Idaho Cobalt Mine Nixed Amid Money Woes

JOHN MILLER, Associated Press

BOISE, Idaho (AP) — A proposed Idaho cobalt mine with government approval and support from environmental groups has nixed its project, for now, because it said the price of the metal is too low and risk-averse financiers are demanding unfavorable terms to lend it money.

Chief Executive Officer Mari-Ann Green of Formation Metals Inc. said the company's Idaho Cobalt Project aims to be ready when prices rebound and investors return.

In the meantime, however, her Vancouver, British Columbia-based company is in retrenchment mode, slashing jobs and salaries and focusing on boosting its separate business at its precious metals refinery near Kellogg in northern Idaho's Silver Valley.

Formation had aimed to construct the nation's largest cobalt mine in the Salmon-Challis National Forest to unearth the strategic metal used in jet engines, hybrid vehicle batteries, and prosthetic knees and hips. Now, the project — and the 150 full-time jobs that were to accompany it — is in limbo, at least until metals price improve and financing materializes.

"In order for the lenders to mitigate the risk, they increase the rates, for one," said Formation spokesman Rick Honsinger from the company's British Columbia offices on Monday. "One of our jobs is to try to get the best deal possible for our shareholders. Under these current market conditions, it's difficult to do."

Cobalt prices peaked at more than $50 per pound in 2007. That's about the time when Formation Metals said it could yield about $46 million of the strategic metal annually.

But since then, its price has languished, trading at around $12 per pound recently, according to a report from the U.S. Geological Survey based on prices from the London Metal Exchange.

The dip comes as the Chinese economy has slowed, leading the nation to purchase less cobalt, which has reduced demand and lowered prices all around, Honsinger said.

The Idaho mine project had secured permits from the U.S. Forest Service in 2008 and that same year won kudos from environmental groups, including the Idaho Conservation League, after striking a pact over how to manage and reclaim the site.

Robert Cope, a commissioner in central Idaho's Lemhi County that had hoped to see a boost to its local economy, pointed out other mines in the region are retrenching, too, with metals prices in the cellar.

Late last year, Thompson Creek Metals Co. Inc. in neighboring Custer County suspended expansion plans at its molybdenum mine in a move that will cut 100 jobs through 2014.

"It's not like this is the only mining outfit in the world that's cutting back right now," Cope said, adding he's optimistic Formation will reinvigorate operations as market conditions recover.

"Sometimes great ideas have to wait for their time to come."

As of December, Formation still hoped to begin underground construction using a $5 million cash infusion from a private investor to prepare for the work and winterize the project.

But work beyond that was predicated on larger financing that never materialized. Even so, the company isn't abandoning the project, Green said in a statement.

"The ICP is a valuable asset and we intend to preserve it for future development once conditions improve," she said.

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