

SE Business  
HD **Glencore rumour doesn't add up**  
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A canny player wouldn't show its hand so early  
SORRY, the big rumour of the week makes very little sense.

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This is the big Glencore International can't wait to get its hands on Syrah Resources (SYR) yarn that has sent the latter stock rocketing, and taking with it neighbouring graphite players in Mozambique, Triton Minerals (TON) and Metals of Africa (MTA). Industrial Minerals, the London-based specialist service that tracks prices of key non-traded metals (and would no doubt have its contacts in Glencore), has reported that specialist banking group Investec has poured cold water on the idea.

Syrah has Balama, a large graphite project with substantial vanadium content. For those who haven't read a paper for a few days, this all began with a report in the Australian Financial Review on Thursday that Glencore had made an approach to Syrah "informally" indicating it would be prepared to pay between \$1 **billion** and \$2bn for the Australian junior.

Let's stop right there. Now, companies with interesting projects get approaches all the time about offtake agreements, mergers and takeovers.

But does it sound right that a canny crowd like Glencore would blurt out a price before talks even began?

And one price being double that of the lower possibility?

Why not just give Syrah a signed blank cheque and tell them to fill in the amount they want?

Syrah has drill holes but no mine, and Glencore CEO Ivan Glasenberg is well known for his aversion to getting involved with mine developments because of all the things that can go wrong.

Last month Glasenberg attended the opening of a new \$589 **million** shaft at the **company's** Ernest Henry **copper** mine in Queensland. In an interview with ABC Rural's Virginia Tapp, he had this to say of Glencore's global strategy: "We like buying other people's **operations** that they've developed ... we think we can buy them cheaper than what it costs to build them." Does that sound like a man getting ready to build a new mine, in a new commodity, in the depths of Mozambique?

Here's something else that does not add up. While Glencore is big into vanadium, it has no experience with graphite. Is it going to start up a graphite division? That would be a huge commitment given that the graphite exploration space looks increasingly like the **uranium** bubble in 2007 when more than 250 ASX-listed companies claimed to be looking for yellowcake.

Moreover, graphite is not just one of your dig-and-ship commodities. This was shown during the week with what Pure Speculation considers one of the most significant developments for an Australian graphite **company**.

Lamboo Resources (LMB) revealed it would **merge** with **China** Sciences Hengda Graphite. Here is an Australian junior with undeveloped projects (in Australia and South Korea) aligning itself with an outfit that already possesses all the complex technical capacity graphite development requires.

Hengda operates three graphite mines in **China**. It also owns a plant that makes spherical anodes for lithium-ion batteries. Hengda has invested heavily in producing graphene, ultra-thin graphite paper and negative electrode material. The **company** has 11 patents awarded and 26 under application.

Graphite is a complex business, which is why Strategic **Energy** Resources (SER) is working with a team at Monash University on graphene applications, while Archer Exploration (AXE) has provided \$200,000 for the University of Adelaide's school of chemical engineering to work on that same subject.

There's no doubt that, like **uranium** seven years ago, graphite seems like a lifeline to struggling juniors. Green Rock **Energy** (GRK) which has languished in the unloved geothermal space, announced it has an option over a graphite flake project in Tanzania discovered in 1945 and got a 200 per cent share boost this week — albeit to only 0.3c.

If Glencore is going into graphite it must have some pretty advanced plans for this complex area, and one which some analysts believe could be oversupplied in future, given the rush into the sector.

As to vanadium, the metal which strengthens steel and now a beneficiary of the vanadium redox battery enthusiasm, Glencore is a big player with its Rhovan smelter in South Africa. Also, it has done a deal with Toronto-listed Largo Resources, which will soon be commissioning its Maracas vanadium mine in Brazil to provide 10 per cent of global demand. Here's the main point: every single tonne of that has been pre-sold for six years to Glencore.

It is possible that Glencore could be interested in Syrah from the point of view of a potential rival. Perhaps we might have a quick flashback to the early years of this century when Xstrata, now merged into Glencore, pulled the plug on the Windimurra vanadium mine in Western Australia. As this correspondent wrote in The Australian in 2005, "the move was seen as Xstrata trying to control world production and using its lower-cost South African operation instead of the Australian mine".

But there's no doubt that vanadium is a hot topic. We note that on Friday shares in Yellow Rock Resources (YRR) rose 58.3 per cent to 1.9c. The **company** has the Gabanintha vanadium project near Meekatharra. And the inexorable rise of TNG (TNG) was halted on Thursday, but only by a trading halt. The **company**, which recently tied up with South Korean vanadium **company** Woojin Ind and steel giant Posco, should this morning have more news about vanadium sales from its Mount Peake project in the Northern Territory. Considering that some reporters glibly attach the word "secretive" when they mention Glencore, it is perhaps not surprising that the global player has neither confirmed nor denied the rumour it is about to pounce on Syrah.

Certainly, it is difficult to conceive a reason that would motivate someone at Glencore to leak an approach; after all, that would just make the asking price higher.

Conclusion: it is a stretch to believe Glencore would (a) want to branch into the graphite business where much of the power still resides with the **Chinese**, Glencore liking to call at least some of the shots; and (b) that they would indicate an offer between \$1bn and \$2bn on the first phone call.

However, (c) it is possible that their interest lies in the vanadium but (d) Glencore won't have a bar of a greenfield mine development, at least in the present market condition.

So we still have to wonder who leaked this — and, more importantly, to what end. All we have at the moment in an uninformed market.

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**CO** march : Glencore PLC | mtlaf : Metals of Africa Ltd | rsrhl : Syrah Resources Limited | trtngd : Triton Minerals Ltd.

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