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Skeena's Netolitzky goes back for more high-grade gold at Snip

Announces deal with Barrick to acquire rich past-producing mine

Snip produced more than 1 million ounces at grades above 25 g/t gold

Gold mine finder Ron Netolitzky is returning to the scene of his first big score in British Columbia's Golden Triangle.

Netolitzky's Skeena Resources has inked an option deal with Barrick Gold to acquire a 100% interest in the historic Snip high-grade gold mine, located 110 kilometres northwest of Stewart, B.C.

"I've been intrigued by Snip even after the shutdown -- it was shut down after 9 years, not bad for a small narrow-vein operation," Netolitzky, Skeena's chairman, said in a phone interview. "Not many gold-bearing structures give you a million ounces on a million tonnes."

The Snip discovery, made by Netolitzky's Delaware Resources in the mid-1980s, sparked a fierce staking rush that revitalized the Golden Triangle, a land of high-grade vein and porphyry deposits in northwestern B.C. It also yielded rich returns for Delaware shareholders.

Skeena will issue 3.25 million shares to Barrick and must spend $2 million within 30 months at Snip to acquire a 100% interest. Barrick retains a 1% NSR royalty. If Skeena outlines more than 2 million ounces of gold, Barrick can exercise a 51% back-in right by paying 3X Skeena's cumulative exploration expenditures.

The infrastructure buildout -- there are now roads and grid power nearby -- is also a game changer for the property, he said.

Snip is project No. 3 in Skeena's Golden Triangle portfolio, which includes the Spectrum high-grade gold project and the adjoining GJ deposits, purchased from Teck and NGEx in November.

The Snip mine produced more than 1 million ounces at average grades of about 25 g/t gold -- average gold grades being mined now are less than 1 g/t -- for Cominco and Homestake Mining. Snip operated between 1991 and 1999, when it closed due to low gold prices.

Netolitzky is convinced there is more high-grade gold at Snip, and the option deal gives him a chance to prove it. He said Skeena will focus on historical intercepts and look for new high-grade ore shoots in a large shear structure that runs for a couple of kilometres.

Walter Coles, Skeena's president and CEO, said the company will be aggressive in advancing Snip. Assuming Skeena can obtain exploration permits in a timely manner, a small summer drill program is likely.

"We're super excited about this, and feel very fortunate that Barrick has the confidence to allow us to go in and do the exploration on their property," Coles said. "The beauty is that this is not a grassroots project, this is advanced brownfield exploration."

Barrick acquired Homestake after Snip had already been shuttered due to low gold prices, Coles pointed out: "It was a legacy asset in their portfolio." He described the option deal as a win-win that gives Barrick a call option on an asset that was otherwise gathering dust in their global portfolio.

"Here's a deal where we don't have to pay anything upfront, but it's structured in such a way that for the counterparty -- Barrick -- it's a potential win for them too," Coles said. "That's the best kind of deal."

When Snip was shuttered, the gold price was stumbling along below US$300 an ounce. The economics are considerably better at today's gold price of US$1,250 an ounce -- or $1,630 Canadian.

But it's not just rising gold and favourable forex that bode well for Snip's revival, according to Netolitzky. While not much has changed at the mine site in the 16 years since the doors closed, the neighbourhood has been transformed by the Northwest Transmission Line and accompanying roads.

There is now a Hydro operation and grid power just 17 kilometres to the east, with the possibility of a road connection to Snip through a relatively flat river valley bottom. Snip was a small 400-tonne-per-day gravity and flotation circuit operation that ran on diesel fuel, which was flown in (the gold concentrate was flown out).

“It makes a world of difference, flying in versus having road access,” Netolitzky said. “That’s a great improvement.”

The high cutoff grade -- 12 g/t -- used during mining operations means Skeena could build ounces relatively rapidly, Coles said.

“Given that Cominco’s reserve cutoff for the Snip mine was 12 grams per tonne in a low gold price environment without any infrastructure, we believe as a starting point there could be several hundred thousand ounces of gold resources that we can delineate that would be economic in today’s world,” he said.

Netolitzky’s Delaware Resources had originally optioned the property from Cominco in 1986, gaining a 100% interest. But the deal included a clawback giving Cominco the right to a 60% interest by spending double Delaware’s exploration expenditures.

When Cominco saw the high-grade hits coming out of Snip, that’s exactly what they did. The mine went into production just five years after the discovery hole.

In the meantime, however, Murray Pezim caught wind of the find and liked what he saw. Pezim's Prime Resources gained a foothold through a financing, launched a hostile takeover and eventually bought Delaware's 40% interest in Snip (Prime was later taken over by Homestake Mining).

"Murray took us out on a hostile takeover, it wasn't too hostile actually," Netolitzky chuckled. "I fought it because I hadn't been taken over before. When I look at it now it was the nicest thing that ever happened."

Other Delaware shareholders undoubtedly agreed. In the spring of 1986 the stock was trading below 50 cents but by summer 1987, shares had hit $9 on the strength of high-grade intercepts and expanding mineralization at Snip. The stock later surged past $20 during Pezim's takeover play.

Homestake later bought out Cominco to own the mine outright, and Barrick inherited Snip -- which had already closed -- when it took over Homestake.

And that's where things sat until Wednesday's option deal -- Snip as a remote, legacy asset in Barrick's vast global portfolio of larger operations.

As for Skeena, the junior is likely not done acquiring assets, Netolitzky said -- in northwestern B.C. or further afield if it makes sense.

"Every down cycle I've been through -- and this is one of the nastiest I can remember -- anybody who acquires good assets during the low points gets rewarded," Netolitzky said. "The more you get, the more you get rewarded."

"We're not done yet."