

# Talking Point...

# TON - Spec Buy

## Triton Minerals Ltd (TON, \$0.37, Mkt Cap \$93M) – Large graphite deposit emerging

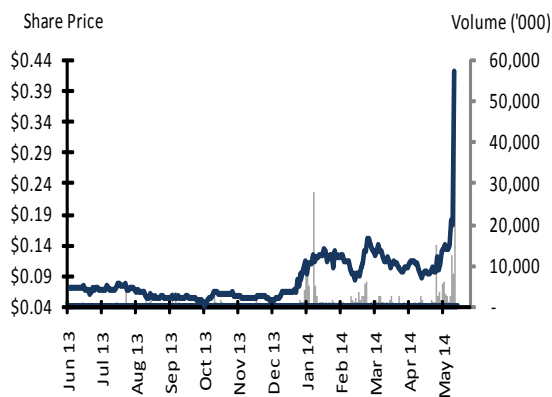
### Company Statistics

ASX Code	TON
Share Price (A\$)	\$0.37
52 week low - high (A\$)	0.042-0.46
Risk	High
Shares on Issue (m)	256
Market Cap (A\$m)	93
Net Debt/(Cash) (A\$m)	-4
EV (A\$m)	89
Options (m)	30
12mth Av Daily Volume ('000)	1,496

### Major Shareholders

Alan Gordon Jenks	13.8%
Craig Stubbs	6.0%

### Share Price Graph



### INVESTMENT HIGHLIGHTS

- Triton Minerals (TON) is a graphite explorer/developer with projects in Mozambique. Its flagship asset is its 60% interest (earning up to 80%) in Balama North. This project is only 3km from Syrah's world class Balama resource.
  - Earlier this year TON announced a maiden JORC inferred resource of 103Mt for Cobra Plains deposit in Balama North, with grade 5.52% for 5.72Mt contained graphitic carbon. In terms of amount of contained graphitic carbon, we estimate the deposit ranks 5<sup>th</sup> in size globally. The resource envelope is ca. 5km long, 400m wide, and 150m depth with only 0-3m overburden. This points to a low strip ratio should it be mined.
  - However significant upside exists. Drill results outside the resource - on the adjacent Nicanda Hill deposit – have been exciting (316m intersection and 750m width), and indicate the Balama North strike to be at least 7km, with TON estimating 10km. TON have also identified graphite in an 8km zone (Charmers and Black Hills) nearby Cobra Plains and Nicanda Hill.
  - Using the drill results outside the resource, as well as results from trenching, mapping, and sampling, TON and consultant Optiro have identified a cumulative exploration target of 760Mt to 1,290Mt at Balama North in addition to the JORC. If TON were to eventually measure a resource at the upper end of the target, it would be comparable in scale to Syrah's Balama.
  - The company is aiming for a resource update in 1QCY2015. Further work this year comprises more drilling and metallurgical work. A scoping study is aimed to be concluded in July which should put some approximate economics around the current resource.
  - Metallurgy is in early stages and preliminary results only on Cobra Plains suggest a crush, grind, and flotation circuit can be effective with total carbon (TC) recovery of 96%, and total graphitic carbon (TGC) of concentrate 94.5%. 30% of mass recovered is fine-to-coarse flake size (>75micron). However TON has noted that from sampling at Nicanda Hill that flake size seems coarser than Cobra Plains, with very coarse size (>500 microns) recorded. Further work is required to clarify flake distribution at Balama North.
  - Infrastructure is supportive. Balama North is adjacent to a main highway (which also runs past Syrah's deposit) that runs 230km to the deep water port at Pemba.
- ### RECOMMENDATION
- We recommend TON as a Spec Buy. We see four key catalysts - 1) Additional resource delineation, especially at Nicanda Hill; 2) Potential enhancement of grade and/or flake size of Balama North; 3) More metallurgical test results including at Nicanda Hill; and 4) Positive scoping study results. These have the potential to further re-rate the shareprice.

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### AN EMERGING GRAPHITE DEVELOPER IN MOZAMBIQUE

#### *Graphite projects in Mozambique.*

- Triton Minerals is an ASX listed graphite explorer and developer with its major projects located in Mozambique. These comprise the Balama North, Balama South, and Ancuabe projects, located in the Cabo Delgado province. TON has 60% interest in the projects, with the vendor Grafex, a Mozambique company, owning the balance. Outstanding consideration for TON's 60% equity is 2M shares to be issued and \$0.2M to be paid to Grafex. TON's interest will rise to 75% upon commencement of a DFS, and 80% upon start of production. The company would then carry Grafex, recovering its costs from revenues.

### BALAMA NORTH – THE FLAGSHIP PROJECT

- The flagship project is Balama North, with its tenement boundary lying as close as 3km north-east from Syrah Resources' own world class graphite deposit. The two major tenement areas of Balama North are Cobra Plains, and the abutting Nicanda Hill north-east of it.

### RESOURCE AT COBRA PLAINS – 5<sup>TH</sup> LARGEST IN WORLD BY CONTAINED GRAPHITIC CARBON

#### *103Mt JORC inferred resource at Balama North – ranks 5<sup>th</sup> globally by total contained graphitic carbon.*

- In February 2014, TON announced an inferred JORC resource of 103Mt at Cobra Plains at a grade of 5.52% total graphitic carbon (TGC), containing 5.72Mt TGC. The resource envelope comprises a series of tabular stacked lodes within an envelope ca. 400m wide, covering a 5km strike length, and 150m depth.
- A thin layer of overburden, 0-3m, lies over the orebody, which along with the size of strike and width, should allow for a low strip ratio if it were to be mined. We estimate it is the 5<sup>th</sup> largest graphite deposit by contained TGC. Cut-off grade was 2%. Within the deposit there exist high grade graphite zones of up to 17.6% TGC.
- Optiro – who estimated resource – identified additional exploration target potential in range of 30 to 50Mt and grades 5%-5.2% TGC at Cobra Plains. It excludes mineralisation greater than 150m depth, and extension to north east (i.e. the Nicanda Hill deposit).

### FURTHER PROSPECTS HIGHLIGHT LARGE SCALE OPPORTUNITY AT BALAMA NORTH

- TON has conducted drilling at Nicanda Hill, which lies adjacent to Cobra Plains, and has encountered even more exciting mineralisation, with average unweighted TGC grades of 11%, and as high as 28.6%. The best hole intersected 316m of graphite from surface and open at depth, and width of up to 750m.
  - Combining Cobra Plains and Nicanda Hill mineralisation may see Balama North likely have 10km of strike, as TON estimate. Already 7.5km strike exists from southern most drill lines of Cobra Plains to the northern most in Nicanda Hill.
  - Additionally, there is a 8km zone east of Cobra Plains and Nicanda Hill – Charmers and Black Hills – which have yielded average unweighted TGC of 9.8% and 9.4% from sampling, and as high as 18% TGC.

#### *Cumulative exploration target of 760 Mt to 1,290Mt at Balama North has been identified, in addition to the JORC resource.*

### CUMULATIVE EXPLORATION TARGET - 760Mt to 1,290Mt AT BALAMA NORTH

- From its drill results outside the current JORC resource, as well as its trenching, sampling, and mapping work, TON has estimated exploration targets as follows:
  - Nicanda Hill – 480 to 800Mt
  - Charmers – 130 to 220Mt
  - Black Hills - 120 to 220Mt
  - These are in addition to the 30 to 50Mt estimated by Optiro at Cobra Plains.
- These add to a cumulative exploration target of 760Mt to 1,290Mt at Balama North, in addition to the 103Mt JORC resource. The upside exploration target case points to an order of magnitude uplift to the existing JORC, and comparable to Syrah's large scale orebody.
- TON assumes these to have grades 5% to 6% which seems conservative especially given the average unweighted grades determined to date for Nicanda Hill, Charmers, and Black Hills (11.0%, 9.8%, 9.4%).

### METALLURGY –EARLY DAYS

*Metallurgical results to date are only preliminary but indicate 30% can be recovered.*

- Results of partial preliminary metallurgical tests have only been made on the Cobra Plains deposit. These achieved total carbon (TC) recovery of 96% with weighted average total graphitic carbon content (TGC) of 94.5%. Graphite was readily liberated by crushing, grinding, rougher, and cleaner flotation.
- In terms of size distribution of the graphite produced, 30% was recovered in 75-plus micron fraction (fine –to-coarse flake). It must be remembered this was from only one drill hole.
- TON has indicated that Nicanda Hill is exhibiting coarser flake size than Cobra Plains, with one sample exhibiting 30% distribution between 500 and 1,000 microns (i.e “jumbo” or very coarse size flake).

### INFRASTRUCTURE – SUPPORTED BY ROAD AND PORT

- Balama North is adjacent to a main highway (as is Syrah's Balama) which connects to the deep water port of Pemba, 230km away. The projects are also close to towns of Montepuez, the second largest city in the Cabo Delgado province with population of ca. 80,000, and Balama.

### CATALYSTS GOING FORWARD

*Catalysts include Scoping Study, metallurgical results, drill results, and a resource upgrade.*

- TON has a busy schedule ahead the next 12 months. Major catalysts we expect are:
  - Further metallurgical testing;
  - Further drilling at Nicanda Hill;
  - Mapping , sampling, and trenching at Black Hills, Charmers, and Ancuabe;
  - Scoping study on Cobra Plains.
- Updated resource for Balama North at beginning 2015. We expect this to include a significant initial resource estimate from the exciting Nicanda Hill deposit.

**GRAPHITE MARKETS**

- Graphite has widespread use. Mostly it is used in steel and refractories, as well as lubricants, automotive parts, consumer electronics (CE), and batteries. CE and lithium ion batteries offer high growth opportunities given the forecast increase in electric vehicles and in smart technology.
- Recently, Syrabs' agreement with China's Chinalco, one of the world's largest aluminium producers, highlighted the potential for new use of graphite as an anode in the process to produce aluminium metal.
- China is the world's leading supplier of graphite. However increasingly strict environment controls is contributing to inefficient and polluting mines to close.

**PRICING – COARSE FLAKE ATTRACTS PREMIUM**

- Graphite is priced according to total graphitic content (TGC) – i.e. grade – and size. Graphite with > 85% TGC is usually termed flake. In rarer instances it can be vein graphite. Generally, the higher the TGC and the coarser the size of the final graphite product, the higher the pricing received.
- Using current and forecast prices, an approximate guide to pricing is:
  - Coarse flake graphite (<150 microns) – ca. US\$2,000/t
  - Medium flake (100 to 150 microns) – ca. US\$1,500/t
  - Fine flake (75 to 100 microns) – ca. US\$1,000/t
  - Amorphous graphite (less than 75 microns) - US\$500/t

Amorphous is of lower TGC (usually <90% and in the range 60s to 80s%). It is usually in a powder form.

**BOARD**

The Board of TON is:

- Brad Boyle. Managing Director.
- Alfred Gilman. Non Executive Director.
- Alan Jenks - Non-Executive Chairman.

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