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RESOURCE INVESTMENT NEWS

May / June 2014

## GRAPHITEONE RESOURCES' ANTHONY HUSTON'S INTERVIEWS

### BANKS ISLAND GOLD LTD.

USING CASH FLOW TO  
AGGRESSIVELY EXPAND  
RESOURCES/RESERVES

PRIME MINISTER

STEPHEN HARPER  
VISITS THE PDAC





Marc Faber Doug Casey Brien Lundin



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# THE PROSPECTOR

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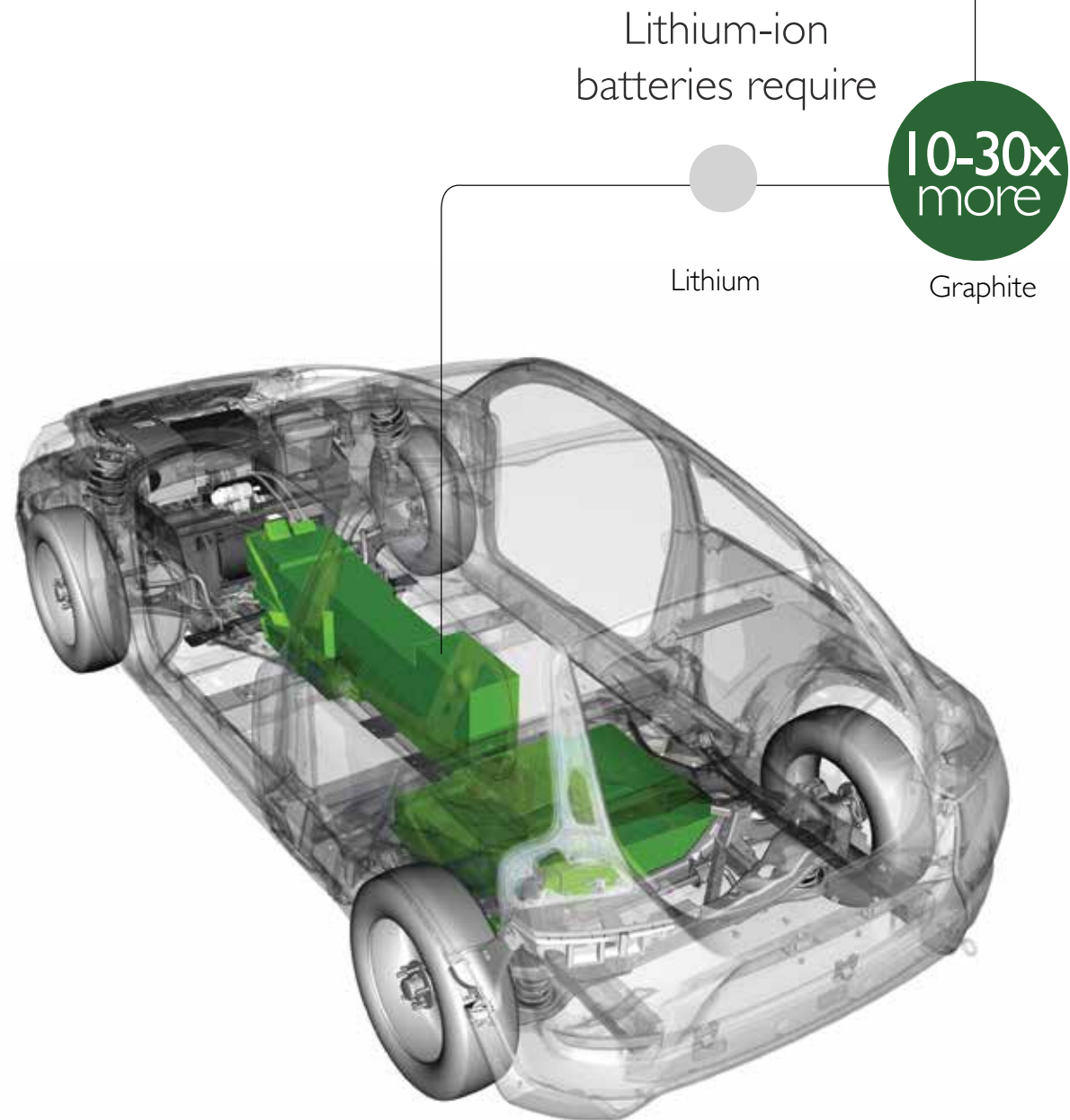
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# GRAPHITEONE RESOURCES' ANTHONY HUSTON'S INTERVIEWS

By David O'Brien

USA's Only Advanced High-Grade Graphite Deposit

**A**nthony Huston, President & CEO of GraphiteOne Resources Inc. (GPH: TSX-V, GPHOF: OTCQX) recently completed several interviews and has provided the content of his replies for this update to last issue's commentary.

Recent news in the graphite space has drawn attention to GraphiteOne and its peers.

### USA's Only Advanced High-Grade Graphite Deposit

GraphiteOne is an advanced exploration-stage graphite company with 100% of its assets in Alaska.

The company has a large NI 43-101-compliant inferred resource that is at surface and high grade. It's the combination of having the largest and, quite possibly, the most advanced high-grade, predominantly large-flake graphite deposit in North America. While still subject to further testing, initial metallurgy suggests that GPH could have 60% - 75% large-flake material (greater than 80 mesh). The fact that the deposit is literally at surface, should help GPH achieve competitive operating costs and robust project economics.

As resource nationalism across commodities and across the globe appears only to be getting stronger, safe supply is becoming increasingly valuable.

### Graphite Market Growth

With an assumed 5% annual growth from a base of 1.2 million tonnes, that's 60k tonnes per year. That might not sound like much incremental demand, many proposed projects

for 70% of global graphite supply. Not only is China exporting less, Chinese companies are importing more flake graphite. Look no further than last week's announcement by **Syrah Resources**.

In December, **Cormark Securities**

**GraphiteOne is an advanced exploration-stage graphite company with 100% of its assets in Alaska.**

hope to be doing tens of thousands of tonnes annually.

However, it's essential to understand that existing supply is contracting due to mine depletion and, more importantly, China is exporting less and less. This is key as China accounts

reiterated its view that China could be a net importer of graphite by the end of the decade. Therefore, net new mine supply might have to grow by far more than consensus estimates to keep up.

Concerning the off-take agreement





between Syrah Resources and Chinalco, (4th largest aluminum producer in the world), GraphiteOne's management believes the Syrah Resources announcement is huge for the industry.

if 100k tonnes of annual supply suddenly disappeared. Even more important, Credit Suisse points out that aluminum anodes is a 13 million tonnes market, nearly 11 times the size of the natural graphite market. If Chinalco finds graphite

## aluminum anodes is a 13 million tonnes market, nearly 11 times the size of the natural graphite market

A report by Credit Suisse in February was very useful for understanding the market forces at work. For background, Syrah's giant Mozambique deposit was considered by some industry pundits to be an overhang, i.e. big enough to flood the market. Not only is China's Chinalco absorbing upwards of 100k tonnes of Syrah's future output, flake graphite is headed for a massive new end market... aluminum anodes. It's as

to be superior to petroleum coke and anthracite, other aluminum producers presumably will as well.

Credit Suisse states an order of magnitude of graphite switching that could occur into the aluminum anode market.

Upwards of 4 million tonnes of graphite could migrate to aluminum production. Huston opines "this could be nothing short of a paradigm shift in natural graphite demand".

The other big news in the Graphite space was Tesla's announcement of plans to build a giga-factory in the U.S. Arguably, Tesla's announcement is a game-changer for the electric vehicle and power storage markets. Unlike the Syrah off-take news, the Tesla news has been widely reported. Annual flake graphite demand from Tesla's proposed giga-factory is approximately 150,000 tonnes, 30% of the global market for that segment of the natural graphite market. Industry leader Industrial Minerals' analyst Simon Moores wrote an interesting and informative article titled, "Tesla battery plant will need 6 new flake graphite mines." That title says it all. GPH's management believes 6 new mines is the most we might see in the next few years.

### The Proximity Advantage

More importantly, companies like Syrah and Energizer Resources, with deposits in Mozambique and Madagascar, respectively, are



unlikely to be key suppliers to Tesla's southwestern U.S. plant. GraphiteOne will be able to offer both security of supply and just-in-time inventory, with deliveries from Alaska to the southwest U.S. taking 1-2 weeks. Deliveries from China would take 4-8 weeks.

GPH's stock price has recently moved higher because investors are gaining greater comfort on the underpinnings of the graphite market. The Tesla news certainly helped refocus attention on the graphite space, however it's unlikely

the Syrah off-take news is necessary in the market yet. In addition to the Tesla news, meetings at the PDAC were 'an eye-opener' for GPH's management. Interest in GraphiteOne is exploding. Management believes GPH has a blockbuster project with a NPV that could reach well into the hundreds of millions, so the company's valuation is attractive.

### Alaska is a Mining-Friendly Jurisdiction

The Fraser Institute Survey of Mining Companies 2013, ranked Alaska #1 in a key category: "Mineral Potential." As one might expect, in order to find minerals, it's best to go where they're most abundant. Increasingly, mineral abundance is found in places one would hesitate to do business in; places like Papua New Guinea, Indonesia and the Democratic Republic of Congo, also scoring relatively high on the list of Mineral Potential.

### Prognosis

If Credit Suisse is correct in their assessment of the Syrah Resources situation, large, high-quality projects like GPH's Graphite Creek Deposit could attract strategic and financial players even sooner than management forecast just a few months ago. Still, GPH is 3-4 years from production, and so is Syrah.

From what your Editor can tell, there's nothing to object to...this is a really strong case for GPH...and its shareholders, of course. Follow GPH's story on [www.MineSnooper.com](http://www.MineSnooper.com). Do your Due Dili.

David O'Brien, is the owner of Int'l Mining Research Inc. which employs Media, Event and Online exposure, including MineSnooper.com. O'Brien also owns W.I.T. Marketing, an ad agency, and has been contributing articles to The Prospector NEWS, on demand. He owns no shares in the above company. [dobrien@InternationalMiningResearch.com](mailto:dobrien@InternationalMiningResearch.com)

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# BANKS ISLAND GOLD LTD.

## USING CASH FLOW TO AGGRESSIVELY EXPAND RESOURCES/RESERVES

By David O'Brien

In discussions with Jason Nickel, Director, it becomes obvious that British Columbia's newest gold producer has a strong story to tell.

Giant Property on Banks Island, half way up the coast of B.C. They've recently finished the construction and commissioning of a floatation process plant.

of all major regulatory permits to allow commercial production at the Yellow Giant Project, located on Banks Island, British Columbia. The British Columbia Ministry of Environment has issued an Environmental Management Act Permit for Yellow Giant Gold Property which authorizes the

**Banks Island Gold Ltd. (BOZ: TSX-V)** is mining high-grade gold at their 100%-owned 200 tpd mine, the Yellow

From their News Release of April 16th, 2014 "Banks Island Gold Ltd. ...is pleased to report it is in receipt

discharge of water from the rock stockpiles, plant area, and the underground mine at the Yellow Giant Project.

The Company has also received a production tenure for the Yellow Giant Project in the form of a British Columbia Mining Lease. The Company has previously received its Major Mines Act Permit, as reported by news release on March 5, 2014."

### Next step is to ramp up production.

They expect the crews working on the underground mine will be able to 'prove up' even greater resources and reserves, and that those will provide the impetus for a re-calculation of a NI 43-101-compliant report. View their interactive claims map here:

<http://www.banksislandgold.com/s/YellowGiant.asp?ReportID=480709&amp>

Cash flow generated by current production will also encourage even more aggressive exploration and development.

Benjamin Mossman, President & CEO, was instrumental in raising \$20 million for the company in one of the most difficult periods for junior miners.

He has diverse experience and expertise in underground mine engineering and operations having worked at eight underground producing mines with production rates ranging from 250tpd to 3,000tpd - mining precious and base metals, diamonds, and uranium.

Mossman was the Chief Engineer at Alexco Resource Corp's high grade Bellekeno Mine during the successful construction and commissioning of that mine in 2010.

The management of the company has great experience to draw from, and in the long term, expect to be looking for more undervalued merger and acquisition opportunities.

Useful direction will come from the vastly experienced Board members, including Wolfgang Nickel (Teck, Cominco, Candente Copper...), and Fred Sveinson (SNC Lavalin, San Gold...).

There's always something unique about the companies we provide commentary on, and in this case, even though the current mine-life estimate is only about 25 months, that's expected to change, based on using the estimated \$18M in annual cash flow to increase both the assets and the mine-life... without dilution through raising funds in the market.

We like that...it's a 'safer bet'...in a tumultuous time.

David O'Brien, is the owner of **Int'l Mining Research Inc.** which employs Media, Event and Online exposure, including **MineSnooper.com**. O'Brien also owns **W.I.T. Marketing**, an ad agency, and has been contributing articles to **The Prospector NEWS**, on demand. He owns no shares in the above company.  
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<b>Total Production</b>	<b>2,633</b>	<b>7,756</b>	<b>2,455</b>	<b>42</b>



# PRIME MINISTER STEPHEN HARPER VISITS THE PDAC

By David O'Brien

Almost a thousand Media and other interested parties witnessed a first...the first sitting Prime Minister of Canada addressing the Prospectors and Developers Association of Canada's Media...at the world's largest mining conference.

He was asked questions that he had not been pre-briefed about, and he really knew the scenarios facing the industry.

Harper was calm, factual and clear in elucidating his answers...quite impressive, really.

He spoke about the industry's contribution to the economy, citing employment gains of 1.1million, in particular because

2/3rds of them are higher-paying and 80% are full-time positions. [Ed: audience murmurs appreciatively...]

While he did 'digress' to national (political) issues, such as the lowest business taxes in the G7, he also commented on the government's budget control efforts and reduced 'Program Spending'. He was also able to boast about the 'lowest debt burden' of the G7 nations.

Harper made a few comments about the effects, mainly positive, of the mining industry...working together with aboriginals in job creation...skilled jobs mainly, too. When asked about the long term growth prospects, he deferred to his Finance Minister [the late Jim Flaherty at the time] amidst chuckles as he said he 'wouldn't

presume to pre-judge' his Minister's actions.

Then he clearly laid out industry-specific comments about corporate tax rates, individual tax incentives, the fact that the Federal government has approved 26 of the 32 mine proposals before them, and that while there are plenty of job searches and job seekers...they're 'not matching up'. He concluded this by commenting on our educational system: it's good but we're still short of scientists, engineers...

While at first he waffled a bit on Taseko's New Prosperity mine's non-approval, he then went on to show he did know the issues; the potential for long-term damage to the hydrography, that there were still unresolved land claim issues even amongst the First Nations...

and that it may be possible to re-address this application. Harper hung onto the aboriginal theme for a few more comments, urging 'the industry' to increase aboriginal participation, for the First Nations themselves to reform their K-12 programs, and then specifically mentioned Grand Chief Atleo's co-development initiatives. One of the main goals, he said, was investment in infrastructure in the north and Quebec. Back to the industry generally, he lauded the investments made in airports, housing and roads before, during and after the life of a project. From the government itself, a promise [Ed: too strong a word?] to increase the geological mapping database...and to resolve sovereignty issues. A couple of quick comments on Canada Job Grants and immigration...again not quite just industry-specific, however, relevant. When asked about "Canada's Brand" he got a little more animated "Look, our impression of the CANADA BRAND...establishing

relationships with governments abroad and local communities... signing FTAs, the bi-lateral Agreements in South America... the Eu Agreements and broader excise issues..." [pew, I can't write that fast...but he sure was enthusiastic...and it made sense at the time.] After a question about finite resources (?), declining resources (?), a sunset industry (?)... Harper came back with a resounding "No, it's not a declining industry...it's driven by demand." I'd suggest the same, having witnessed so many swings in everyone's perception of the mining industry over the past 45 years...there's always an upside, eh.

Upon being asked about 'life and work balance' he retorted "I don't need your pity." to laughter, then he explained that he had always wanted to work in Public Service, he was never bored with the complexities "...it's challenging, interesting and exciting" and he just makes time for both.



Harper was presented with a Team Canada hockey sweater with the number "15"...presumably a not-so-veiled reference to the next Federal election...and to great applause...and a standing ovation. Impressive.

David O'Brien, is the owner of **Int'l Mining Research Inc.** which employs Media, Event and Online exposure, including **MineSnooper.com**. O'Brien also owns **W.I.T. Marketing**, an ad agency, and has been contributing articles to **The Prospector NEWS**, on demand. He owns no shares in the above company. [dobrien@InternationalMiningResearch.com](mailto:dobrien@InternationalMiningResearch.com)



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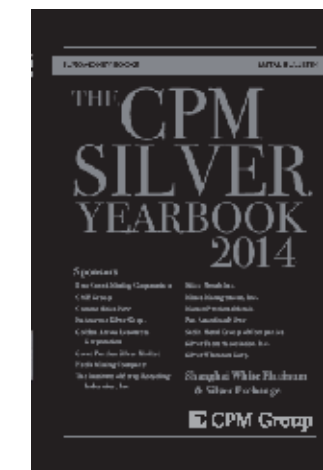
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# NORONT RESPONDS TO PROVINCE'S RING OF FIRE FUNDING ANNOUNCEMENT



in the economic development of the region will benefit local communities, resource companies and government.”

Noront recently completed a coordinated Federal/Provincial Environmental Impact Statement and Environmental Assessment

Report (“EIS/EA”) for its Eagle’s Nest Project and submitted a draft copy for comments to the Canadian Environmental Assessment Agency (CEAA) and the Ontario Ministry of the Environment (MOE). We recognize that advancing the project will require First Nations

to be integrally involved in the development. We’ve had many conversations with local First Nations communities as part of our EIS/EA process, and plan extensive additional consultation this spring and summer.

**N**oront Resources Ltd. (TSX-V:NOT) is pleased the Ontario government has proposed \$1.0 billion in spending for infrastructure in the Ring of Fire.

Fire,” said Noront President & CEO Alan Coutts. “This infrastructure funding announcement is a vital

“Mining and the associated job creation can’t happen without infrastructure, so we are pleased

**“Mining and the associated job creation can’t happen without infrastructure”**

“This commitment can provide the necessary funding for construction of a shared road and power corridor that will benefit remote First Nations communities and our Eagle’s Nest Mine, which will be the first mine developed in the Ring of

milestone that will improve the quality of life in remote communities, while enabling development and prosperity in Northern Ontario.

to see the province make a clear public commitment to funding a transportation corridor in the Ring of Fire. All-season road access, stable affordable power and the opportunity to participate

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**S**abina Gold & Silver Corp (TSX:SBB) and the Kitikmeot Inuit Association are pleased to announce they have finalized the details of two important agreements which will continue to foster and build on a relationship of cooperation between the two organizations as we to continue to work together towards the responsible development of the Back River Gold Project. Earlier this year, agreements for the Development Trust and Capacity Funding were completed.

# SABINA GOLD & SILVER & KITIKMEOT INUIT ASSOCIATION ANNOUNCE TWO NEW AGREEMENTS

The KIA is the surface title holder of 104,278 Km2 of Inuit owned lands in the Kitikmeot Region, including the majority of the lands which comprise the Back River Gold Project. The KIA represents the interests of Inuit beneficiaries in the region under the Nunavut Land Claims Act and is a participant in the environmental assessment process of Back River.

Charlie Evalik, President of the KIA acknowledged Sabina for its support of KIA's ambitions to create opportunities for the beneficiaries of the region. "The KIA is committed to principles of economic sustainability and environmental stewardship in respect of Back River. We view these agreements as important

steps to establishing a cooperative long term relationship which is aligned with these principles. Sabina is a welcome participant in this process."

## Development Trust Fund

In recognition of Inuit rights under the NLCA, Sabina and the KIA have finalized a Development Trust

Fund Agreement whereby Sabina will establish and contribute to the Development Trust on behalf of the KIA.

The Trust will be established with an objective of contributing funding towards short and long term KIA development projects and initiatives including training and education as well as infrastructure projects that will serve to support sustainable economic development in the region.

"The development of the Trust is indicative of our investment in the economic sustainability and environmental stewardship of the Kitikmeot," said Rob Pease, President & CEO of Sabina "We view this Trust as a vehicle to cultivate long term relationships with the beneficiaries of the region, train our future employees and potentially support infrastructure needs and growth in the future. We are proud to be one of the first companies in Nunavut to create such a Trust."

The definitive form of the Development Agreement incorporates the following terms:

- The Trust would receive 3% of Sabina's net proceeds from the silver royalty retained by Sabina on the Hackett River and Wishbone properties sold to Glencore Canada Plc ("Glencore"), formerly Xstrata Zinc Canada Ltd.
- To kick off the initiative, prior to creation of the Trust, Sabina has paid approximately \$1.4 million to an existing KIA fund which provides for development and community initiatives in the Kitikmeot Region.
- Funds contributed to the Trust would be allocated by the Trustees to initiatives that provide benefits to the Kitikmeot region. A portion of the Trust funds would be retained for allocation after mine or project closure;
- Payments can be made to the Trust in shares at Sabina's election (subject to regulatory approval);

## Capacity Funding Agreement

As previously reported, environmental assessment and permitting processes for Back River are well underway. The Company is committed to working efficiently with the KIA through the process and recognizes that the KIA has an immediate need to increase its personnel capacity to respond to the technical review of the Project. To this end, Sabina and the KIA have finalized a Capacity Funding Agreement.

Under the terms of the Capacity Agreement Sabina will fund the KIA based on an agreed work plan and budget for the environmental assessment and permitting processes. Funding will occur over an estimated period of three years ending in 2016, which is the anticipated completion of the permitting process. This funding will enable the KIA to establish stable, long term funding to enable the KIA to employ staff, retain certain technical specialists and to conduct such administrative and management functions as are required with the process.

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