Grappling with graphite

OUTLIER graphite-company Talga Resources stands to either be a hugely massive success story, or one of those juniors that comes along every now and then with a project that seems too good to be true … and is subsequently proved to be thus.

- Michael Quinn
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Mark Thompson

Talga managing director Mark Thompson tells a compelling story, reeling off a startling array of numbers and concepts at speed whenever he publicly speaks – such as he did this week at the Australian Graphite Conference.

The company's processing technology breakthrough whereby it doesn't require costly crushing and milling to produce a range graphite products – including the "holy grail" material of the future, grapheme – at a fraction of the cost of peers, stands to make the company and its shareholders an absolute fortune.

But is it true?

Could the specific characteristics of Talga's high grade graphite deposits in Sweden combined with the essentially simple processing intellectual property the company happened upon a couple of years back, render the "company maker" cliché oft used in the mining industry a vast understatement?

Unfortunately for investors and shareholders, ahead of it actually happening, it seems an extremely difficult situation to assess with any confidence whatsoever.

Aside from the rare exception here and there, Thompson and other graphite contenders contend major headline end-users such as Tesla, Google and the like are absolutely loathe to have their supply chains revealed.

That means potential suppliers such as Talga have to keep quiet all through their gestation, and in doing so leave equity investors none the wiser as to what others – and other who presumably should know – really think.

At the same time, the budding graphite sector is being told by equity market types such as Patersons' Jason Chester that companies are really only being rewarded when they can promote off-take agreements – which are seen as third party validation of the projects being promoted.

Talk about a Catch 22 situation.

To be sure, there are memorandum of understanding and letter-of-intent-type documents promoted in the industry though the history and veracity of most such agreements is questionable.

Concrete off-take deals including a better feel for pricing terms would be a big step forward for the sector.

Graphite really looks to be a "show us the money" scenario, and the experience of advanced companies like Syrah Resources and Kibaran Resources will be telling.

Still, so far as potential end-users are concerned, the lack of transparency makes sense.

After all, if you were an end-user, why would you want anyone (in particular traders or competitors) to know where the graphite (you were extensively testing for applicability with your products), was coming from?

And assuming the graphite being tested was found to be suitable, it would surely make sense to grab complete control of the miner involved to ensure absolute security of supply. Or ensure three-four-five different suppliers of the same material.

Either way, this sort of situation makes it tough for potential suppliers to fully promote their investment stories.

It also means graphite remains an equity sector heavily laden with questions.

None more so than in the case of Talga, given the amazing properties and potential applicable uses of graphene.

For Thompson though, with Talga already having a pilot factory in Germany producing graphite products for third party validation, it is all about the opportunities – the opportunities that can be created "to enable widespread industrial uptake in markets worth over $700 billion".

Talga's progress is going to be fascinating.

Thompson is confident.

"We think that this year is going to be sensational."