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ELECTRIFYING: *Mark Thompson says Talga has been able to develop its own production process to make graphene. Photo: Attila Csaszar*

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Graphite banks on underlying strength

Graphite players have had a soft 18 months, although some WA companies are developing new production techniques that might give them a leg up in the industry.

Talga Resources [3] managing director Mark Thompson [4] is confident the resources junior is in a prime position to take advantage of projected 4 per cent per annum growth in the global graphite market in the years to 2020.

There has been mixed interest in the sector from investors in recent years, most recently positive, as the price of the material shot up in 2011 and further activity following several discoveries last year.

This activity was driven by developments in renewable energy and advances in technology, through the development of graphene, a product formed from graphite.

Graphene is an incredibly strong substance, effectively a microscopically thin sheet with record-breaking strength and impressive electro-conductive ability.

As such, it can be dispersed into other materials to improve their toughness, like an alloy.

For Talga, the high-grade Vittangi deposit in Sweden has given the company an opportunity to develop its own production process, which has so far proved to be a simpler-than-usual method to extract graphene from graphite.

The company is working with a university in Germany to further develop the process.

Mr Thompson said despite the buzz about technological uses, there was an opportunity for a much bigger market when it came to corrosion avoidance, using smaller particles.

To that end, Talga inked a partnership deal with Tata Steel in November to supply research programs for pigments and coatings.

Production is planned for 2018 or 2019, with a capacity of about 250,000 tonnes per annum, and a capital cost of around $30 million.

It isn't the only WA company innovating with graphite, with the University of Western Australia [5]'s spinout Hazer Group [6] developing a technique to produce the material using iron ore and natural gas.

Stock Analysis analyst Peter Strachan said graphite stocks had experienced a huge bubble, similar to uranium and lithium, which had experienced technology driven demand.

For lithium, it was usage in battery storage for electric cars, while uranium, which rose significantly in the lead up to the GFC, was driven by nuclear power usage.

Mr Strachan said one of the things about graphite was that it wasn't a particularly rare material, although it would take time for new production to come online.

"The people who are going to make money are going to be the processors," Mr Strachan said.

Locally, there are a number of other aspiring graphite players, including Triton Minerals [7] and Western Mining Network [8].

From highs of around 60 cents per share in mid-2014, Triton is now trading at 8.2 cents per share, with a one-year total shareholder return to November of -45 per cent.

Western Mining Network [8] had a similarly tough period, with a one-year TSR of -64 per cent.

A further player is Kibaran Resources [9], where former Resolute Mining [10] chairman Robert Pett [11] recently joined as non-executive chairman.

Mr Pett has been involved in the development and financing of 10 mining projects during three decades in the industry.

The company is hoping to set up a graphite hub at Epanko, in Tanzania, at a cost of around $77 million, and has had some interest from a Germany-based financial institution.

Kibaran has had a better run, with a TSR of 16 per cent in the 12 months to November, while Talga's return was 9 per cent.

Mr Thompson points out that graphite plays overall are beating other small resources companies.

Across the sector generally, the S&P 200 Resources index fell about 25 per cent in the 12 months to the end of November.

Mr Thompson said the resources market generally had died out before the graphite boom had really had a chance to begin.

He was confident, however, that there was an underlying strength in the market.

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