

Talga to start Swedish empire

Despite listing as a gold and iron ore explorer with assets in Western Australia's Yilgarn and Pilbara regions in 2010, Talga Gold Ltd is hoping to cash in on the current graphite boom.

Late last year the company diverted its attention to the Kiruna mineral district in northern Sweden.

There it possesses potential high-grade, low-cost graphite projects that could spin some serious cash for the company to pour back into its gold game, Talga managing director Mark Thompson said.

"It is true the focus is going to swing hard into Sweden. We have three (graphite) projects which we expect to have indicated JORC resources on by October and another two (Jalkunen 10-35.2mt @ 3.4-30.6% carbon and Paljala 1.3-2.3mt @ 3.9-40.9% carbon, exploration targets) pulled into the inferred category by then as well."

Heading Talga's list of potential producing graphite projects is Nunasvaara.

Talga recently pounced on its option to fully acquire the 3.6mt @ 23% carbon (inferred) deposit from Teck Resources Ltd.

Included in the acquisition were iron ore deposits with inferred resources totalling 44.1mt @ 30.9% iron plus exploration targets of 90-



Talga is confident it can feed the amorphous and flake graphite markets

140mt @ 25-50% iron from 50m.

The Teck deal also delivered a copper-cobalt resource to Talga in an area of Sweden characterised by iron ore and copper-gold mines.

Underlining the copper-gold prospectivity in the Kiruna district is the 32 mtpa Aitik mine run by metals company Boliden.

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While Aitik shines in one of Europe's largest copper-gold producing areas, Talga is confident it can light the region up with its graphite projects.

Outcrops that have been mapped indicate there are enough resources at Nunasvaara to last 100 years of mining activity. However nailing a 20-year resource and targeting the highest-grade material and the lowest-cost type of its kind in the world is what Talga is aiming for.

"That is the fastest and cheapest way to get the company into a cash flow position and to grow the company," Thompson said.

"We have spent the last six months reconfiguring the company into these Swedish assets, which we think sets us up for a different growth path than the grassroots gold exploration in Australia."

A maiden diamond drilling campaign by the company was initiated at Nunasvaara in July with 20 holes for 1,650m planned. It is hoped that drilling will increase the resource 25-50%, which would give credence to the concept of a 250,000 tpa operation for 40,000 tpa graphite concentrate (about half of Europe's needs) over 20 years.

Drilling at Nunasvaara is part of a wider, 5,000m programme aimed at upscaling graphite and iron resources at the company's deposits in north Sweden.

This will add to the extensive metallurgical and drilling database acquired from Teck in June.

Therefore the company can move quickly into preliminary economic studies (scoping study scheduled to be released in Q1 2013) and the market will start to see the value of Talga's projects, according to Thompson.

"My intention is for Talga to be worth a market cap of about \$300-400 million (currently about \$20 million) in 3-4 years time. I know it may sound ridiculous but when the scoping study comes out you will see what sort of cash these things throw out.

"I believe as the world slowly recovers, these relatively small, high-grade deposits can be financed and operated in an area of the world that needs these minerals," Thompson said.

Thompson is confident that the company's deposits, including Raitajärvi (0.5mt @ 10.8% carbon, inferred), where drilling is planned this month, can feed both the amorphous and flake graphite markets.

Current demand for amorphous graphite is 700,000 tpa and 300-400,000 tpa for flake. If Talga can prove up its 40,000 tpa project that may be enough to fulfil almost half of Europe's current amorphous and flake needs.

The amorphous market is said to outsell the flake market on a 2:1 ratio and is worth about \$US700/t compared to about \$US3,000/t for flake.

Talga's business model is built



Mark Thompson

around its amorphous graphite, which is simpler and easier to produce.

Producing graphite is similar to extracting content from a VMS deposit without the sulphur element, therefore building a small plant quickly will be manageable for Talga, Thompson said.

"They are not sulphide based and don't tend to have radioactive minerals in them. If there were a high sulphur content present, normal remediation work with tailings and so forth would be required, which could slow the process down.

"Usually they're small, quite simple operations that don't use anything special in the processing side; it is standard block froth flotation, a little like a VMS deposit."

A ballpark capex figure of \$50 million could potentially be on the cards for Talga but for now metallurgical and environmental studies are on the agenda.

Gathering more information in these areas,

plus striking success in its drilling campaigns, will be important as the company intends to raise some cash this year.

At the end of the last quarter Talga had \$2.7 million in the bank, however with a programme of works in place the money will dry up.

As money has been difficult to raise in recent times, Talga is likely to approach the market in stages for small amounts and is keen to attract a strategic investor to its register.

"Our intention is to look at finding really good partners to help us to continue to grow the business; that is what our capital raising strategy will be based on. We're looking for the quality of the potential shareholders and their ability to go forward with us into the financing stages of the project."

Wooing investors who are interested in becoming off-take partners is the ideal for Talga.

Players interested in Talga's graphite propositions may also consider that its most advanced projects – Nunasvaara and Raitajärvi – are close to supporting infrastructure such as grid power, rail and established town centres within 50km. The port is only 190km and 100km away respectively.

"That can play a very big role in financing but it also means we don't have to go into the level of a BFS usually required by a bank for financing. We can go in with a lower level of study – which means saving almost a year's worth of drilling – but have the same level of confidence because these things are (like) gold projects."

It is anticipated that a detailed economic study will be released before the end of 2013, which will shed more light on how quickly Talga can realise its graphite ambitions.

"Initially it will be graphite and iron with more copper-gold to come in and I think the empire starts here. From where we are currently, with a market cap of less than \$20 million, it's going to be quite a ride over the next few years," Thompson said.

– Mark Andrews



The Kiruna minerals district is well endowed with copper-gold resources