

SE Finance  
HD **Chinalco** pencils in huge graphite offtake deal with Syrah's Balama deposit EXCLUSIVE

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**CHINA**'S state-owned **Chinalco** has put its foot on strategic new supplies of graphite that Syrah Resources plans to bring to world markets from a development of its huge Balama deposit in northern Mozambique. In a deal expected to be confirmed in coming days, **Chinalco** is believed to have signed a memorandum with a **Chinalco** affiliate that is expected to **lead** to the signing of a binding offtake agreement.

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In the deal more than a third of Balama's initial planned production of 220,000 tonnes of graphite would make its way to **China**, which is already the world's dominant producer of the carbon material. **Chinalco** is best known locally for its 9.9 per cent **stake** in Rio Tinto, a legacy of its sharemarket raid on the **company** and failed asset deal in 2008, when Rio was warding off takeover overtures from BHP Billiton, as well as having to recapitalise itself in the wake of the global financial crisis and its ill-timed \$US38 **billion acquisition** of Alcan. Rio eventually turned to its own shareholders for the recapitalisation.

Syrah's market value has rocketed since the former sleepy **gold** explorer took up exploration interests in Mozambique in 2011 when it was a \$10 **million company**. Its shares have since jumped to \$2.90 apiece, valuing the **company** -- which is 23 per cent-owned by its directors -- at more than \$470m, all on the strength of its Balama discovery.

The **company** is planning a staged development of Balama, with first production from a \$US92m (\$101.7m) development possible within 15 months. Securing offtake agreements for the planned production is considered critical given the global market is estimated at only 1.2 **million** tonnes annually, albeit with growth in new hi-tech markets of lithium-ion batteries, graphene, fuel cells and pebble-bed nuclear reactors.

Syrah has previously said that because of the size, quality and expected low-cost production of the Balama resource, it would also be looking for opportunities for its graphite to become a substitute in higher volume but lower value markets. It is assumed that this is what has attracted **Chinalco** to Balama.

**Chinalco** is the third-biggest aluminium producer in the world. Other forms of carbon -- petroleum coke and anthracite -- are used to make the anode blocks that conduct electricity in the aluminium smelting process. The global use of anode blocks in tonnage terms is a big multiple of the traditional uses of graphite, and it is presumed that **Chinalco** is looking to use graphite as a substitute for petroleum coke and other forms of carbon.

Apart from the aluminium connection, it has been reported that **Chinese** production of high-quality graphite is under pressure following the shutdown of the industry in Shandong after water supplies were contaminated by acid used by producers to upgrade lower-grade material. Graphite is also used in the steel industry, with **China** the biggest in the world with production of more than 800 **million** tonnes annually. Balama has an inferred resource of 1.15 **billion** tonnes grading 10.2 per cent total graphite content, with higher grade portions.

**CO**      almcpr : Aluminium Corporation of China Limited | rsrhl : Syrah Resources Limited

**IN**      i22 : Primary Metals | i224 : Non-ferrous Metals | i2245 : Aluminum | ibasicm : Basic  
Materials/Resources | imet : Mining/Quarrying

**NS**      eppin : Producer Price Index | e11 : Economic Performance/Indicators | e1103 : Inflation/Prices | ecat :  
Economic News

**RE**      austr : Australia | apacz : Asia Pacific | ausnz : Australia/Oceania

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