

Graphite One – Potentially Benefitting from the “Alaska Effect”

The last time we looked at this Graphite One Resources Inc. (TSXV: GPH | OTCQX: GPHOF) story in November of last year it was under attack from a posse of hedge fund trolls. Their goal of pushing the stock down to some sort of breaking plainly failed, for over three months later the stock has bottomed and rebounded without the grisly ending the naysayers had predicted. Indeed the ground is now laid for a rebound that will leave shorters with their shorts around their ankles (if that isn't too vivid a simile).



The Eternal Mantra

As any realtor would tell you it's all about position, position, position. While we would concede that Rare Earths are about chemistry, chemistry. Chemistry (frankly I suspect I was the one who coined that one) the rest of the mining industry should pay more attention to the realtors than the chemists. When it comes to a space like Graphite where many will try and bamboozle you with flake size and grade the reality of the matter is whether the deposit is mineable, because there is no shortage of graphite out there. The main factor that makes a deposit mineable, or moreover “worth mining”, have to do with accessibility. For a company like Alabama Graphite there is no question about its access to markets and extensive infrastructure, but for many other graphite wannabes the question is whether you can actually get to the project and get the product out to the markets.

The Graphite Creek deposit is three kilometres distant from

intertidal waters at the Grantley Harbour, approximately 20 kilometres away from road systems, and three kilometres from an airstrip to the southeast.

The map below shows that the Graphite Creek project is, to our knowledge, the only graphite deposit that is actually with sea access. It should be noted though that is only seasonal due to the shallowness of the Imuruk Basin, which connects to Grantley Harbour. Additionally it has all the advantages we have noted before for Ucore's Bokan Mountain deposit in having superb direct shipping access to Pacific markets.



As an aside we might note the potential for geothermal electricity production from the nearby Pilgrim Hot Springs.

Some History

The Graphite Creek deposit is a series of large-flake, high-grade graphite deposits or showings that crop out in incised creek valleys on the northern, lowermost slopes of the Kigluaik Mountains. The graphite showings were first discovered after the 1898 Cape Nome gold rush, and have been reported under the guise of several names including the Uncle Sam, Tweet and Kigluaik graphite deposits. The showings were intermittently mined from 1907 to 1920 with some 580 tonnes of hand-sorted graphite mined from talus and adits (small <10 m excavations into exposed outcrop) that penetrated high-grade graphitic zones. Prior to Graphite One's interest, the deposits were last explored during the mid-1990s when minor mineralogical and chemical work was conducted. The graphite showings were never drill tested prior to Graphite One's 2012 exploration program.

Geology

The graphite deposits consist mainly of segregations (lenses and streaks) of semi-massive to massive graphite and graphite

disseminations that are hosted in schistose rocks. These deposits are known to strike in a northeasterly direction adjacent to the high angle, strike-slip Kigluaik Fault. Graphite zones within the schistose rocks occur as:

- massive resistant graphite segregations in sillimanite-garnet-biotite quartz schist
- flaky graphitic sillimanite-garnet-biotite quartz schist consisting of 15-55% large graphite flakes
- graphitic biotite-quartz schist containing 1-10% disseminated graphite.

According to the authors of the NI43-101 resource estimate the historical sampling suggests that the sillimanite-garnet-biotite-quartz schist has massive 'high grade' graphite segregations (and disseminated graphite) that can yield up to 60% graphite, and the biotite-quartz schist contains 2% to 8% disseminated graphite.

The Resource – a mere fraction of the territory

The Graphite Creek Maiden Inferred Mineral Resource Estimate area is associated with a sub-portion of the deposit encompassing the main area of 2012 drilling. The estimate area is about 5.6 square kilometres in size, and as such the resource estimate covers only about 8% of the potential strike length of the geophysical anomaly thought to be associated with graphite mineralization. Nevertheless it comes in with some sizeable numbers on the contained graphite:



The Alaska Effect

Most of our writing in the past on Alaska has had to do with Ucore, which operates a well-oiled machine interacting constantly with the political players on the Alaskan scene. This strategy paid off in mid-February 2014 when Ucore rather stunned the market with its update on progress in negotiations

with State legislators by revealing that an initiative introduced to the Alaskan legislature contemplated the financing of up to \$145 Million of the Bokan-Dotson Ridge project's capex through the Alaska Industrial Development and Export Authority (AIDEA).

AIDEA is a public corporation of the State of Alaska and in reality a sort of "rainy-day" fund to prepare the state for the time when oil revenues no longer suffice. The Authority has been active in the financing of multiple capital project initiatives in the Alaskan mining sector since 1985, including the DeLong Mountain Transportation System which serves the Red Dog Mine, the Skagway Ore Terminal, the Seward Coal Terminal, mine facilities at Fort Knox, as well as multiple non-mining capital projects, including the Federal Express Maintenance Facility in Anchorage, the Snettisham Hydroelectric Project in Juneau, and the Ketchikan Shipyard in Southeast Alaska. The goal of most of these projects is to create lasting jobs in the populated parts of the state.

There is no reason not to expect that the evolution of the Graphite Creek development should not also press the right buttons with State legislators wanting to see a diversification of the State's economy from its current dependence upon the fickle oil price. A loan guarantee similar to that gleaned by Ucore should go a long way towards leapfrogging Graphite One's project over those in Canada, which are less likely to have a sponsor of the weight that the Alaskan government can bring to Graphite Creek.

Conclusion

The hedge fund trolls that descended upon the stock in the last quarter of 2014 seem to have gone into retreat. Lack of sufficient volume to sustain a shorting strategy and lack of a negative catalyst left them without a figleaf to cover

themselves.

The task for Graphite One now is quickly come up with a roadmap to production i.e. a PEA that positions the project in the betting stakes in the Graphite Derby. Having a big resource lays wide the temptation to over-size the project. In light of the location (and bearing in mind the mistakes others in the space have made) Graphite One should aim to get itself a working plan that, like Goldilocks, should be neither too large nor too small with a capex that does not scare off the punters.