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Graphite: Next hot commodity or flaky fad?



Valence Industries CEO Christopher Darby says a good-quality resource is only one of three fundamental pillars for success in the graphite game. **James Knowler**

by **Angela Macdonald-Smith**

With junior miners reinventing themselves as graphite plays at a rate of about one a week, there's no sign of the rush into the sector slowing down.

But the recent bankruptcy filing by one-time \$US6 billion rare earths success story Molycorp has prompted some to ponder whether this next "hot" commodity holds similar risks.

As US-based Molycorp found out, its earths were not so rare after all. Graphite, for its part, is hardly uncommon, with the crystalline form of carbon being one of the most common native elements. Processing of the mineral after digging it out of the ground for specific applications is key, and sales contracts are typically sealed one-on-one with specific buyers, resulting in an opaque market again reminiscent of rare earths.

Attracted by stellar share price performances by players such as Syrah Resources and Magnis Resources, each new entrant in the sector supposedly has the project that will win the day and be able to tap into surging demand.

China produces about 800,000 tonnes of the world's 1.1 million tonnes a year of graphite, three-quarters of which finds its way mostly into traditional industries such as steel, foundry mouldings and automotive parts, according to Bernstein Research. [But it is the growth seen in the battery and electric vehicle markets that has driven the renewed interest.](#)

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Bernstein is forecasting demand for graphite to rise by 5.4 per cent annually through to 3.5 million tonnes by 2035, with 65 per cent of demand to come from electric vehicles. Tesla's new US\$6 billion (\$8 billion) Gigafactory in Nevada could double global demand for flake graphite alone.

MARKETING CRITICAL

But Christopher Darby, chief executive of Australia's only local graphite producer, Valence Industries, says a good-quality resource, with high concentrations and low impurities, is only one of three fundamental pillars for success in the graphite game. The ability to free it from the ground simply and economically and process it into the required products cost-effectively is crucial, as are the one-on-one relationships with customers, often in very diverse and specialised markets.

Products from different parts of the processing chain can end up in vastly different industries, from conductive paints and plastics through to batteries and biomedical applications, with maximum utilisation required to make it economic.

"You have to be able to sell everything you produce to make it the most economically viable, long-term sustainable project," says Darby, whose company last year restarted the mothballed Uley graphite mine on South Australia's Eyre Peninsula, the country's graphite hub.

Large flakes with low impurities offer the best flexibility to direct product into different markets, Darby says, but even a high-quality, 90 per cent-grade product can be rendered useless for an application depending on the impurities in the other 10 per cent.

But it is the complexity of marketing product that could pose the biggest challenge for the juniors crowding the sector. With sales expertise hard to come by, explorers that make it into production risk having to hand over a chunk of profits to a specialist trader to get sales away.

Minnow Walkabout Resources is a late arrival to graphite, but believes its Lindi project in Tanzania can yield the "jumbo" graphite flakes that specialist researcher Stormcrow Capital sees becoming scarce by 2020, in contrast to all other size flakes. Prices are expected to reflect the scarcity, with Stormcrow predicting a tripling in prices for jumbo flakes by the end of the decade to over \$US6000 a tonne, while other grades falter.

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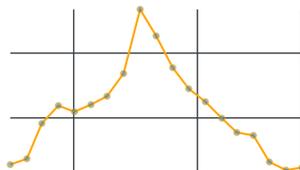
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\$0.25 0.01 2.04%

volume **456714** value **117179.7**

5 YEARS

1 DAY



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Company Profile

Exploration, production, processing and sale of graphite.

<http://www.valenceindustries.com>

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Walkabout, which originally harboured ambitions in coal, is also acting early on marketing, getting expertise on its board with the aim of breaking into the closed-loop supply chains that govern the sector.

Still, Darby sees the sector facing a "defining moment" over the next 12 to 18 months as more projects move toward production and marketing skills across the industry are put to the critical test.

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