SECUTOR
CAPITAL MANAGEMENT CORPORATION

Company Update

10 March 2015

# NORTHERN GRAPHITE CORP.

V-NGC

## COMPANY SUMMARY

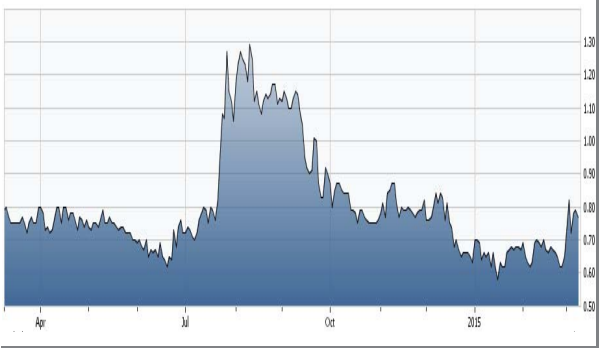
| | |
|---|---|
| Flagship Project: | Bissett Creek |
| Location: | Ontario |
| Ownership: | 100 % |
| Commodity: | Flake graphite |
| Status: | Feasibility Stage |
| Resource: | 28.3 Mt 2.06 % Cg (P&P) |
| | 69.8 Mt 1.74 % Cg (M&I) |
| | 24.0 Mt 1.65 % Cg (Inferred) |
| Catalysts: | Financing agreement, start of construction |

## MARKET DATA

| | |
|---|---|
| Price: | $ 0.75 |
| Market Cap: | $ 36.8 MM |
| Common Shares: | 49.1 MM |
| Fully Diluted: | 52.5 MM |
| 52 Wk Range: | $ 1.44 - 0.57 |
| 30 Day Avg Vol: | 52,600 |

## TOP HOLDERS

| | |
|---|---|
| Gregory Bowes | 3.5 % |
| Ronald Little | 2.4 % |
| 1832 Asset Management | 1.6 % |
| Kasi Sethu Raman | 0.6 % |




*Source: quotemedia*

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# Northern Graphite Update

## Bissett Creek a Great Play on Forecasted Growth in the Global Electric Vehicle Market

After being overlooked by the market for several years, interest in graphite re-emerged in 2014 following announcements by Tesla that the car manufacturer was planning to build a battery "gigafactory" which would be have the capacity to manufacture batteries for up to 500,000 of its electric vehicles by 2020. Three other companies have already started building "megafactories", including Foxconn Technology Group, a contract manufacturer for Apple. If Tesla has gauged the demand for electric vehicles correctly and construction plans for the gigafactory goes ahead, developers of high-quality graphite projects should significantly benefit from the graphite supply deficit that is likely to arise.

Sufficient information has also started coming out on graphite projects and it is now possible to start separating the pretenders from the contenders. So far, three projects have been advanced to a feasibility study level. Northern Graphite's Bissett Creek is one of the most advanced and viable graphite projects on offer to investors. The Company has defined a high-quality resource at the deposit: it contains a very high concentration of large and extra-large flake graphite, is free of deleterious elements and has very low unit operating costs. Additionally, the project is located in a stable jurisdiction, endowed with good infrastructure, and can be built with relatively small capital cost investment.

**A Growing Flake Graphite Resource in a Premier Location.** The Bissett Creek project is 100% owned by Northern Graphite. The project is located in Ontario, approximately 300 kilometres northeast of Toronto and 200 kilometres west of Ottawa. Bissett Creek is easily accessible, with the Trans-Canada Highway located 15 kilometres away and railway access 130 kilometres away. The project will also have access to low cost power, with a natural gas pipeline located 15 kilometres from the project. Ease of access to towns and major mining centres will provide the project with access to a work force, equipment, suppliers and contractors. The Company's claims include two mining leases covering 2,503 hectares and five unpatented claims covering 464 hectares.

At Bissett Creek, probable reserves total 28.3 million tonnes grading 2.06% graphitic carbon (Cg) at a cut-off grade of 0.96% Cg. Measured and indicated resources total 69.8 million tonnes grading 1.74% Cg and inferred resources total an additional 24 million tonnes grading 1.65% Cg at a cut-off grade of 1.02% Cg.

Bissett Creek is a flat-lying deposit. Resources have been outlined to a maximum depth of approximately 80 metres, the deposit is covered by less than 4 metres of overburden and the waste or ore ratio is a very low 0.79:1. To date, the deposit has been outlined with 14,371 metres of drilling in 275 diamond drill holes, and remains open for expansion.

**Not All Graphite is Created Equal…**Bissett Creek is a high-quality crystalline graphite deposit. Approximately 90% of the deposit is composed of large, extra-large and XXL graphite flake sizes, which command a premium price in

the graphite market. Most graphite deposits have large flake content totalling less than 50% by weight, and contain a high percentage of fines. Additionally, the deposit's grade exceeds 94% purity and Northern Graphite has shown that grade can be upgraded further with ease. Because of its large flake size and good grade, graphite from Bissett Creek can be used in the highest-growth segments of the graphite industry, such a as lithium-ion batteries and the expandable graphite industry.

In the flake graphite market, a product meets required size specifications if at least 80% of the flakes meet or exceed the given size specification, and a Company can blend the smaller size categories with larger size categories while still meeting the required size threshold. Northern Graphite estimates that with blending, 60% of its production qualifies as +50 mesh concentrate (+297 micron) grading 97% to 98% Cg, and a third of this material is +32 mesh (600 micron). An additional 35% of Bissett Creek's production qualifies as +80 mesh (+177 micron) grading 95% Cg, and only 5% of production qualifies as +100 mesh (+149 micron) grading 95% to 98% Cg.

The price for +32 mesh graphite concentrate is in the US$2,300 to US$2,400 per tonne range, in the US$2,000 per tonne range for +50 mesh concentrate, in the US$1,200 to US$1,300 per tonne range for +80 mesh concentrate and in the US$1,200 range for +100 mesh concentrate (see table 1). Northern Graphite estimates that it can attain an average blended price of US$1,800 for Bissett Creek graphite concentrate in today's graphite pricing environment, which is significantly higher than its peers.

**Table 1: Graphite Price is Determined by Flake Size and Purity**

**Concentrate Purity →**

**Flake Size ↑**

| | 80-85% C | 90% C | 94-97% C |
|---|---|---|---|
| **Extra Large** (+50) | - | - | **$2,000+** |
| **Large** (-50 +80) | - | $1,150 | **$1,300** |
| **Medium** (-80 +100) | 750 | $950 | **$1,100** |
| **Small** (-100 +150) | - | $800 | $900 |
| **Fines and amorphous** | $500 | - | - |

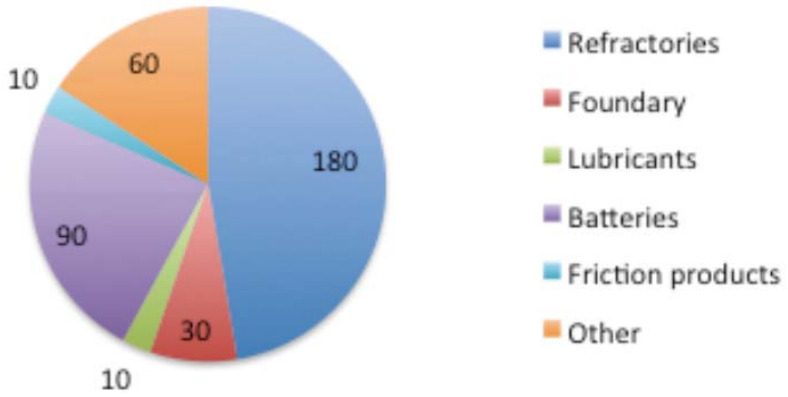
**Bissett Creek**

Upgraded (98-99.95%) hi purity graphite is $2,000-3,000/t

*Source: Industrial Minerals*

**Bissett Creek a Play on Burgeoning Electric Vehicle Demand Growth.** 90% of the graphite contained in the Bissett Creek deposit is considered to be battery grade. The battery graphite market one of the fastest-growing and most important segments for the flake graphite market. Global annual demand for flake graphite is currently estimated at 375,000 tonnes. In 2013, batteries accounted for 23% of the estimated flake graphite demand, or approximately 90,000 tonnes, up from an inconsequential proportion of market demand less than a decade ago.

**2013 - Flake Graphite Estimated Demand**




*Source: Industrial Minerals*

Demand for large-flake, +80 mesh graphite, which accounts for just 20% of supply in the flake graphite market, is expected to continue experiencing strong growth as large-flake graphite is sought-after in new markets, such as batteries, as well as in more traditional markets. The Bissett Creek deposit contains a high percentage of large-flake graphite compared to other deposits in the development stage. 94% of Bissett Creek's graphite is classified as XXL, extra-large or large flake by weight, versus an average fraction of ~ 40% for its development peers (see table 2).

The proportion of large flakes in the Bissett Creek concentrate distribution reduces the marketing risks associated with the project. Smaller flake material and fines are likely to be oversupplied in the future, hence difficult to market, and therefore introduces the risk that the product will have to be sold into the market at lower than quoted prices.

## Table 2: Graphite Project Comparison

**GRAPHITE PROJECT COMPARISON**

US/CDN exchange 1.15

US/AUD exchange 1.20

| Company Name | | | Northern Graphite | Flinders Resources | Mason Graphite | Focus Graphite | Valence Industries | Energizer Resources | Kibaran Graphite | Magnis Resources | Triton Minerals | Talga Resources | Syrah Resources | Lincoln Minerals |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Project Name** | | | **Bissett Creek** | **Woxna** | **Lac Guéret** | **Lac Knife** | **Uley** | **Molo** | **Mahenge** | **Nachu** | **Nicada Hill** | **Nunasvaara** | **Balama** | **Kookaburra Gully** |
| **Development Stage** | | | BFS | PEA | PEA | BFS | PEA | BFS | Scoping | PFS | Scoping | Scoping | Scoping | Scoping |
| **Reserve/Resource Tonnes (MM)** | | | 23.8 | 1.8 | 3.9 | 7.9 | 2 | 22.6 | 12.8 | 156 | 51 | 5.8 | 1,150.0 | 1.6 |
| **Category** | | | reserves | M&I | M&I,I | reserves | reserves | reserves | Ind | M&I | Ind | Ind | M,I&I | I&I |
| **Grade (%)** | | | 2.06 | 11 | 27.4 | 15.1 | 12.9 | 7.0 | 9.64 | 5.1 | 12.4 | 23.6 | 10.2 | 15.7 |
| **Waste/Ore Ratio** | | | 0.79 | 5.3 | 0.8 | 1.7 | 5.9 | 0.8 | 2.2 | 2.0 | 1.0 | 4.0 | | |
| **Processing - tpy** | | | 1,000,000 | 155,000 | 176,000 | 313,470 | 355,677 | 857,000 | 420,000 | 3,754,693 | 1,800,000 | 250,000 | | 250,000 |
| **Processing - tpd** | | | 2,900 | 460 | 500 | 954,000 | 838 | 2,552 | 1,251 | 11,181 | 5,360 | 761 | | |
| **Recovery (%)** | | | 94% | 85% | 97% | 91% | 85% | 88% | 96% | | 90% | 77% | | |
| **Annual production (Tonnes)** | | | 20,800 | 16,600 | 50,000 | 44,300 | 39,000 | 53,000 | 40,000 | 180,000 | 210,000 | 46,000 | 220,000 | 35,000 |
| **Concentrate Distribution** | | | | | | | | | | | | | | |
| **Flake Size Category*** | **Flake Size Price*** | | | | | | | | | | | | | |
| +32 XXL | $ | 2,350 | 22% | | | | | | 10% | | | | 4% | |
| +50 XL | $ | 2,000 | 38% | 14% | 22% | 12% | 18% | 28% | 16% | 10% | 10% | | 16% | 4% |
| +80 large | $ | 1,250 | 34% | 26% | 14% | 28% | 20% | 27% | 34% | 36% | 15% | | 11% | 10% |
| +100 medium | $ | 1,200 | 6% | 14% | 8% | 13% | 7% | 8% | 14% | 15% | 12% | | 19% | 10% |
| +150 small | $ | 1,000 | 0% | 14% | 8% | 24% | 8% | 19% | 14% | 15% | 17% | | 26% | 36% |
| -150 fines | $ | 500 | 0% | 32% | 47% | 23% | 47% | 17% | 11% | 24% | 46% | 100% | 24% | 40% |
| **Revenue/Tonne of Concentrate (US$)** | | | $ 1,768 | $ 1,073 | $ 1,031 | $ 1,099 | $ 1,009 | $ 1,281 | $ 1,350 | $ 1,094 | $ 931 | $ 500 | $ 1,148 | $ 885 |
| **Domestic Currency** | | | C$ | US$ | C$ | C$ | AUD$ | US$ | US$ | US$ | US$ | AUD$ | | |
| **Operating Cost/Tonne of Ore (Domestic Currency)** | | | $ 16.17 | $ 78.45 | $ 127.89 | $ 77.98 | $ 88.63 | $ 42.57 | 59.59 | 29.87 | 56.93 | 83.8 | | |
| **Operating Cost/Tonne of Concentrate (US$)** | | | $ 676 | $ 733 | $ 391 | $ 480 | $ 808 | $ 690 | $ 626 | $ 623 | $ 488 | $ 380 | | |
| **Operating Margin/Tonne of Concentrate (US$)** | | | $ 1,092 | $ 340 | $ 639 | $ 619 | $ 201 | $ 591 | $ 724 | $ 471 | $ 443 | $ 120 | | |
| **Capex ($Millions-Domestic Currency)** | | | $ 110.5 | $ 17.0 | $ 140.2 | $ 183.2 | $ 35.4 | $ 188.3 | $ 56.0 | $ 171.4 | $ 110.0 | $ 29.3 | | |
| **Capex ($millions-US$)** | | | $ 96.1 | $ 14.2 | $ 121.9 | $ 159.3 | $ 29.5 | $ 188.3 | $ 56.0 | $ 171.4 | $ 110.0 | $ 24.4 | | |

* -150 blended into larger grades up to 20% as long as +94%C can be maintained (spec is 80% meets size requirement)

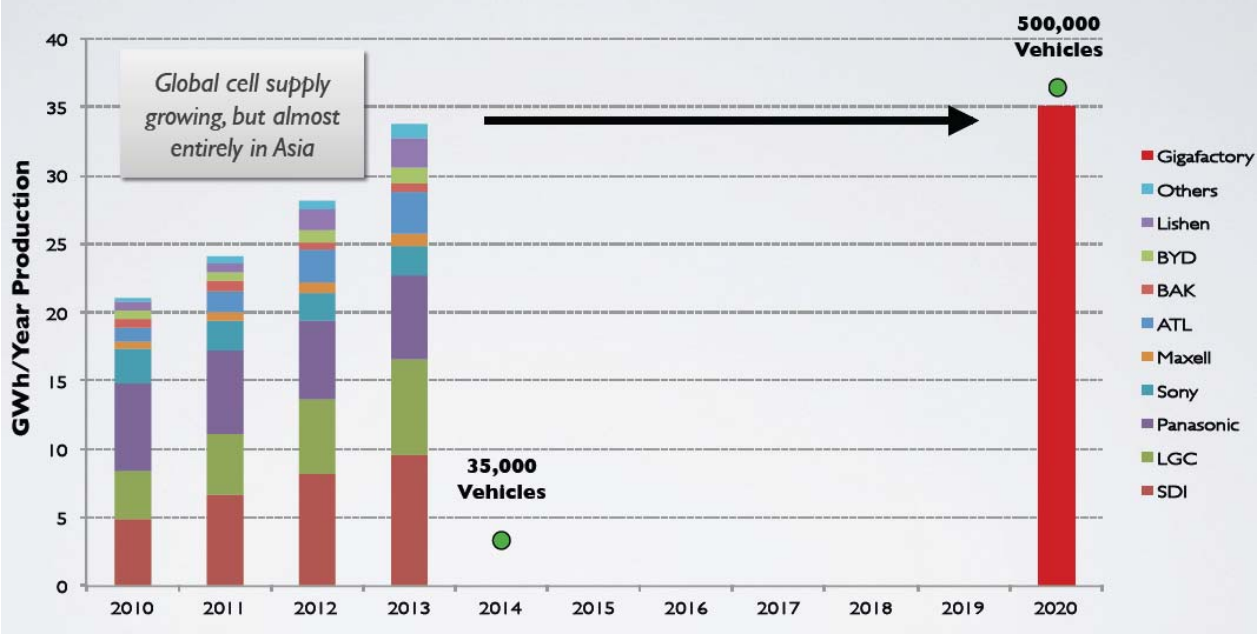
** to Rotterdam as prices are CIF Europe - for North American producers 10,000t is assumed to be sold in NA

NA prices are higher than European due to transportation costs, this premium offsets some of the cost of shipping balance to Europe

*Source: Northern Graphite, Secutor*

**Unprecedented Growth in Battery-Grade Graphite Demand to be a Major Market Theme.** Tesla has stated that it is targeting annual sales of 500,000 electric vehicles beginning in 2020. The carmaker has plans to build and operate a gigafactory with 35 GWh of battery production capacity to supply the electric batteries for its cars, potentially expanding to 50 GWh. Beginning in 2020, when the factory is expected to operate at full capacity, industry experts estimate that Tesla's gigafactory alone could increase demand for battery-grade graphite by 126,000 tonnes annually, from current demand levels of approximately 90,000 tonnes.

**Tesla Gigafactory Planned Production**




*Source: IIT Takeshita*

An electric vehicle battery contains up to 70 kilograms of graphite, typically containing between 25 and 50 kilograms of graphite. A hybrid electric vehicle battery typically contains 2 kilograms of graphite, but can contain up to 10 kilograms of graphite. Natural flake graphite has to be processed and converted into spherical graphite before being suitable for use in lithium-ion batteries, and low spherical graphite yields are a common occurrence for deposits in the industry. Industrial Minerals estimates that in a base case scenario, an additional annual supply of 93,000 tonnes of flake graphite would be required to produce the estimated 28,000 tonnes of spherical graphite required for electric vehicle battery production at Tesla's gigafactory. Industrial Minerals' optimistic case scenario projects an increase of 140,000 tonnes in annual flake graphite demand to support the production of 42,000 tonnes spherical graphite. Industrial Minerals projects that the Tesla gigafactory and its battery requirements for 500,000 cars creates the need for up to six new mines in the base case scenario and nine new mines in the bullish case scenario. In order to fulfill the requirements of other manufacturers, additional graphite mines will be required.

Beyond Tesla, there are a multitude of companies attempting to expand their share of the electric vehicle market, which are likely to contribute to additional demand for electric vehicle batteries. There are over a dozen other companies developing or producing electric vehicles, including major industry players (see table 3). From 2004 to 2010, annual electric and hybrid vehicle demand increased from 157,000 to 735,000 units, a CAGR of ~29%. By 2020, annual electric vehicle demand is projected to be 4 million, implying an annual growth rate of 18% in demand from 2010 to 2020. Given the remarkable growth in the market in the recent past, it does not seem unreasonable to contemplate that electric vehicle demand will continue to grow at an ~18% growth rate.

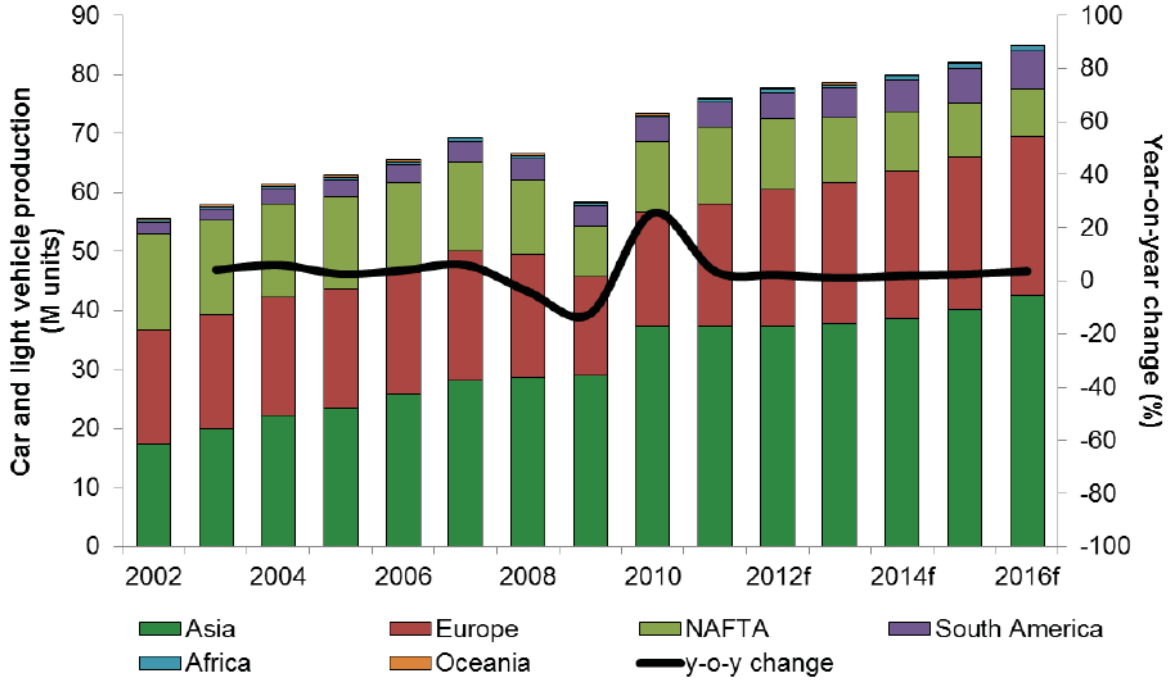
**Table 3: Electric Vehicle Offerings and Specifications**

| Automaker | Model | Electric power cons. (kwh/100km) | Charging time | Range | Price | Launch date | Comment |
|---|---|---|---|---|---|---|---|
| Think Global AS | Think City | | 13hrs | 180km | €20-25 k | 2007 | |
| Tesla | Roadster | 14 | 3.5hrs | 350km | €75 k | 2008 | |
| Mitsubishi | i-Miev | | Quick-charge: 80 percent in 30 minutes; household charger (200V): 100 percent in ca. 7hrs | 160km | €35 k (will be skimmed along production volume; target price: €15k) | 2009 | |
| Subaru | Plug-In Stella | | Quick-charge: 80 percent in 15 mins; household charger (200V): 5hrs | 80km | €24 k (including a subsidy of €10 k by Next Generation Vehicle Promotion Center) | 2009 | |
| BYD Auto | E6 | 18 | Quick-charge: 50 percent in 10 minutes | > 400km | Pre-sale: 200.000yuan (€20.000) | Second half of 2009 | |
| Nissan | Leaf | | Quick-charge: 30 minutes | 160km | Comparable to a traditionally propelled vehicle* | 2010 | * Battery not included in end-customer price; must be leased |
| GM | Volt | | 10hrs (120V) | 64km | €30 k | 2010 | Range Extender |
| Renault | Kangoo Be Bop Z.E. | | Quick-charge (400V, 64A): 100 percent in 30 minutes; household charger: 4-8hrs | 160km | €21 k | 2011 | |
| Ford | Focus | | | | | 2011 | |
| Toyota | All-electric urban commuter | | | | | 2012 | |
| Tesla | Model S | | Quick-charge: 45 mins | 255-480 km | €50 - 60 k | 2012 | |
| Daimler | Smart EV | | | | | 2012 | |
| Volkswagen | | | | | | 2013 | |
| BMW | Megacity Vehicle | | | | | 2014 | |

*Source: Deloitte*

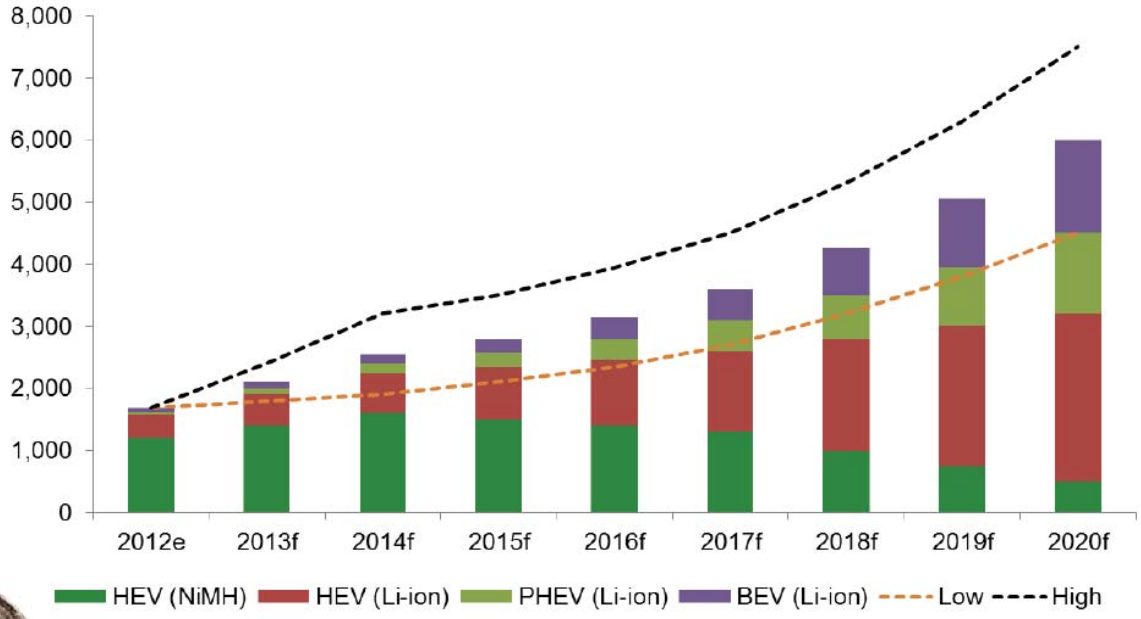
Boston Consulting Group forecasts a very optimistic scenario of the adoption of electric vehicles. The consultancy estimates that by 2020, 14 million cars sold annually will have electric or hybrid power trains, and that 11 million of these vehicles will be equipped with lithium-ion batteries. In 2014, global new vehicle sales surpassed 80 million, and annual global demand for new vehicles is expected to increase to 117 million in 2020. Boston Consulting Group estimates that in a base case scenario, electric and hybrid vehicles will make up 3% to 5% of the passenger vehicle market share in developed markets. China has also said that the country plans to have 5 million electric vehicles on its roads by 2020, representing approximately 7.5% of its passenger car market share. Boston Consulting Group predicts that the electric car battery market will be worth US$25 billion by 2020, and could be valued at up to US$60 billion in a bullish case scenario.

**Global Car and Light Vehicle Production**




*Source: Roskill*

**Global Production Forecast of Electric Vehicles, Hybrid Electric Vehicles (HEV) and Plug-In Hybrid Electric Vehicles (PHEV) (000s of Units)**

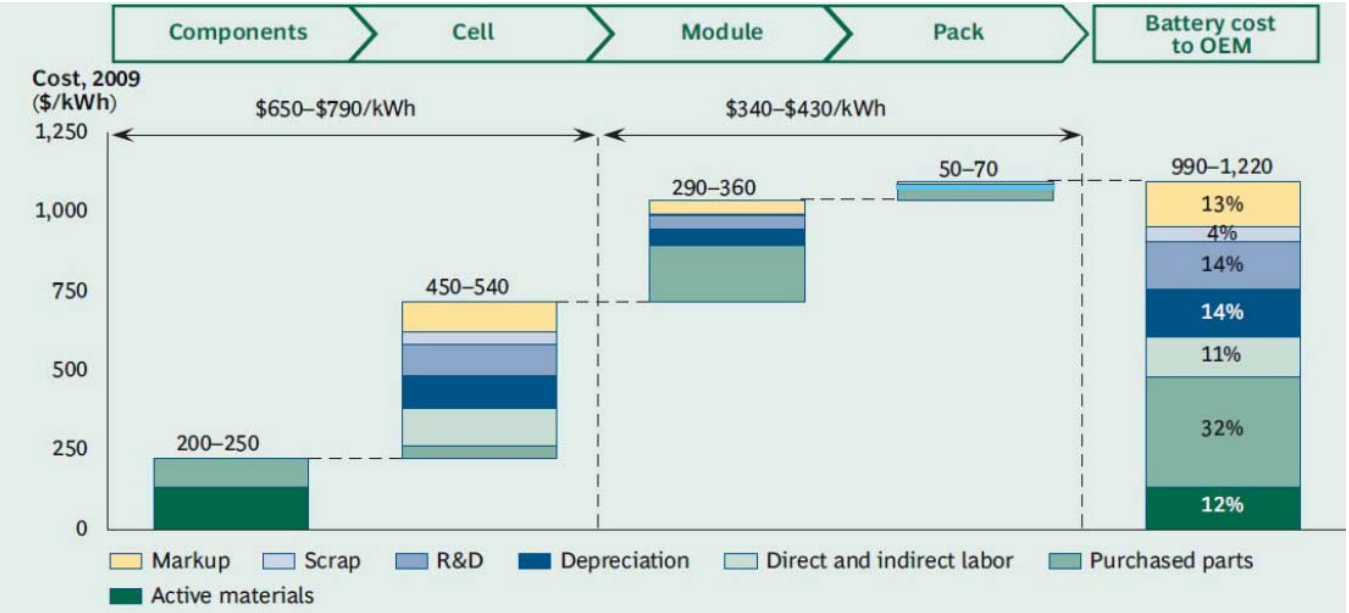



*Source: Roskill*

**Cost Concern Likely to Propel Switch from Synthetic to Natural Graphite Use in Electric Vehicle Batteries.** Part of the motivation behind Tesla's decision for building an electric vehicle battery factory is cost reduction. The Company has stated that it is targeting a reduction in lithium-ion battery costs of 30% per kWh of capacity. Currently, the cost of an automotive battery pack is estimated at US$1,100 per kWh. The United States Advanced Battery Consortium has also set a cost target of US$250 per kWh for automotive battery packs by 2020. While this appears to be a very optimistic target, the industry has resolved to reduce the costs of electric batteries and electric vehicles in order to facilitate their adoption by consumers and to reduce the barriers to owning an electric vehicle.

It is estimated that the costs of the raw inputs, including key components lithium, graphite and cobalt, make up 70% of a lithium battery's cost. Boston Consulting Group estimates that by 2020, materials and purchased parts will continue make up almost half of a batteries' cost. A lithium-ion battery contains 10 to 15 times more graphite than lithium by weight and, due to manufacturing process losses, 30 to 40 times more graphite than lithium is used during manufacturing. Reducing the cost of inputs in batteries, is likely to be an area of focus for Tesla.

**Electric Battery Cost Components**




**Sources:** Interviews with component manufacturers, cell producers, tier one suppliers, OEMs, and academic experts; Argonne National Laboratory; BCG analysis.
**Note:** Exhibit shows the nominal capacity cost of a 15-kWh NCA battery and assumes annual production of 50,000 cells and 500 batteries, as well as a 10 percent scrap rate at the cell level and a 2 percent scrap rate at the module level. Numbers are rounded.

*Source: Boston Consulting Group*

Currently, the battery graphite market is bifurcated between natural flake and synthetic graphite. The battery graphite market is estimated at 80,000 tonnes of finished coated anode material, with natural graphite accounting for about 50% of the demand, and synthetic graphite accounting for the other half of the demand. Tesla uses synthetic graphite for the manufacture of its batteries. Synthetic graphite is produced from petroleum coke, at a cost several-fold that of natural flake graphite. The cost of synthetic graphite anode material is currently over $20 per kilogram, whereas the price for natural graphite based anode material ranges from $8 to12 per kilogram, and can produce batteries with a higher capacity.

While synthetic graphite production can achieve a consistent product with high purity levels, a high-grade, large flake graphite product, such as the one from Bissett Creek, could potentially be a good replacement for synthetic graphite used by some battery producers.

**Base and Expansion Case Economics Make Sense.** In September 2013, Northern Graphite released a feasibility study update for Bissett Creek, which outlined an open pit operation with a throughput of 2,900 tpd and a mine life of 28 years based only on proven & probable reserves. Only 23% of the global resource is in the proven & probable category, and the mine life based on global resources would total over 100 years, which demonstrates that the mine can be significantly expanded.

The 2013 feasibility study update outlined annual production of 20,800 tonnes of a 94.5% Cg graphite concentrate with 12.5 million tonnes of ore grading 1.26% Cg stockpiled in the early years of operation for processing at the end of the mine life. The life-of-mine strip ratio was estimated at 0.79, and 0.24 including the low-grade stockpile. Mill recoveries were estimated at 94.7%.

The Company estimated initial capex of $101.6 million for the 2,900 tpd operation, including a $9.3 million contingency. Sustaining capital costs over the mine life of the project were projected at $43 million. Operating costs were estimated at $795 per tonne of concentrate over the mine life, with an estimated operating cost of US$675 per tonne of concentrate during the first ten years of operation. The Company projected revenues of US$1,800 per tonne of ore mined based on current graphite market pricing. The Company's base-case scenario outlined a pre-tax NPV8% of $129.9 million and IRR of 19.8%, and an after-tax NPV8% of $89.3 million and IRR of 17.3%. At a bullish case price scenario of US$2,800 per tonne of graphite concentrate, after-tax NPV8% would increase to $252 million and IRR would increase to 32.8%. All of these metrics are based on a CDN/US exchange rate of $0.95 and are considerably better at current levels.

The flowsheet for Bissett Creek is relatively simple, with a conventional crushing, grinding, and flotation circuit, followed by drying and screening of the various graphite categories. The deposit does not require thermal or chemical processing to liberate the graphite. The Company anticipates that the operation will require five 1 MW generators, and will be powered by compressed natural gas, which will be trucked from the main Trans-Canada line located 15 kilometres away, resulting in an estimated cost of $0.09 per kWh of power.

In June 2014, the Company also published an update for the preliminary economic assessment (PEA) expansion scenario. The PEA was completed to demonstrate the ability to meet higher potential demand from graphite consumers, such as Tesla. The Company's initial October 2013 expansion case PEA assumed that plant capacity would be doubled to 5,800 tpd following the third year of operation. The PEA update outlined an operation with throughput of 5,800 tpd from the first year of operation, with average annual production of 33,183 tonnes of graphite concentrate over a 21 year mine life. The mine plan in the expansion case scenario was based on the processing of 24 million tonnes of ore grading 2.20% Cg, followed by the processing of 16.1 million tonnes of stockpiled ore grading 1.26% Cg. The strip ratio was expected to average 0.25 over the mine life. Operating costs were estimated at US$660 per tonne of concentrate production.

In the PEA update, the Company estimated initial capex for the operation of $134.1 million, including a 10% contingency. Sustaining capital costs over the mine life were projected at $55.1 million. The expansion scenario returned a pre-tax NPV8% of $264.7 million and IRR of 31.7%, and an after-tax NPV8% of $178.9 million and IRR of 26.7% based on an average price of US$1,800 per tonne of graphite concentrate. At a price of US$2,300 per tonne of graphite concentrate, after-tax NPV8% would increase to $310.6 million and IRR would increase to 38.5%.

Due to its characterisation as a high-grade, large flake deposit, Bissett Creek is able to obtain higher margins than many other graphite deposits currently in development (see table 2).

**Optimization and Test Work Continue to Prove that Bissett Creek Graphite Works.** Northern Graphite is systematically continuing to advance the Bissett Creek deposit, showing that the characteristics of the deposit's graphite will make it a viable contender for use in electric vehicle batteries. The Company has shown that the graphite contained in concentrate can be upgraded into spherical graphite. Importantly, the deposit's spherical graphite yield is 50%, meaning that two tonnes of flake graphite are required to produce one tonne of spherical graphite. This is well in excess of the industry average of ~30%. Northern Graphite also believes that it can further improve on the deposit's spherical graphite yield with additional optimization work. Metallurgical tests and subsequent bench scale tests on Bissett Creek have also showed that the resulting spherical graphite can consistently be purified to +99.95% Cg. Converting flakes to spherical graphite is a value added process, allowing the product to sell for ~$3,500 per tonne.

Northern Graphite also demonstrated that it can coat its graphite product using a proprietary technology process. The selling price of coated spherical graphite is approximately three times the price of the uncoated product, approximately $10,000 per tonne of coated graphite. A large portion of the graphite produced in China is currently sent to Japan for coating, and the ability to coat graphite in-house would reduce risks in the supply chain, as well as potentially reduce costs.

In March 2015, Northern Graphite confirmed that independent testing verified that its product meets or exceeds the requirements of major graphite end markets based on moisture content, ash content, purity, expansion volume and volatile matter.

Northern Graphite has also shown that on a small-scale, its product can be upgraded for use in lithium-ion batteries in an inexpensive and eco-friendly manner. The economics of an upgrading facility have not yet been included in the Company's economic studies.

**Near-Term Production on the Horizon, but Contingent on Successful Project Financing.** Bissett Creek is a relatively simple, advanced-stage project which could be in production by late 2016. The project is well advanced in the permitting stages and in 2013, the Ministry of Northern Development and Mines (MNDM) accepted Northern Graphite's amended mine closure plan (MCP), which permitted a processing plant using flotation technology up to a processing capacity of 2,900 tpd.

The Company hopes to secure financing to fund the start of construction in the first half of 2015. With construction beginning in mid-2015, the project could already be in the commercial production in late 2016.

Northern Graphite has already had some initial success on the financing side of the project. In January 2013, the Company announced that it had signed an indicative term sheet with Caterpillar. Caterpillar may provide the Company with US$17.5 million of equipment financing. Furthermore, Caterpillar will contemplate participation in the Company's project debt facility.

In January 2015, Northern announced the appointment of Endeavour Financial Limited, a UK-based, resource-focused merchant bank, as the exclusive advisor tasked with negotiating offtake agreements, negotiating and structuring strategic partnerships, as well as raising debt financing for Bissett Creek.

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| Ticker | Company | 1 | 2 | 3 | 4 | 5 | 6 |
|---|---|---|---|---|---|---|---|
| NGC-V | Northern Graphite Corporation | | | | | X | |
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