North America's Largest Graphite Deposit to be Developed by Canadian Based Graphite One Resources

Calgary-based Graphite One Resources released a NI43-101 compliant resource estimate that is reverberating through the mining industry.

(PRWEB) January 28, 2013 -- The deal was settled the old-fashioned way, with a friendly handshake in Nome, Alaska.

The parties to the deal were a group of Canadian entrepreneurs and the descendants of one of Alaska’s foremost pioneer families.

Now, less than two years later, the groundwork has been laid for what has the potential to become the world’s largest, richest graphite mine.

All but lost in the pre-Christmas bustle, Calgary-based Graphite One Resources released a NI43-101 compliant resource estimate that is reverberating through the mining industry. The full Technical Report describing the resource was filed on SEDAR January 18, 2013 and can also be found on the Company’s website.

It’s still dawning on people that the potential production at Graphite Creek on the Seward Peninsula could dwarf the combined output of the rest of the world’s leading graphite producers.

“Based on the size of the resource, flake content and potential, we believe this to be the largest reported flake graphite deposit in the world. We will look to take an aggressive approach in 2013 to advance the project towards production in the near future,” says Anthony Huston, President of Graphite One.

Two years ago, Huston was in Alaska, investigating a gold prospect, when a local geologist happened to mention that he had done a study of Graphite Creek while working for the U.S. government, and had gotten to know the Tweet family that held the mining rights.

Huston recalls the geologist saying: “There’s this amazing property that I believe could be world class.”

Huston and Charles Chebry, now Chairman and CEO of Graphite One, made the connection and were instantly impressed. “The Tweets are great partners” says Huston.

The founder of the clan, Nicholas Tweet, of Norwegian heritage, came to Nome from Minnesota in 1899 at the age of 23, when the gold-rush settlement consisted only of tents, a saloon built of driftwood and a lone log cabin. Tweet prospered, successfully exploiting the rich deposits of gold that were then strewn along the beaches of Cape Nome.

Joined a year later by his wife, Evinda, and their two sons, the family went on to found N.B. Tweet and Sons, a company still in business today and which has operated placer gold mines on the Seward Peninsula for over 110 years.

Gold has always been the Tweet family’s major preoccupation. But in 1914, the outbreak of World War I triggered a surge in demand for graphite. The existence of high-grade graphite deposits in the Kigluaik Mountains 65 km north of Nome had been known since 1900, and Nick Tweet had staked claims there. During
the war years, the claims produced some 500 tons of graphite, which was hauled three kilometers down to a barge in the bay by one of the first gasoline-powered tractors seen in the territory. That same HoltTM tractor is now on display in Taylor, Alaska.

Writing in 1919, geologist G.L. Harrington described the Kigluaik deposits as “very high grade (up to 98 percent carbon), and comparable to high quality flake graphite deposits produced elsewhere; even the poorest material is regarded as good ore as compared to many commercial locations.”

When the war ended, the market for graphite shrunk and the Tweet family claims went largely unworked for decades. But the Tweets and their descendants knew the richness of the resource. The claims were still in good standing when Huston and Chebry approached the family in 2011. “We spent over six months getting to know them,” says Huston. “It was not unusual to have 16 members of the family in the room, all wanting to understand the future partnership. “It’s extremely important to recognize that we did close to 12 months of due diligence before we even closed the deal.”

The deal as concluded gives Graphite One a 100 percent interest in the claims on payments to the Tweet family trust totaling $4.25 million by March 2014. The agreement also allows for a five percent production royalty that can be reduced to three percent on payment of $2 million for each one per cent cut.

Part of the due diligence Huston mentions included a 2011 report stating that the Kigluaik graphite deposits were in an “excellent configuration for open-pit mining” and represented “an excellent exploration opportunity.”

Dean Besserer, Vice President of Exploration at Graphite One, recalls: “We used some geologists with local knowledge to do a 10-day program. We did some mapping that showed a strike length extending along 5 kilometers and the schists were about 100 meters thick. We had a good feeling, based on the grades we were seeing and we became increasingly excited.”

Subsequent events have more than justified the early optimism.

The deal with the Tweets also required Graphite One to spend $1.525 million on exploration over a three-year period. To date, the company has spent more than $4.5 million, partly to fund an aerial survey in which a helicopter picked up electromagnetic evidence strongly suggesting that the strike length in fact extends for 18 kilometers, more than three times as long as previously mapped.

The NI 43-101 report states: “an important conclusion of the SkyTEM survey is the likelihood that high-grade graphite mineralization at the Graphite Creek Property extends continually for a distance of at least 18 km.”

An 18-hole diamond drilling program, totaling 4,248 meters, was begun in June 2012 and the NI 43-101 results included an impressive “inferred” resource of 165.5 million tonnes at 4.61 percent graphite with a “potential” resource of between 235 and 492 million tonnes of 4.2 percent to 7.9 percent graphite.

As good as these results are, Besserer notes that the potential for 492 million tonnes relates to only a small part of the entire 6,799-hectare Graphite Creek property — less than 30 percent. Our starter pit is stellar and will include 7.8 million tonnes of 13.49 percent graphite with a 10 percent cut-off.
“The deposit is scalable to meet any future demand. With our inferred resource and our potential, we are already far larger than anybody else and could easily exceed 1 billion tonnes.”

Besserer lists other positive aspects of the Property, including the size and grade of the coarse flake graphite and the relative ease with which it can be extracted.

“Undoubtedly, we will have the best strip ratio of anybody,” says Besserer. “Our high grade deposit is exposed along the face of the mountain, unlike most deposits. With us, it’s day one.”

Even putting a “conservative” estimate of US$1,200 a tonne on the price of graphite, Graphite One could earn some US$60 million producing only 50,000 tonnes a year.

Prices for graphite are constantly fluctuating. They crashed to as low as US$600 in the 90s as Chinese producers flooded the market. Prices recovered and in 2005 premium product was selling at close to US$3,000, but the global recession has seen those levels cut by half.

Nevertheless, industry watchers note that current supplies are tight and that very few new graphite mines have come on line. They say the supply problem could become more acute as economies recover and new, high growth applications for graphite, such as lithium ion batteries, fuel demand and consumption.

Ceasars Report, a popular online site covering junior mining companies, noted last year that Graphite One is “standing out in the crowd” as “the only successful graphite explorer in the USA.”

Ken Chernin, Equity Research Analyst with Jennings Capital Inc., in Toronto, said of Graphite One’s Alaska prospect: “We found it very interesting the first time we spoke with Anthony (Huston) prior to the NI 43-101. It’s obviously very sizeable and the logistics appear very workable. And, of course, there’s the fact that it’s situated in the United States in a mining-friendly jurisdiction.”

Huston, whose background is in technology, says he foresees a multitude of new uses for graphite as new technologies emerge in the booming economies of Brazil, India and China, as well as in developed economies such as the U.S. and Japan.

“This is a unique opportunity for Graphite One and all stakeholders which merits a fast-track to production,” says Huston.

On the fast-track to-do list is an 8,000-meter drilling program, metallurgy, engineering and permitting.

Decisions yet to be reached include how to get the ore from the mine to its customers. Graphite Creek can currently be reached only on foot or by helicopter, even though it’s only a stone’s throw from open water and two roads.

“People say, ‘Well, how are you going to get the graphite out of there?’” says Huston. If in the early 1900s they figured out how to get graphite on to a barge and ship it to Seattle and San Francisco, I think that we will figure something out.”

One thing is certain: Once the graphite gets to the deep-sea port in Nome, it will be conveniently close to prime customers in the U.S. and along the Asia-Pacific seaboard.

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Contact Information
Jennifer Paterson
Graphite One Resources
http://www.graphiteoneresources.com/
604-697-2860

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