



# FROM

Preparing the furnace for the first gold pour

When asked for advice about taking a mining venture from exploration to production, Ron Netolitzky laughs and replies, “Don’t do it!” In fact, Golden Band Resources has done it, aided by his legendary experience in mining, including his exploration work in the La Ronge Gold Belt that dates back to the ‘70s. Netolitzky is executive chairman of Golden Band, which celebrated the pouring of its first gold bar on January 12 of this year.

# EXPLORE TO ORE

Netolitzky was there at the beginning over a decade ago, along with another renowned Saskatchewan geologist, Klaus Lehnert-Thiel, who joined Golden Band as a director in 1993 and explored on the company-claimed property. “As an explorer, you visualize a big orebody under your feet,” says Netolitzky. “There’s the thrill of the chase.”

Exploration is the first phase of any mining venture, and generally one that risk-tolerant investors are willing to support. Finding investors is critical. “You’d be crazy to borrow money to explore,” cautions Netolitzky. “You need to write your own cheque.” The payoff for stakeholders is when you

make a discovery; it’s the first of two times that you can count on to drive up company value. The second time is when you actually go into production. The time in between is filled with challenges.

Thirteen years were spent acquiring and delineating the Golden Band properties. The time had come. “You keep selling shares as an exploration company, and eventually you’re not going to sell any more shares unless you move to the next stage,” explains Netolitzky. “Investors want to start seeing a return. You need credibility.”

Thus, at the Golden Band annual general meeting in October 2006, the company

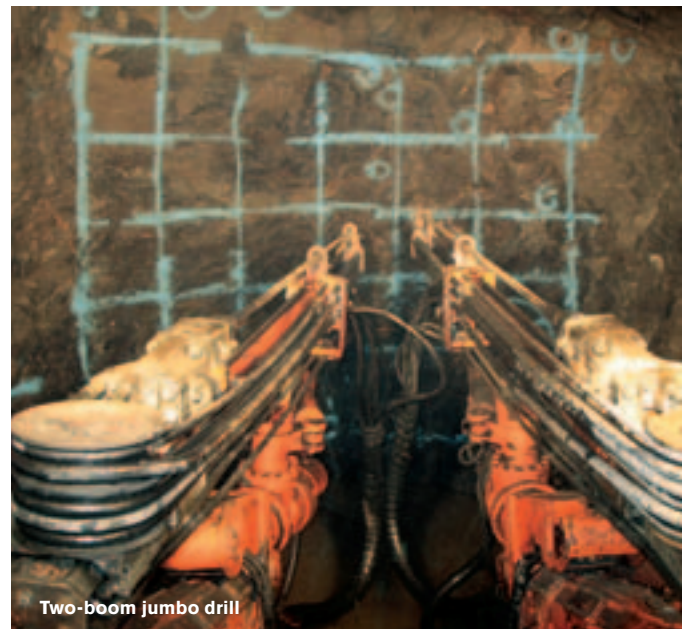
announced its vision: “To be Saskatchewan’s next producing gold company by discovering and developing quality reserves in a profitable and socially responsible manner.” They termed their strategic plan *The Path to Production*. Their annual report states their goal was, “to delineate sufficient ounces of high-grade gold resources (greater than 10 grams per tonne of gold) within trucking distance (i.e. 75 km) of Golden Band’s Jolu mill. This would form a core resource to commence operations.” *The Management Discussion and Analysis* stated that they anticipated production could begin within a few months of a positive feasibility study,



First Gold Bar, Roy Lloyd Mine, La Ronge Gold Project, January 12, 2011



Kitsaki Procon JV employee installing the jaw crusher



Two-boom jumbo drill

with a relatively low capital investment and the necessary government approvals. A *Preliminary Economic Assessment* (PEA) was underway to outline the production potential of the Bingo deposit.

At this stage of the game, it's all about proving to investors that your venture will make money. It is also a time when the venture begins a major change in its operations and management. "When you explore, you can pick up your tent and go home," says Netolitzky. "When you start a mine you have a major long-term commitment."

In 2007, the focus according to the annual report was, "to maintain strong and diverse exploration programs and to become a sustainable gold producer." Golden Band more than doubled their staff, including, "the addition of three Vice Presidents with extensive Saskatchewan experience." Finding employees and contractors proved to be a serious challenge, as was the case for every resource company in Saskatchewan. Everyone was competing to

attract qualified workers, many of whom were still heading to the oilsands of Alberta.

Golden Band continued to make progress, despite challenges. The project proposal was submitted to the Province for the building and operating of the mines and a mill. Golden Band signed service and cooperation agreements with La Ronge Indian Band and its economic development agency, Kitsaki Management Development Limited Partnership. Golden Band was taking "well-measured steps" on its Path to Production. All of Golden Band's operations are within the traditional lands of the Lac La Ronge Indian Band.

The next stage of development after exploration and feasibility studies is to build the operations. Major activity in 2008 included underground development of the Bingo deposit, including decline access and exploration drifts. (i.e. horizontal passageways that pursue gold veins.) On the feasibility side, there was good news. The independent authors of the PEA concluded that Golden Band's expanded La Ronge Gold Project "has a realistic potential for

economic viability." Things were shaping up. The bulk sampling at Bingo "proved that horizontal and vertical continuity of the gold mineralization conforms to the geological model and preliminary indications from assay results correlate well with the resource model."

As of April 30, 2008, the company had spent more than \$13 million on flow-through expenditures (i.e. the tax benefits are "flowed through" to the investors rather than used by the company, which doesn't need tax write-offs in the early stages, because it's not making any profits). Mining, in case you didn't already know, is a high-stakes and often complicated financial milieu.

The goal was to start gold production in 2009. However, "I am very frustrated that we did not make that goal. But it wasn't for lack of effort," announced Rodney Orr, then president and CEO (now vice-president of corporate development), at the AGM on October 16, 2009.

The markets globally had collapsed in late 2008. By the start of 2009 even the most seasoned investors were in shock and in no mood to take on the risk attached to

opening a gold mine. To make matters more difficult, Golden Band could not include inferred gold resources in its *Pre-Feasibility Study* – something they had been able to do in their earlier *Preliminary Economic Assessment* so they could demonstrate only a three-year and not an eight-year project. Through 2009, they had hunted for new investors. They even tried China, but all offers meant losing control of the company. Later in 2009, they went back to the North American markets, which "seemed to be turning" – and engaged firms based in Toronto and New York. Regardless, they still had to struggle with the numbers – to prove the viability of the project. As for their stock value, Golden Band was in that phase which Ron Netolitzky says is typical, a time when, "There is a big flat period where prices drop and investors wait and see." The one bit of good news was that they received provincial environmental approval in May of 2009, which allowed them to start production when they were ready.

Ironically, if Golden Band's numbers had been bigger, it probably wouldn't be around in its present form. A mining

company grows by either exploration or acquisition. Smaller ventures like Golden Band usually do it through exploration. Large giants will often take the second route. In this case, though, no big player was interested. Golden Band forged ahead alone.

The perseverance paid off. In 2010, Golden Band was back on track. The Bingo deposit's mine was named the Roy Lloyd Mine after the Saskatchewan mining executive who was also a company Director, but who passed away in 2005. All permits and licenses

had been secured, and the Jolu Mill was ready to go. By the end of the year, the company was about to make its breakthrough gold pour.

Today, still in its first year of production, Golden Band Resources has reached its initial target of processing 400 tonnes per day and is heading toward the objective of 700 tonnes per day. The company has the mineral dispositions that cover much of the La Ronge Gold Belt – over 875 km<sup>2</sup> – with 12 known gold deposits and an immense exploration potential for more. What goes around comes around:

some of these deposits had been identified by Netolitzky in his early work in the area in the 1970s and 1980s.

As one journey ends, another begins. "You need a totally different skill set to run an operating mine and mill," says Netolitzky. "There are many more people involved. You're now dealing with complicated accounting procedures, regulators, shareholders, stakeholders, human resources, operating and maintenance issues, suppliers, debt servicing, cash flow – the list goes on."

He says that as an operating

mine, "You need staying power." An optimist by nature – but also one who knows his business very well – Netolitzky has no doubts. Golden Band has arrived, and it's here to stay. ■

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## DIGGING DEEPER

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