

THE AUSTRALIAN

Lamboo, Chinese in \$280m graphite merger



Triton share price chart

MATT CHAMBERS THE AUSTRALIAN 12:00AM July 8, 2014

THE graphite boom continues apace, with Western Australia-focused Lamboo Resources striking a \$280 million merger deal with a private Chinese graphite company, and Triton Minerals surging to a new record high on strong Mozambique drill results.

Graphite stocks have been running hot in the past quarter, following the lead of market darling Syrah Resources. The Melbourne company's market value has risen 75 per cent to \$731m in the past five months because of its high-quality Balama deposit in Mozambique.

Driving the boom is increased demand for lithium-ion batteries that graphite is used in. Some analysts are forecasting demand for electric cars that use the batteries will spur annual graphite consumption growth of 9- 15 per cent.

Brisbane-based Lamboo Resources, whose market value has jumped fourfold to \$108m since February, said it had signed a binding framework agreement to merge with privately owned China Sciences Hengda Graphite, a graphite miner and manufacturer.

Yesterday's deal announcement sets a framework for Lamboo to acquire China Sciences Hengda for \$US150m in scrip in a deal that would leave the Chinese company holding about 57 per cent of Lamboo's stock.

It requires Lamboo to conduct due diligence on China Sciences and the approval of Lamboo shareholders, the biggest of which is US hedge fund Och Ziff with an 18 per cent stake.

"With production facilities and flake graphite mines and development projects in China, Australia and South Korea, the combined group will include long-term supplies of flake graphite for the high-growth and high-valued markets of Asia," Lamboo chief Richard Trevillion said.

Lamboo's chief graphite asset is the McIntosh project in the Kimberley region of WA.

The China deal left Lamboo shares unmoved yesterday at 90c after they came out of a one-week trading halt after flagging a major transaction that some had hoped would be a cash bid.

Triton, whose market value has jumped fivefold to \$141m in the past two months, said drill results at its Nicanda Hill prospect had expanded the size of its Balama North project in Mozambique and verified new high-grade zones. "These drilling results continue to demonstrate that the Balama North project can potentially host a market-leading and world-class high-grade graphite deposit that could become one of the largest high-grade graphite projects in the world," Triton managing director Brad Boyle said.

Triton shares surged 6.5c to 52c on the results, which still indicate a smaller and lower-grade deposit than its giant nearby namesake owned by Syrah.

Canaccord Genuity head of mining research Luke Smith said the jump in graphite stocks was more sustained than the last spike in 2012. "There is more substance this time," Mr Smith said.

But he warned investors to do their research, especially when many companies were starting to reclassify exploration ground previously targeting other minerals as graphite ground.

“When you are starting to see that, you can safely say there is a bit of a boom on,” Mr Smith said.

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