

SE Business
HD **SURPLUS LOOMS FOR NICKEL**
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Markets may be underestimating the production to come

LETHARGY ruled the end of the week at the London Metal Exchange and, as one commentator put it, "nickel continues its impressive fall".

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In intraday on Friday the metal hit a seven-month low of \$US14,980 a tonne. Stocks in LME warehouses hit another all-time high of 378,132 tonnes.

Nickel at one stage was looking like being the star of 2014 in base metals, but its big rises have been eroded and it is now just 9 per cent ahead for the year. Rounding the final bend, Aluminium has sneaked up on the rails to be 10.4 per cent ahead and zinc is neck-and-neck at 9.8 per cent.

Commonwealth Bank commodity analysts Lachlan Shaw and Vivek Dhar say a nickel surplus in 2015-2016 is looking more likely.

Until Indonesia earlier this year imposed an export ban on unprocessed minerals, that country was the key producer and exporter of high-grade nickel **ore** (up to 25 per cent of nickel supply), a vital feedstock for **China's** nickel pig **iron** sector. **China** has been striving to overcome this by importing more **ore** from The Philippines, developing nickel pig **iron** plants in Indonesia, importing ferronickel from other countries while stainless steel producers (who account for about two-thirds of nickel demand) have changed the amounts of nickel in their end product.

CBA says, however, that markets may be underestimating the production to come from nickel projects outside **China**; 15 large projects, many laterite ones, are in various stages of ramp-up, with more metal coming on to the market each year from now on.

Meanwhile, St George **Mining** (SGQ) must be pretty chuffed: the first hole at its East Laverton project hit nickel sulphide: 83m at 0.27 per cent.

Barite empire JAPANESE trading house Sojitz in 2012 was finding its way into the great shale gas/**oil** story via barite. Sojitz moved to acquire a **stake** in the world's largest barite mine in Mexico. As the Nikkei news service explained at the time, barite — which has a high specific gravity — plays a key role in the drilling of shale gas wells: when the mineral is mixed with water and injected into drill holes, dirt and rock float to the surface, making them easier to remove. In conventional **oil** and gas, barite is used to suppress pressures and prevent blowouts.

Now a local junior is in on the act. Empire Resources (ERL), last traded at 0.5c, is planning to take 49 per cent of a new **mining** operation in Angola supplying barite to operators in Africa's largest **oil** producing country. **Oil** fields in the former Portuguese colony produce about 1.7 **million** barrels a day of light, sweet crude.

Empire, which has got set with a \$500,000 placement, also holds 17 per cent in FYI Resources (FYI), a junior planning to mine potash in Thailand

Graphite gluttons ROGER Bade, at London brokerage Whitman Howard, has, as we have mentioned before, a running gag through his daily notes. Whenever he notes a new graphite discovery, he says — given the stampede of companies into this sector — that soon there will be so much of this material that British supermarket chain Tesco will have a graphite offer of buy one bag, get one free.

But following the latest announcements he suggests Tesco might have to step up its offer to buy one bag, get 10 free.

Provoking this escalation was the announcement from Triton Minerals (TON) that, in Nicanda Hill in Mozambique, it now has the world's largest combined graphite-vanadium deposit, with 155.9 million tonnes of contained graphite. This is a mantle that Syrah Resources (SYR), which has the property next door in the African country, had bestowed upon itself when reporting a 117 million tonne contained resource.

As Bade points out, that's an awful lot of graphite for a world market that consumes only about one million tonnes a year.

But, of course, the field of hopefuls is getting to be the size of Sydney's annual fun run.

The action is coming thick and fast for Australian companies, but keep in mind that the Canadians are also all over this graphite story like a cheap suit.

Mozambique is certainly getting crowded with Australian graphite aspirants. Metals of Africa (MTA) is there, too, and now OGI Group (OGI) has picked up six graphite prospects (it already has diamond ground there). OGI changed its name only four months ago — from Golden Gate Petroleum — but is now planning yet another rebranding to reflect its graphite and diamond focus.

Also in Africa, Bisan (BSN) says drilling has identified a 7km graphite strike area in Botswana, with the potential to extend it over 25km while IMX Resources (IXR) reported near-surface graphite mineralisation in Tanzania. Stratos Resources (SAT) has confirmed it has flake graphite in Ontario.

Buxton Resources (BUX) has almost doubled its resource at Yalbra in Western Australia to a contained 650,000 tonnes. The company says it believes that, at an average 16.2 per cent, this is the highest JORC grade for any graphite project in this country. Archer Exploration (AXE) says in its quarterly it plans to have an application for a mining lease ready before April covering its Campoona graphite project in South Australia. Lincoln Minerals (LML) has lodged two mineral claims over graphite ground, also on Eyre Peninsula.

Two other plays made further progress over the week. Kibaran Resources (KNL) signed a letter of intent to supply ThyssenKrupp with 20,000 tonnes a year and Talga Resources (TLG), which has actually produced the wonder material graphene, has appointed a New York outfit to get Talga's story out in North America.

Triton's big announcement on Tuesday sent its stock up 28.6 per cent. But, perhaps because it seems overshadowed, Syrah fell 13.2 per cent. The following day, however, saw Triton hand back 13.6 per cent but Syrah regain 12.1 per cent. But both stocks have lost a little of their glitter. Both peaked in July (90.5c for Triton, \$6.27 for Syrah) but have come back substantially. Triton closed Friday at 35.5c and Syrah \$3.59.

Exploration frugality US-based SNL Metals & Mining surveyed 3500 companies worldwide and found exploration budgets overall fell a startling 25 per cent (to \$US11.36 billion) in 2013 compared to the previous year. SNL said it showed the industry was responding to investor unhappiness and trying to improve returns.

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