

Media Release

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**GRAPHITE HOPEFULS WARNED TO “COOL THEIR HEELS” AND
FOCUS MORE ON ACTUAL END USE AND CUSTOMER OFFTAKE**

Australia’s batch of graphite hopefuls have been told to “cool their heels”, drop the boast fest about flake size and grade and prioritise just whether or not the mineralisation in their deposit can actually be used in products a customer wants.

Addressing the inaugural **Paydirt 2016 Australian Graphite Conference** in Perth today, Paterson Securities resource analyst, Mr Jason Chesters, said the global graphite market was in a period of transition.

Demand from traditional industrial applications was slowing while the prospect of rapid growth in newer high tech applications offered promise.

“There are a growing number of graphite hopefuls chasing the perceived opportunity and hoping to land a lucrative sales contract in a total graphite market of approximately 2two million tonnes per annum” Mr Chesters said.

“However, the reality is that expectations of a required supply response to meet the additional demand may fall short of expectations and almost certainly not be sufficient to accommodate all newcomers,” he said.

“The rapid growth of graphite hopefuls is therefore likely to result in a significant number of disappointments.

“The recent project and corporate failures in the graphite sector have given investors pause as the market comes to better understand the added complexity and additional attributes required in a good graphite project.

“Customer relationships and product qualification is essential.

“Ultimately, the opportunity exists for a number of new graphite projects producing a required range of products, to be successfully developed to fill a future demand growth.”

Mr Chesters said a successful new graphite project was one less about just size and grade (although higher grade helps the economics of a project) but more about for a flake graphite deposit, flake size distribution, product purity (average concentrate purity), deposit location and infrastructure, timeframe to production and above all, customer relationships.

“There is just one real question and that is, can you sell what you produce,” Mr Chesters said.

“Can your project actually produce a range of graphite products to a required specification and sell these to “long-term” quality customers for a reasonable market price,” Mr Chesters said.

“Simultaneously, the project owner must achieve a cost of production lower than most other competitors but the real critical focus needs to be on end use.

“Graphite project owners must, at their earliest feasible time, conduct testwork on the graphite product samples produced to determine its suitability of use and potential value for end-users.

“Graphite projects require a slightly different approach to advancing a project compared to other non-industrial mineral projects. Additional considerations, skills, and market intelligence is required to be successful, particularly as investor interest and understanding in the sector is low.

“Graphite as an investment opportunity is generally not well understood – although knowledge is improving and the combined stated scale of production of graphite companies has led to a perception of potential oversupply.

“While raising capital under the current market conditions is challenging, a quality project correctly managed and communicated, should continue to attract investor interest,” Mr Chesters said.

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