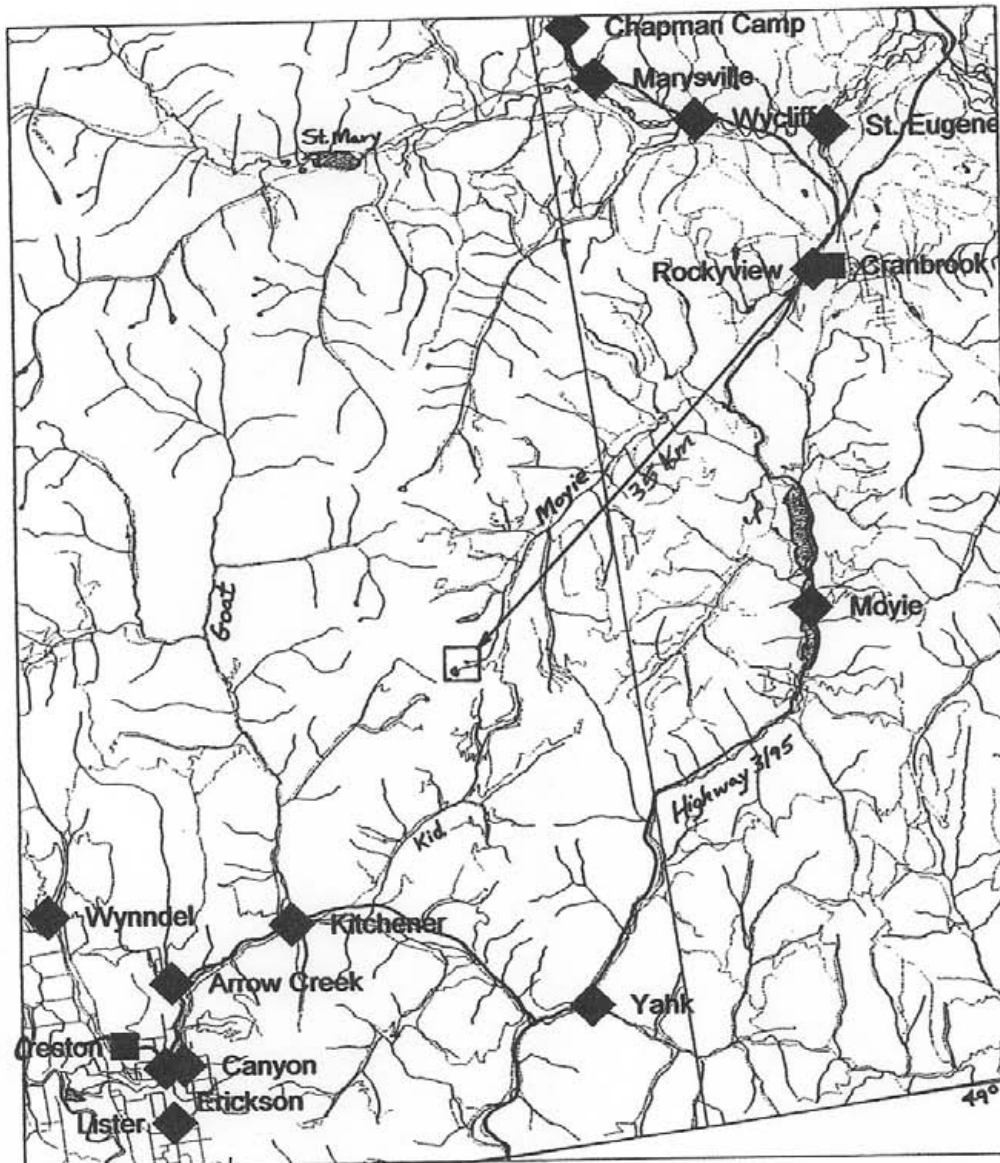
The Thea claims as they were known are part of the Payday property belonging to Sedex and Klondike Gold Corp. Only the claims surrounding the drill hole are listed here as they are part of a continuum.

Tenure Number	Anniversary Date	Area (Hectares)
508478	2006/03/13	484.545
508476	2007/06/19	526.619
508477	2006/06/19	231.782
505732	2006/06/19	42.131
506216	2006/09/27	484.62

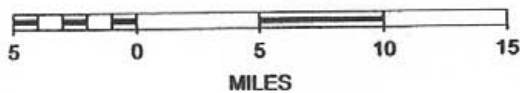
The first three claims are owned by Sedex Mining Corp. but are under option to Klondike Gold Corp.

2.20 History and Background Information

The Payday area has undergone extensive modern exploration, particularly to the east of this year's drilling. However, in the area of Payday-04-1 known exploration dates back to the 1970's with Cominco regional work in



SCALE 1 : 500,000



PAYDAY PROPERTY

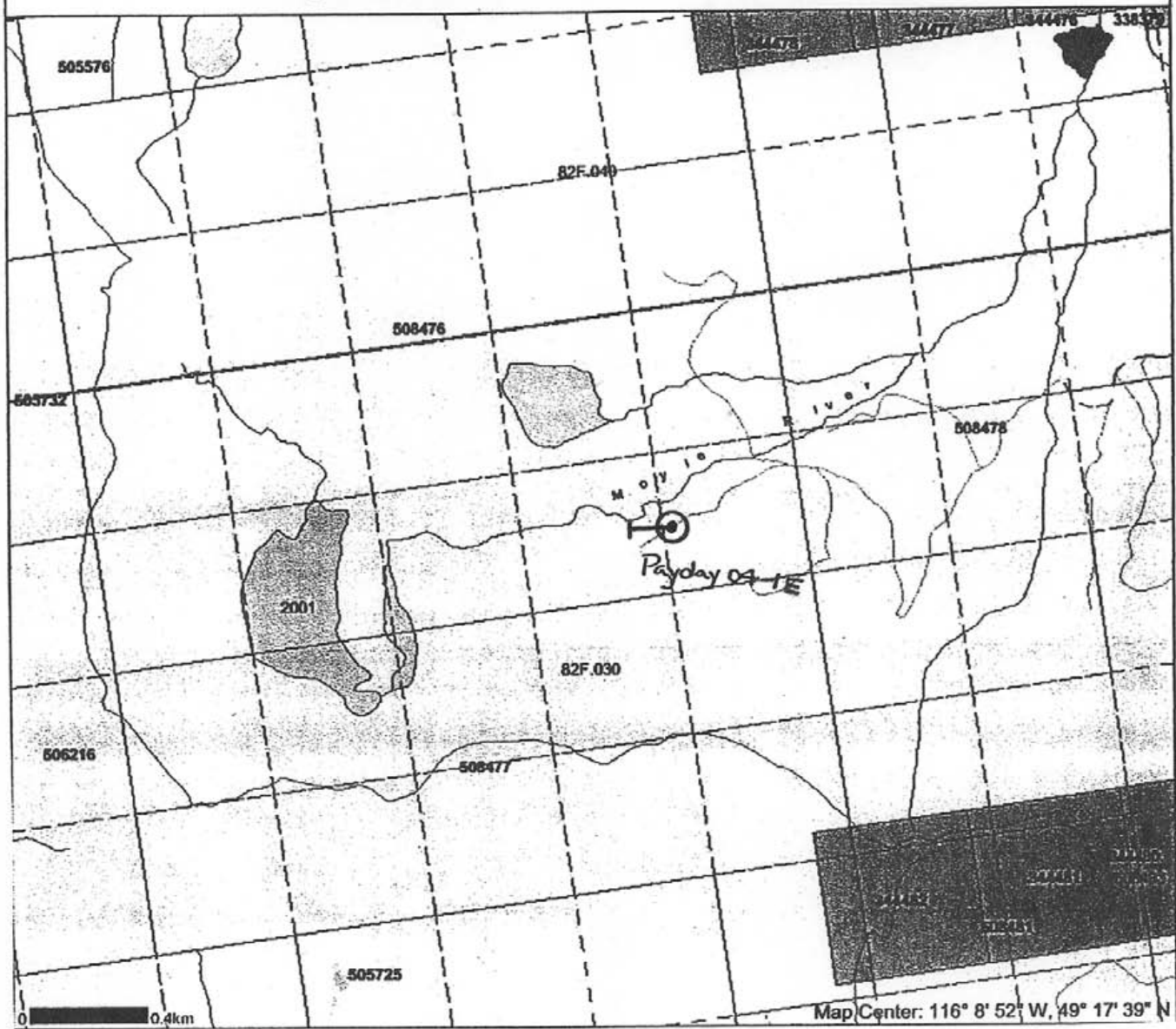
Location Map – Hole Payday 04-1

BCGS: 082F030

SCALE: 1:500000

FIGURE: 1

Map created Wed May 11 11:43:52 PDT 2005



PAYDAY PROPERTY	
Claim Map – Hole Location	
BCGS: 082F030	FIGURE: 2
SCALE: 1:20000	

the area including mapping and soil geochemistry. Later in the late eighties followed work by Sedex Mining which included prospecting, geological mapping and soil geochem sampling. The focus for work was prompted by the location of sedimentary fragmentals, tourmalinization and albitization within rocks of the Middle Aldridge division. This area of interest occurs about 1 to 1.5 kilometres west of this years hole. In addition the soil work demonstrated anomalies and disseminated lead and zinc was found in various locations around this high point of land. The ground has been held since then as drilling was contemplated but would follow the exploration work carried on to the east of this part of the Payday property. This area of work referred to as the Lewis/Irishman creek (Panda property) is from about 1.5 kilometres east to about 6 kilometres east. The exploration work history in this area is more complex and will only be briefly summarized here. The general area has undergone quite extensive, modern exploration over the last 25 years. Exploration has principally targeted a large Sedex Pb-An-Ag deposit such as the world-class Sullivan deposit some 48 kilometres to the north of this area. Cominco completed some of the first work including mapping, soil geochem surveys, and large-scale ground geophysics surveys. The geophysics covered a significant part of the upper Moyie using UTEM, a deep-probing, time domain EM system completed on broad-spaced cut grid lines. This work resulted in only one hole (L-80-1) which stopped in Middle Aldridge without reaching the targeted Sullivan Horizon. From 1994 through 1997 a large part of the upper Moyie area was staked by Sedex Mining Corp. Sedex worked in the area and drilled several holes. Drilled in the Middle Aldridge they did not return much of interest. One was drilled deep but intersected fault repeated section and did not reach Sullivan Horizon. In 1995, Sedex drilled hole SMC 95-1 (located about 6km northeast of Payday04-1) intersecting a thickened lower Middle Aldridge section and visible sphalerite with anomalous base metal values at the prospective Sullivan Horizon.

Sedex subsequently optioned most of the area to Kennecott Canada Exploration Inc. who completed an exploration program over several years including geological mapping, diamond drilling, gravity, soil, and magnetic surveys. Several gravity anomalies were identified and drilling was initiated in several areas. Kennecott drilled a short hole on a mag anomaly finding magnetite in gabbro; a longer hole (K-97-2) on a gravity response never achieved Sullivan Time but a thick gabbro body near the top of the hole was interpreted as the cause of the gravity; In 1997, Kennecott focused their attention on an area about 5 km east of this years hole. This Panda area was

drilled with two holes, collared quite close together which attempted to probe Sullivan Horizon at depth. At this stage neither hole tested Sullivan Time but did hit significant amounts of galena and sphalerite in veins within the Middle Aldridge – one zone apparently with the bedding across 2.5 metres of 5.82% Pb, 9.65% Zn and 49.4 g/t Ag was later shown to be cross-cutting mineralization. At this point, Kennecott terminated its interest. In 1999, Black Bull Resources became involved briefly, drilling a hole between the two Kennecott holes confirming the mineralization to be cross-cutting. Hole K-97-3 was also deepened (twice) eventually intersecting Sullivan Time which is an interesting combination of massive sediments, fragmental, and altered laminated sediments but without mineralization except as 3.0 metres of 168ppm Pb, 477ppm Zn within the Lower Aldridge footwall rocks. Black Bull also deepened the original Cominco hole L-80-1 but did not reach Sullivan Time.

Klondike Gold Corp. (under option) continued the exploration work in the area. In 2002, by deepening K-97-2 but not successfully reaching Sullivan Time and drilling hole P-02-1. Hole P-02-1 tested Sullivan Time, a 25.6 metre zone of thin-bedded to laminated sediments with pyrrhotite and some visible sphalerite. Geochem analyses indicate anomalous Pb and Zn with 6.5 metres of 129ppm Pb and 364ppm Zn. Within this interval the highest values are 1.0m of 201ppm Pb and 568 ppm Zn; 1.5 metres of 119 ppm Pb and 655 ppm Zn.

Exploration continued in 2003 with the drilling of P-03-1 which was unsuccessful and deepening of Hole L-80-1E which finally did reach Sullivan Time, intersecting a thickened interval with some fragmental horizons and some geochemically interesting lead and zinc. In 2004 a follow-up hole (Panda04-1) was unsuccessful as the hole was lost in Middle Aldridge rocks (this has been reported on separately). Also in 2004, a drill test of Sullivan Time was attempted on the Payday property. It was collared on claim 506477 about 4.5 kilometres west of the afore-mentioned Panda 04-1 hole. It was drilled to a depth of 1544.2 metres where it was suspended because the drill was unable to drill any deeper. It did not reach the target horizon.

3.0 Regional Geology

The Moyie area is central to the Purcell Anticlinorium, a broad generally north-plunging structure in southeastern B.C. that is cored by Middle

Proterozoic Purcell Supergroup rocks and flanked by Late Proterozoic Windermere Group or Paleozoic sedimentary rock. The area lies in the hangingwall to the Moyie Fault, a major, regional right-lateral reverse fault which is part of the Rocky Mountain fold and thrust belt event. The Moyie Fault follows earlier faults that have documented movements extending back to the Middle Proterozoic. These earlier structures controlled in part the distribution of the Middle Proterozoic through lower Paleozoic paleogeography.

The Purcell Supergroup comprises an early synrift succession, the Aldridge Formation, and an overlying generally shallow water post-rift or rift fill sequence which includes the Creston and Kitchener Formations and younger Purcell rocks.

The Aldridge is the oldest formation of the Proterozoic Belt-Purcell Supergroup. The Supergroup is a thick sequence of terrigenous clastic, carbonate, and minor volcanic rocks of Middle Proterozoic age. The basal Aldridge Formation, as exposed in Canada, is siliciclastic turbidites about 4000 meters thick. It is informally divided into the Lower, Middle, and Upper members. To the north and east in the basin, the Lower Aldridge, the base of which is not exposed, is about 1500 meters of rusty weathering (due to pyrrhotite), thin to medium bedded argillite, wacke and quartzitic wacke generally interpreted as distal turbidites. The Sullivan orebody occurs at the top of this division. To the south and west in the basin in Canada, the upper part of the Lower Aldridge is dominated by grey weathering, medium to thick bedded quartz wackes considered to be proximal turbidites. The Lower Aldridge is commonly host to a proliferation of Moyie intrusions, principally as sills. The Middle Aldridge is about 2500 meters of grey to rusty weathering, dominantly medium bedded quartzitic wacke turbidites with periodic inter-turbidite intervals of thin bedded, rusty weathering argillites some of which form finely laminated marker beds (time stratigraphic units correlated over great distances within the Aldridge/Prichard basin). There are several Moyie intrusions as sills within the Middle Aldridge including two of the most consistent, laterally extensive sills. The Upper Aldridge is about 300 meters of thin bedded to laminated, rusty weathering, dark argillite and grey siltite often in couplet-style beds.

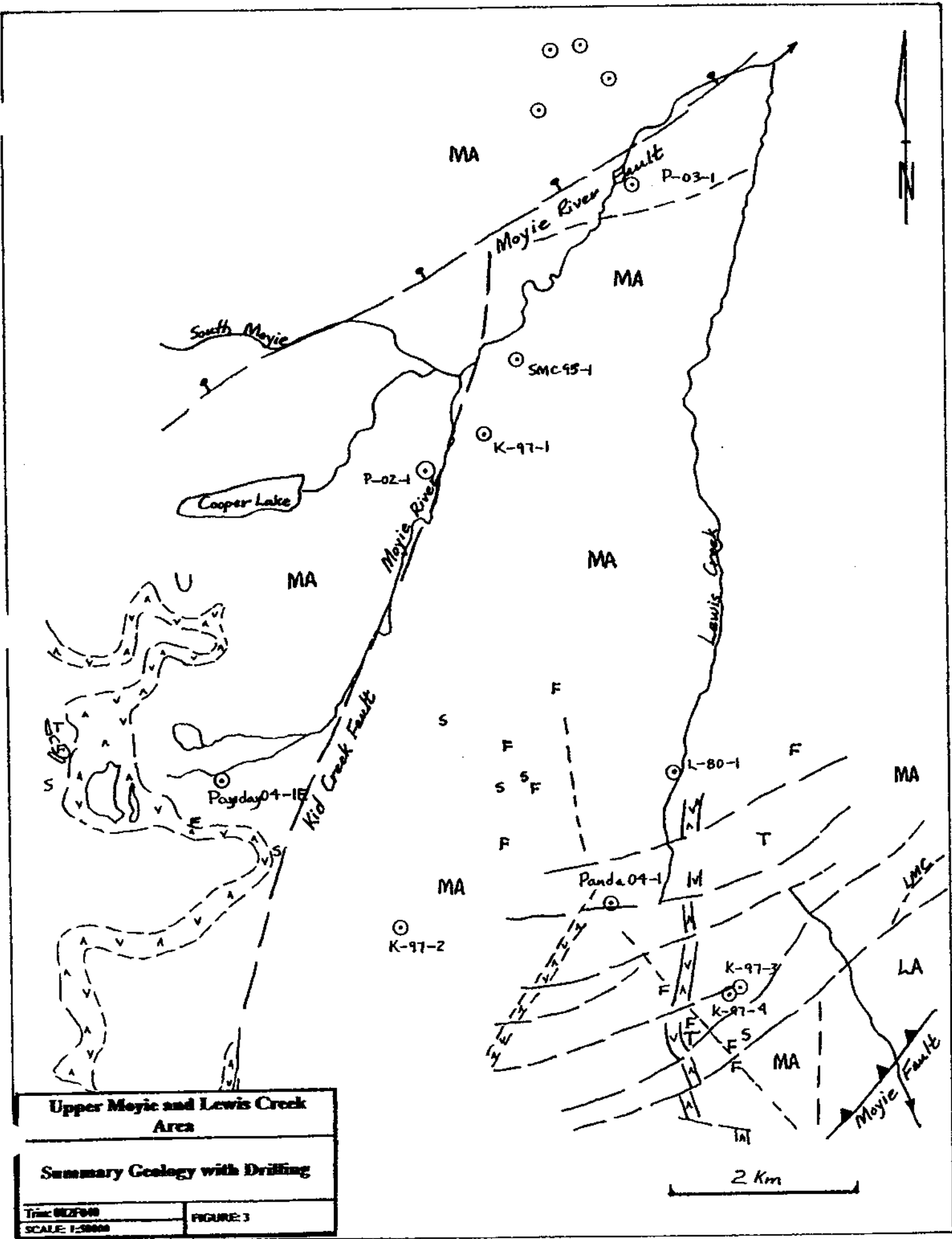
4.00 Property Geology and Summary of Work Done

The Payday property is underlain by sedimentary rocks of the middle division of the Aldridge Formation which contain gabbroic sills and dykes of the Moyie intrusions. The western portion of the Payday is less tectonized than that to the east which is closer to the Moyie Fault. The property geology around the drill hole is highlighted by presence of one continuous gabbro sill which can be traced around the high ground west of the hole. Below the sill are some of the Sullivan indicators which are indicative of exploration potential. These include sedimentary fragmentals and tourmalinization and disseminated lead-zinc sulphides. The sediment package is dominated by medium to thick bedded, quartzitic wacke to quartz wacke which typically are in the AE or ACE style of Bouma turbidites. A number of middle Aldridge markers have been established over the years yielding stratigraphic control. Structures are limited – to the west is the extension of the Old Baldy Fault and on the immediate east is the Kid Creek Fault which doesn't appear to have much movement on it. There are no exposures of lower stratigraphy in the area.

In 2005 it was decided to continue the hole drilled in 2004 which had been terminated (at 1544.2m) short of the target due to drill limitations. There was some minor rehabilitation of the access road and site then a larger drill was moved into position in the latter half of September. The drill hole was extended to 1702.9 metres at which point it was well into footwall rocks.

5.00 Diamond Drilling Results

Drill hole Payday -04-1E was extended to total depth of 1702.9 metres. Middle Aldridge turbidites were quickly succeeded by Sullivan Horizon from 1599.25m to 1628.3 metres. This zone is defined by massive, brownish wackes with some vague laminated sections. Although similar to other holes to the east, it is not as laminated and contains less sulphide. There is biotite alteration but little else. No sedimentary fragmental occurrences. There are some poor pyrrhotite lams and a trace of sphalerite around 1626.8 metres. Below Sullivan Horizon the hole enters a Lower Aldridge footwall sequence of thin bedded wackes and quartzitic wackes before entering a dominantly quartzitic, thin to medium bedded section below 1681.5 metres.



Upper Moyie and Lewis Creek Area

Summary Geology with Drilling

Trinc 002F04
SCALE: 1:5000

FIGURE 3

6.00 Summary and Conclusions

The extension of drill hole Payday04-1 was successful in coring Sullivan Time and reaching footwall rocks. Sullivan Time is estimated at 29 metres thick but is not as well defined as in other holes to the east. It is not as laminated nor is it as sulphidic as holes to the east. Relative to the previous drilling to the east, this intersection is significantly less interesting, reflecting less potential for a Sedex deposit.

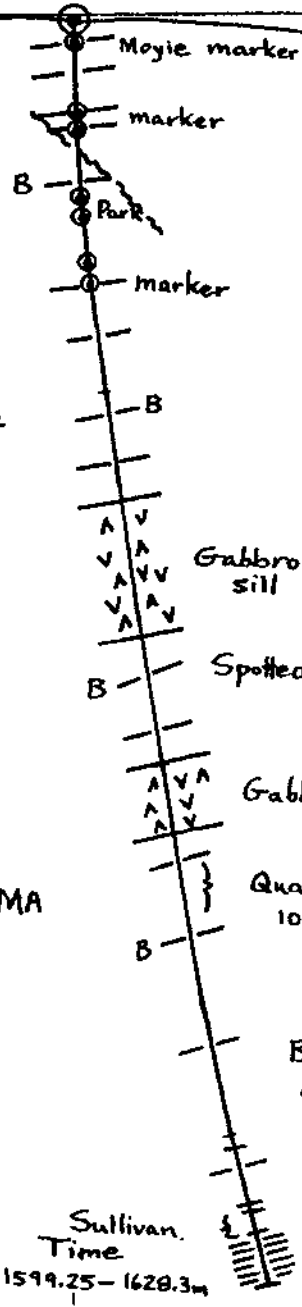
7.00 Itemized Cost Statement

Heavy equipment contracting – trucks, cats for moving	\$10093.00
Connors Drilling	\$58421.29
Anderson Minsearch Consulting – Geology	\$ 3179.00
EK Expediting	\$ 600.00
Sundry – overhead, expense accounts etc.	<u>\$ 5912.75</u>
Total Cost =	\$78206.04

Payday 04-1E
- 90°

1800m

Looking S



Below ~1260m - more lam'd. sw and t.b. wackes than is normal for MA.

Quartzite dominated disrupted B

Lower Aldridge - below 1681.5m more Quartzite. (RF)

EOH = 1702.9m

PAYDAY PROPERTY

Drill Hole Section

BCGS: 082F030

FIGURE: 4

SCALE: 1:40000

8.00 Authors Qualifications

I, Douglas Anderson, Consulting Geological Engineer, have my office at 3205 6th. St. South in Cranbrook, B.C., V1C 6K1.

I graduated from the University of British Columbia in 1969 with a Bachelor of Applied Science in Geological Engineering.

I have practiced my profession since 1969, predominantly with one large mining company, in a number of capacities all over Western Canada and currently within southeastern B.C. as a mineral exploration consultant.

I am a Registered Professional Engineer and member of the Association of Professional Engineers and Geoscientists of B.C., and I am authorized to use their seal which has been affixed to this report.

I am also a Fellow of the Geological Association of Canada.

Dated this 11th day of June, 2005



Douglas Anderson, P.Eng., B.A.Sc.,
FGAC
Consulting Geological Engineer

DESCRIPTIVE LOG FOR DRILL HOLE CORE – PAYDAY-04-1E

Location: Upper headwaters of the main Moyie river, East Kootenay region of B.C.

Dates: Commenced Sept.21/05; Completed Sept.30/05

UTM's: 0562259 5460458 Contractor: Connors Drilling

NQ Core size drilled from 1542.8m to 1702.9 metres.

Surveys: Started at -90°; 800m at -84° to S87W; 1700m at -76° to N81W.

Core Stored at Peavine Creek – Vine property.

1542.8m 1590.3m Middle Aldridge – medium to thick beds of quartz wacke with interspersed thin bedded to laminated wackes. Unusual are the 1 to 2m intervals of laminated wackes, almost banded appearance. Q:A=40:60 1584.0 – 1590.3m mostly QW. Grey beds well represented, planar and regular at 75 to 80° to ca. Below about 1581m some disrupted beds start to appear. Minor pyrrhotite in bases of some quartzites. 1585.7 – 1586.4m qv at 5 to 10° to ca.

(Note – Britton bottom of hole in 2004 was 1544.2 metres.)

1590.3 1599.25m Dominated by disrupted bedding – brownish-grey SSD deformed, lenticular, shredded wackes and subwackes with grey, f.g. QW to QcW matrix. One thick QW bed included – still MA but obviously disrupted sedimentation succeeding Sullivan Time. Brown to grey, bedding convoluted with one contact at 65° to ca. Biotite alteration with a few silica-garnet-biotite concretions in the quartzites.

1599.25 1628.3m Sullivan Time – somewhat unique interval of massive, brownish wacke with some vague laminated sections. One quartzite only 1611 to 1611.5m, remainder is often featureless wacke. Very fine grained sedimentation. Grey-brown color with minor thin beds at 80 to 90° to ca. Minor fracture zone 1607.1 – 1607.5m with white? on surfaces. Biotite widespread. Quartz spotting near top of zone. Some disseminated pyrrhotite in short intervals but no concentrations that are significant. Quasi-lams of po at 1621.2m. Weak po lams at 1626.8m, trace sphalerite.

1628.3 1681.5m Lower Aldridge – brown and grey wacke/quartzitic wacke interbeds. Thin bedded to banded locally. White spotting to patches are limey – calcite concentrated in 10 to 30cm intervals below about 1654m. Some weakly laminated intervals also. With depth LA changes to more massive, vaguely laminated to 1670.5m then reverts to more thin bedded 1670.5 to 1681.5m. A few 10 – 15cm thick QW below ~1672m. Bedding at 80°+. Biotite widespread; a few short altered zones with silica-chlorite-biotite. White, soft elongate crystals in fractures. Disseminated po in some

thin bedded wackes and in a few fractures.

1681.5 1702.9m Dominated by quartzitic component – quartzitic wacke to quartz wacke in thin to medium beds. One or two thick QW also with LA-style intervals of t.b. brownish wacke in 5 to 15cm thicknesses. Very likely this is the top of the Ramparts Facies. About 1672 to 1681.5m could be considered interval with more 10-15cm grey QW than normal LA. Bedding at 75 to 85°. Short intervals of pink garnets. Biotite spotting. Disseminated po at bases of some QW.

End of Hole.