NORTHERN ONTARIO Business

Cobalt explorer makes a move in historic camp

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1 / 2 The former Keeley-Frontier mine, south of the town of Cobalt, is the focus of a reinvigorated exploration play in the famed silver mining camp by First Cobalt Corp.

Walking into a mining ghost town like Silver Centre is almost akin to experiencing what the first miners of the Cobalt camp's famed Silver Rush faced at the turn of the last century.

But the focus this time is not on finding high-grade silver veins but exploring for cobalt, previously discarded as a waste material. For exploration crews, it's like starting from scratch.

"I grew up in Northern Ontario and crawled around mine sites all the time," said Frank Santaguida, vice-president of exploration for First Cobalt Corp. "It's surprising how quickly the land reclaims itself."

His Toronto-based company has an option agreement with Canadian Silver Hunter to acquire 100 per cent of the former Keeley-Frontier silver and cobalt mine, a sprawling 2,100-hectare property, 25 kilometres south of the town of Cobalt.

“A few months ago when I joined (First Cobalt), I kept hearing about this ghost town…and I get there and there’s not a lot to see. It’s kind of reverted back to 100 years ago.”

The historic northeastern Ontario mining district is being examined by junior miners and investors with a new lens.

Cobalt was usually found mixed in with silver, copper, nickel and other ores. In northeastern Ontario, it had some use to make alloys used in steelmaking. Largely, it was left uncovered for decades in surface stockpiles of waste material.

Today, cobalt is a much sought-after key ingredient in driving the electric vehicle and lithium battery market.

With not enough supply to fill the forecasted global demand over the next five years, and cobalt prices more than doubled to north of US $27 within the last year, it’s spurred new specialty players like First Cobalt (formerly Aurgent Resource Corp.) to re-examine old camps like Cobalt, Ontario.

First Cobalt boldly announced last spring that it intended to be a “first mover” in gobbling up properties toward assembling a “dominant” land package in the historic mining camp.

The company has a 70 per stake in a cobalt plays in the Democratic Republic of Congo – where 60 per cent of the world’s cobalt supply comes from – but northeastern Ontario is their proclaimed launching pad “to create one of the largest cobalt exploration companies in the world."

First Cobalt put those words into action in June with a proposed merger with camp neighbour Australia’s Cobalt One (formerly Equator Resources), to consolidate the two largest land packages into one 10,000-hectare entity.

Cobalt One has a slew of claims from the Town of Cobalt stretching south to the Silver Centre-Lorrain Valley area.

In the deal, Cobalt One shareholders would be 60 per cent owners of the venture. First Cobalt would become sole owner of the Yukon Refinery in North Cobalt.

At the same time, First Cobalt signed a letter of intent to acquire CobalTech, an operator with 11 former mines near the town, including the past-producing Duncan Kerr Mine, and a 100-tonne-per-day mill.

Duncan Kerr has vast stockpiles of waste rock that includes an uncalculated amount of silver and cobalt-rich crushed material left from the former Kerr and Lawson silver mines.

Both deals are subject to a number of conditions, including regulatory and shareholder approval.

Santaguida emphasizes that its cornerstone Keeley-Frontier property will be the centre of attention of their preliminary exploration work this year.

The grade and volume of the cobalt in the district has yet to be fully understood or tabulated. But the company envisions a large-tonnage, low-grade district-scale bulk mining operation.

Dovetailing on Canadian Silver Hunter's 2,000-metre program in 2012, First Cobalt has a modest $1 million, 7,000-metre, drill program slated for this summer that's a combination of infilling the old mine workings and step-out regional exploration.

Keeley-Frontier's history shows hardly any exploration was ever done.

"They were mining instead of drilling," said Santaguida. "The picture is narrow vein mining of high-grade silver veins. Every so often they came across cobalt. They kind of put on the shelf, stockpiled it, stored it, and every so often when prices went up they would ship it off a make a bit of cash."

Between 1908 and 1965, the two mines – working one ore body – produced more than 3.3 million pounds of cobalt at a grade of 0.5 per cent, and 19.1 million ounces of silver from 301,000 tonnes of ore. In its hey-day, Keeley-Frontier had the highest ratio of cobalt-to-silver of all the area's silver mines, producing one pound of cobalt from every 5.8 ounces of silver.

Applying modern techniques of compiling old mine data into a geological model and map, geophysics, surface sampling, magnetic surveys will give them a better handle on how the resource looks and what mining methods they'll choose.

"All of these things are unknown at this time until we get some real information that we can start getting an idea of what we are looking at," said Santaguida.

If the results look promising, Heather Smiles, First Cobalt's investor relations manager, said they'll have no problem securing additional financing to enlarge the exploration budget.

"If we have success through that smaller program, we'll probably be rewarded for that."

The stockpiles at CobalTech's Duncan Kerr property could offer some cash flow, but more homework needs to be done to determine its true value, she said.

“Previously there was an owner for some of the area who actually just bagged it and shipped it to China. Maybe that's a possibility that we explore again depending on what that looks like."

How much processing will be done locally hasn’t been determined.

The company is acquiring a mill and a processing plant but Santaguida said both are at a pilot plant scale.

“We’re using these almost as a test plant facility of understanding the technology and what is it going to take to do that processing.

“It’s a bonus to having material at surface, some it already been milled. That pipeline is already in play. It really puts at a great advantage of getting a number of things worked out before we start getting into the big tonnage process.”

Smiles said it’s too premature for the company to determine if they’ll enlarge those facilities or do the processing elsewhere.

“We have 10,000 hectares up there and we’ve got to understand the geology and understand exactly how we’re going to build the right mine before we can determine what the right processing will be.

“The (Yukon) refinery property is permitted to increase in size (from its 4,000-tonnes daily capacity). There’s a possibility there that we could do that but there’s also the possibility of having an end buyer that we would just ship product out. It really depends on how things come together as we move forward.”

Comments