Archer Exploration Ltd.: MD Gerard Anderson updates on the strategy and outlook for graphite and other projects.

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Melbourne, Australia (ABN Newswire) - Archer Exploration Ltd. (ASX:AXE) MD Gerard Anderson updates on the strategy and outlook for graphite and other projects. Interview with Gerard Anderson (Managing Director)

In this Market Briefing interview, Gerard Anderson, Archer Exploration's Managing Director, discusses the company's strategic direction and current trading conditions, including:

- The strategic approach and how the current portfolio fits

- Current status of the Eyre Peninsula Graphite Project

- How Archer's graphite will be positioned in the global context

- Potential funding and development options for the Eyre Peninsula Graphite Project

- Current status of the Leigh Creek Magnesite Project

- Update on the pipeline of other potential projects

- Outlook and expected news flow

Market Briefing..
Gerard, Can you outline the Archer Exploration strategic approach?

Gerard Anderson
Our approach is to acquire prospective or unrecognised projects, which we then add value to through firming up resources and putting together project plans. Once we have completed this work we seek to monetise those assets either through divestments, joint ventures, or bringing the projects to production.

To illustrate this process we raised $7 million when we first floated in 2007 and only have 84 million shares on issue. Our balance sheet showed in excess of $5 million in cash at 30 June. This cash balance was largely due to the sale of our Roxby tenements to BHP for $8 million in 2012. This asset sat far better with BHP than with Archer Exploration in terms of its prospective development.

Our approach is where we see a more natural owner for our assets we look to divest them, where we believe we can be involved in bringing a project to production will seek to retain some exposure to that project, either retaining 100%, or possibly a lower exposure with an appropriate joint-venture partner contributing to the project.

Market Briefing..
What is your current portfolio of assets and how are these situated within your strategic approach?

Gerard Anderson
Whilst we have a number of highly prospective tenements across a wide range of commodities, we recognise that we are a small team and need to maintain a tight focus on the portfolio. We direct our attention to the projects that we feel we can develop and monetise most readily, with the least capital commitment and the most tangible potential investment upside.

With this in mind we can consider our portfolio in three main segments. Firstly the Eyre Peninsula Graphite Project, secondly our Leigh Creek cryptocrystalline magnesite project, and thirdly the rest of our tenements which provide a longer-term pipeline of opportunities across precious metals, copper and manganese. All our project tenements are currently within South Australia and each at varying stages of development.

Market Briefing..
What is the current status of the Eyre Peninsula Graphite Project?

Gerard Anderson
The Eyre Peninsula Graphite Project consists of our Eyre Peninsula graphite assets. As we reported to the ASX in August, we have Australia's largest JORC 2012 graphite Resource aggregating 8.55Mt grading 9% Cg, or over 770,000 tonnes of contained graphite.
We are very confident that the level of this Resource will grow significantly as we undertake further exploration on our newly acquired Waddikee tenement EL4662. The high-quality electromagnetic surveys already undertaken on these tenements provide us with a clear roadmap to finding further graphite. We intend to undertake additional drilling to further expand this Resource but to also determine the priority targets for our eventual production.

The Waddikee tenement provides us with a substantial flake graphite Resource including large and jumbo flake to compliment our high quality Campoona fine graphite. With a broad range of graphite flake sizes we can target a wide range of potential end users. That product diversity provides longer-term security for the project.

The Eyre Peninsula Graphite Project is within our skill set to take forward to production. We will look to either find a strategic joint-venture partner to co-develop the Project or have a range of secured off-take agreements in place, before moving into production.

At present our graphite is being analysed by a number of interested international businesses and we are canvassing a range of alternatives which are too preliminary to discuss in detail at this stage.

Market Briefing..
There seems to be a number of graphite projects being planned in Australia and around the world, what does this mean for economics of the Eyre Peninsula Graphite Project?

Gerard Anderson
There are a number of graphite projects on the drawing board including Syrah's enormous project in northern Mozambique and a number of smaller projects across Australia. It is likely that of many graphite discoveries made over the past three years that most will not be developed in the medium to long-term.

Current global demand stands at approximately 1.4 million tonnes per annum of natural graphite which includes approximately 400,000 tonnes of flake graphite. China dominates world production producing 75% of the world's supply. However, China has recently moved to consolidate its graphite industry by closing many operations and imposing export quotas and taxes. The natural graphite market is expected to continue to grow based on increased industrial consumption and may expand significantly if electric cars such as the Tesla are able to increase market share.

It is imperative to understand your graphite resource extremely well and where, and who, are the end users of your product. Every graphite resource will have differences in terms of purity and flake size and trace elements. We've spent the last two years getting a good understanding of our Campoona Resource and we've recently acquired the Waddikee tenement providing us with significant upside in terms of the flake size and a broader range of potential end users.

End users of graphite want graphite of a certain consistency and quality. These users usually have a number of suppliers to buffer their businesses against loss of a supplier for whatever reason - and we believe we are well-positioned to complement existing graphite suppliers.

We are targeting supply of high quality graphite, with over 98% purity levels. Our testing to date shows our low levels of trace elements are such that there is likely to be a wide range of end users capable of using our graphite. We intend to target today's existing markets for graphite, such as alkaline, dry cell and lithium-ion batteries, refractories, recarburisation of steel, high quality lubricants and greases and brake pads.

Furthermore we are undertaking research in collaboration with the University of Adelaide into graphene and graphite derivative products. Graphene, which is a single atom thick layer of graphite, is readily produced from Archer's graphite. The research program is targeting commercialisation of products especially in the agricultural and environmental remediation areas.

We intend to produce in the order of 10,000 - 20,000 tonnes per annum of high quality, high-value graphite. In many respects the operation will be akin to a manufacturing process where mining of the run-of-mine graphite ore is almost inconsequential to the processing to produce the high purity graphite concentrates. Thus a small scale mining operation can still be capable of producing attractive returns for investors. Whilst the price for large flake graphite has fallen recently, the price of high purity graphite has been more stable and in the range of $2,500 to $5,000 per tonne for 98.5% to 99.5% Cg purity levels.

We are very well placed to find a clear niche in the graphite market and become a supplier of premium high

quality graphite.

Market Briefing..
What are the next steps, in the development of the Eyre Peninsula Graphite Project?

Gerard Anderson
We are currently in preliminary discussions with potential partners for the project and looking at possible arrangements for off-take agreements. We are 70% of the way through our Mining approvals process and expect to lodge the Mining Lease Proposal and Program for Environmental Protection and Rehabilitation in 2014.

Whilst we are undertaking that process we will continue with our drilling to firm up the Waddikee graphite deposits so that we can prioritise our next mining opportunities.

Project approval is expected around the middle of 2015. By that stage we should have either attracted a joint venture partner or secured committed off-take agreements. A scoping study is in progress that will better define the capital cost for the project.

Market Briefing..
What are the alternative funding arrangements you would consider?

Gerard Anderson
Our preference of course would be for a free carry joint venture interest in the project going forward. We have not been keen on tapping shareholders for additional capital in the past although clearly that would remain a possible option in late 2015 should suitable off-take arrangements be in place.

One likely source of funding could come from Archer's 100% owned Leigh Creek magnesite deposit. Archer recently appointed Ernst & Young to conduct a strategic review of the asset. That review will determine the best path forward to maximise the value of this asset for our shareholders - and this could result in the divestment of some or the entire asset.

Market Briefing..
Can you provide some background on the Leigh Creek magnesite project and please outline what is currently happening with the strategic review?

Gerard Anderson
Leigh Creek is the world's largest cryptocrystalline magnesite deposit. Magnesite has the chemical formula MgCO3. As we have previously reported, it has a JORC resource of 453 million tonnes grading 41.4% MgO. The deposit contains close to half of the world's form of this fine grained magnesite and could support an operation of almost any conceivable output levels for many hundreds of years.

The term world class is often used but rarely merited. However, the Leigh Creek magnesite project is truly world class. Archer has conducted significant calcining test work to show that the magnesite can produce high-quality magnesia (MgO) suitable for a multitude of uses including in hydrometallurgical extraction of metals, agricultural applications including fertilizers, water purification and wall board production to name a few. Magnesia has had a relatively stable commodity price of around $500 per tonne.

We recognise that we are not experts in magnesite and so we have appointed Ernst and Young to undertake the strategic review. Ernst and Young have demonstrated capabilities in this area having recently being involved with the QMag deal.

There are many potential interested parties for this asset including existing producers, new entrants and strategic investors. We are open to all possibilities, from a clean divestment to joint participation. A nearby recent transaction realised around $0.50/t for a much smaller deposit.

We would anticipate a firmer idea of where this process is heading towards the end of this year.

Market Briefing..
What about the third phase of your strategy, what pipeline of potential projects do you have in place?

Gerard Anderson
Once we have completed the magnesite review and progressed our graphite plans, we will then focus more strongly on our pipeline of potential new projects.

In the past we have had interest in our manganese projects. We have a 100% interest in seven manganese deposits and prospects including the Ketchowla deposit near the township of Burra, Jamieson Tank and Salt

Creek near Cleve on Eyre Peninsula. Both Ketchowla and Jamieson Tank have delivered manganese at grades of >40% Mn (recoveries >80%) following beneficiation. We would look at joint-venture opportunities.

Our Ediacara tenement is another potential joint venture or possible royalty opportunity for the Company. Ediacara is in the Arrowie Basin, just below Leigh Creek. We were the first to recognise the gas potential of the area and now our tenement is surrounded by a number of gas players. We have had an approach from an interested party and although it is early days we are happy to continue the discussions.

We also have very interesting gold prospects at Bartel epithermal gold on Eyre Peninsula and Napoleon's Hat near Burra, and very prospective copper prospects at North Cowell and Spring Creek. These are good quality assets that will draw more of our attention as our other projects are developed.

Market Briefing..

Finally what is the expected news flow from Archer over the next few months?

Gerard Anderson

We expect a relatively busy period in terms of news flow over the next few months.

Further drilling of the Waddikee graphite prospects will commence over the next two months and we are confident that drilling will deliver a significant expansion of the JORC Resource. Further news will be delivered on the testing that has been undertaken on our graphite and we would be hopeful of either entering into a joint-venture or into other arrangements during 2014. In addition the Mining Lease Proposal is planned to be submitted to government for approval in 2014.

We expect that the strategic review for our magnesite deposit to be completed towards the end of this year.

Market Briefing..

Thank you, Gerard.

About Archer Exploration Limited:

Archer Exploration Ltd. (ASX:AXE) is an Australian Stock Exchange listed company with 100% ownership of 15 tenements and one Exploration Licence Application all in South Australia covering 6,053 km2.

Archer also has the rights to all minerals other than uranium on EL4693 covering a further 816 km2. Archer's main project is the Campoona Graphite Project which is located within reach of established and major developing infrastructure. It has a JORC 2004 Resource of 5.27 million tonnes @ 7.6 % TC (based on 2% TC cut-off).

Contact:

Archer Exploration Ltd.
T: +61-8-8272-3288
www.archerexploration.com.au

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