Michael S. (Mickey) Fulp

www.MercenaryGeologist.com

Contact@MercenaryGeologist.com

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Graphite: The Newest Next Big Thing

New York May 15, 2012

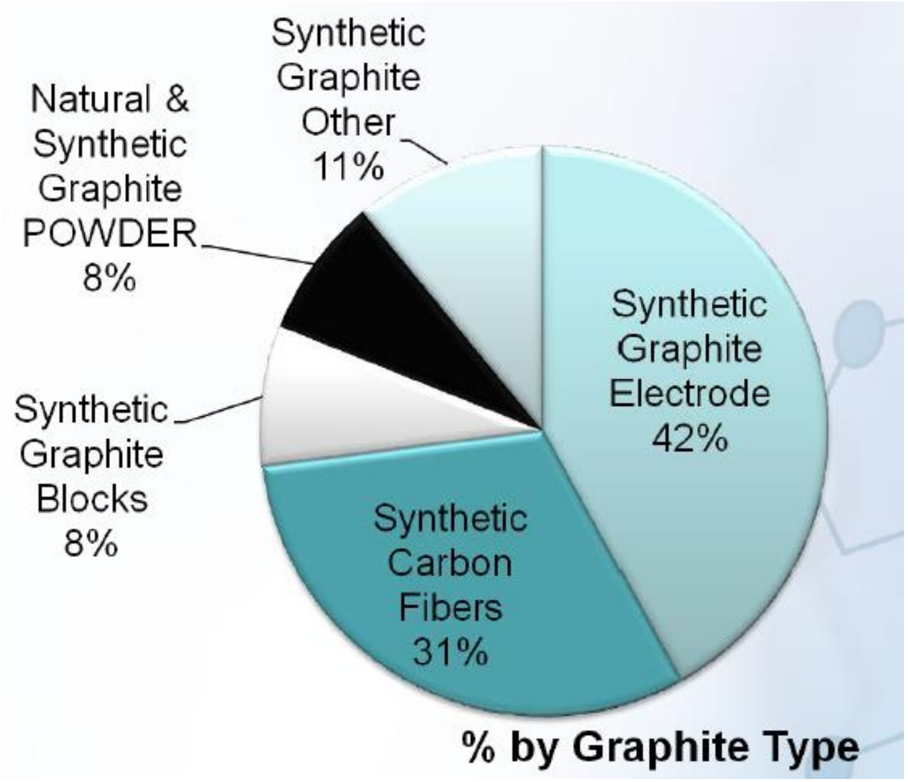
Michael S. (Mickey) Fulp, M.Sc., C.P.G. www.MercenaryGeologist.com

Graphite Market: Three Sectors

- Synthetic Graphite $ 8.0 billion
- Carbon Fiber $ 4.0 billion
- Natural Graphite $ 1.0 billion

  Vein 1 %, Flake 49 %, Amorphous 50 %

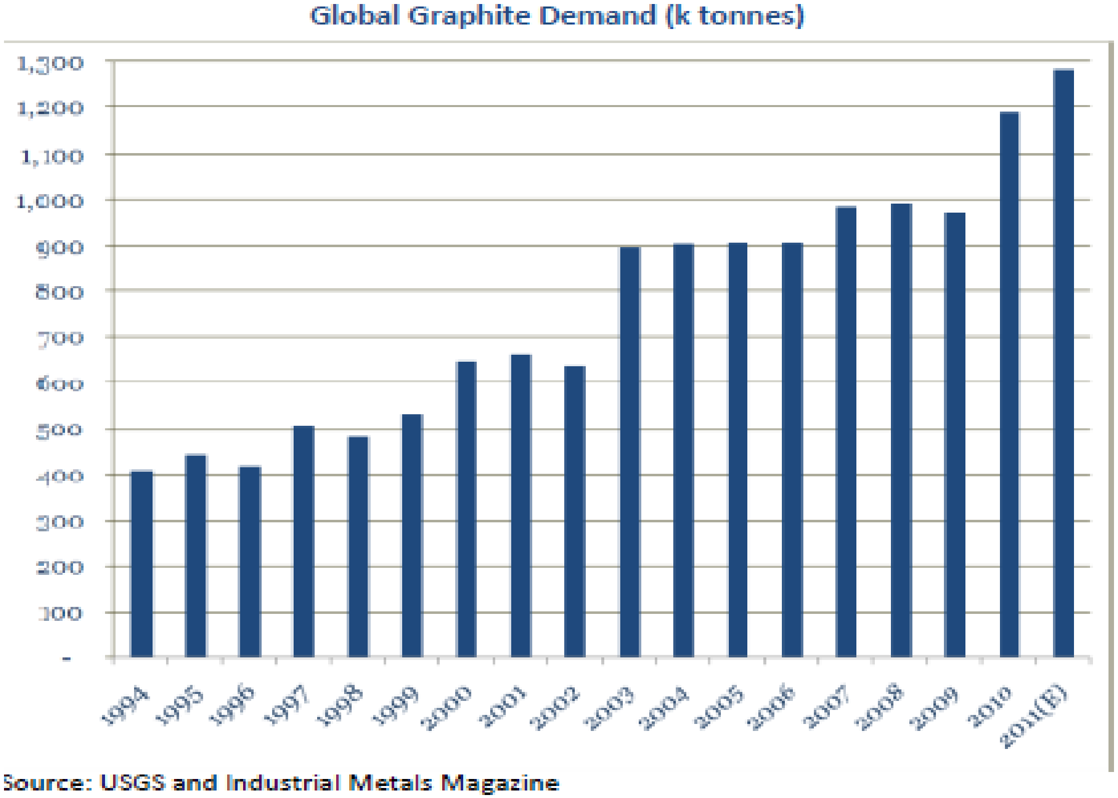
World Graphite Market (Ashbury Carbons)



Natural Graphite Supply

- 2011 Mine Supply : 1.1 million tonnes
- China: 75 % of World Production
- Brazil, N. Korea, Canada, India, Romania
- Norway, Ukraine, Mexico, Madagascar
- Russia, Austria, Turkey, Sri Lanka, Others

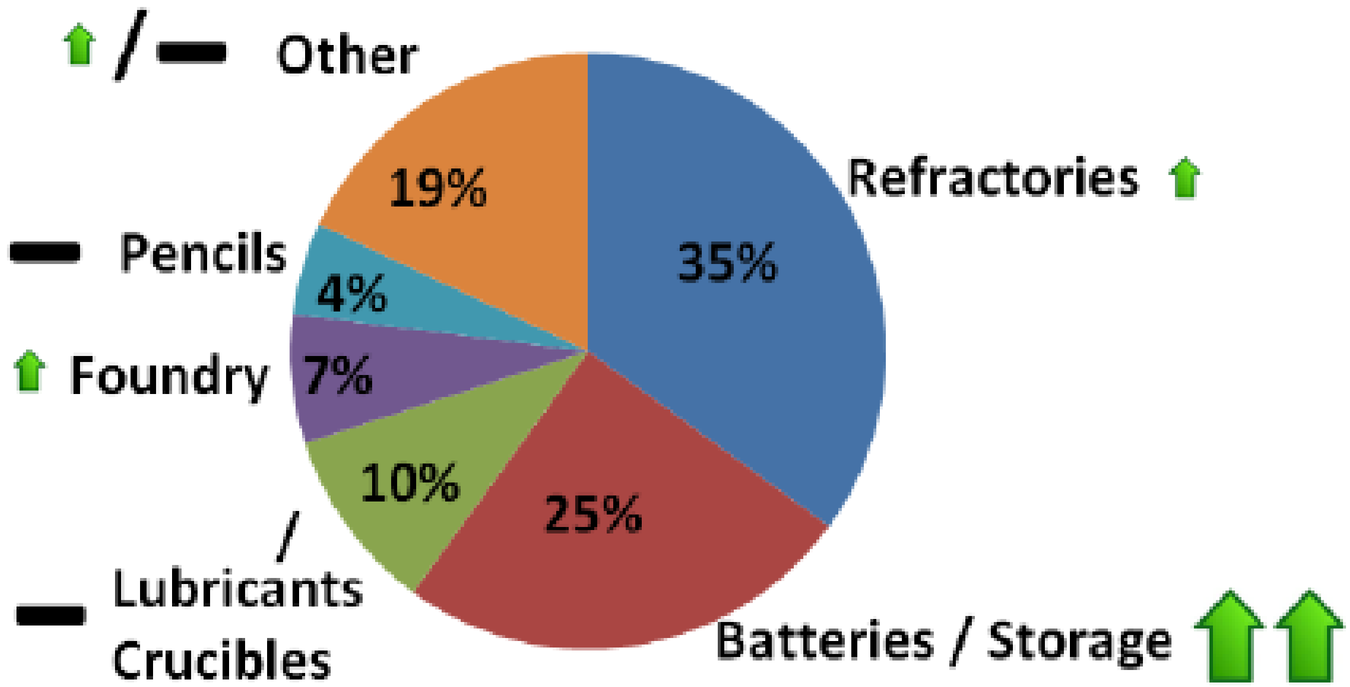
Natural Graphite Demand



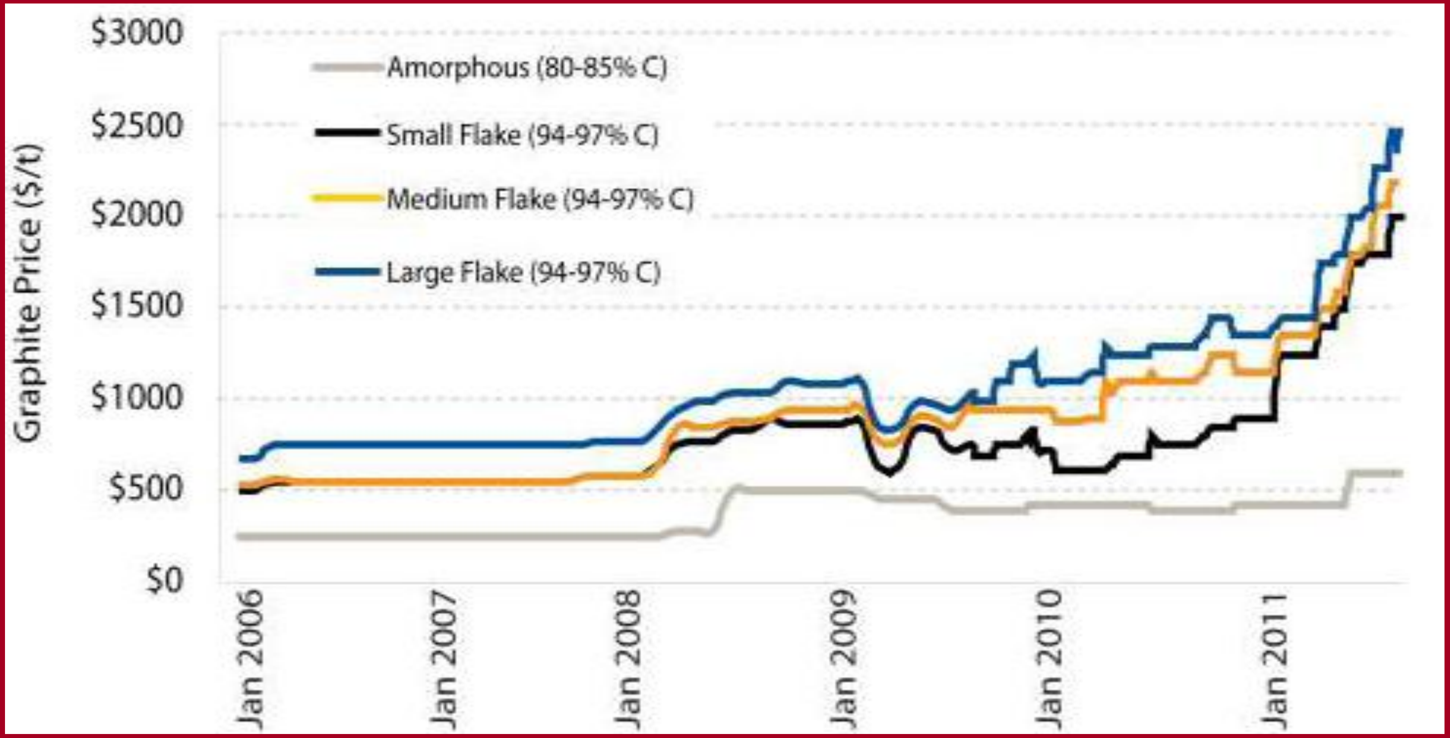
Natural Graphite: Five Products

- Vein or Lump: High - Priced; Sri Lanka
- Large Flake: +80 mesh; 94-97 % Cg
- Medium Flake: 80 to 100 mesh; 94-97 % Cg
- Fine Flake: 100 to 300 mesh; 94-97 % Cg
- Amorphous: -300 mesh; 80-85 % Cg

Natural Graphite Uses (Industrial Minerals.com)



Natural Graphite Prices (Flinders Resources Ltd)



Graphite Company Catalysts

- Demand > Supply = Price Increases for Flake
- New Tech Advances : > Flake Graphite Demand
- China : Mostly Amorphous; Small UG Mines
- Western World : Supply = Unreliable & Capricious

Chinese Domestic Demand

- Steel, Foundry, Refractories, & Automobiles
- Export Taxes, VAT, & Licenses; Quotas Coming ?
- Consolidation into State Monopoly
- Problems: Labor, Enviro, Infrastructure, Transport

Graphite Deposits & Mines

- High - Grade Metamorphic Rocks
- Small Deposits Thru Out World
- Past - Producers in Many Countries
- Chinese Cut Prices & Flooded Market
- Late 1990s to Early 2000s

Graphite Companies: Project is Key

- Advanced Deposit or Former Mine
- Geopolitically Stable & Mining - Friendly
- Infrastructure: Highway, Power, Water, Port
- High - Grade & High % Flake
- Open - Pit & Low Strip Ratio
- Metallurgical Process (% Concentrate)

Graphite Beneficiation

- Mineral Industry = Standard Process
- Crush, Grind, Float, Dry, Pack, Ship
- Often Requires Multi - Stage Grind / Float
- With Reduction in Flake Size Distribution
- Concentrate > 94 % Cg
- Potential Fatal Flaw

Graphite Mines & Companies

- Low Capex : < $100 million
- Financing: Off-Take Contracts, Private Debt
- Avoid Equity Dilution
- Lowest Quartile Operating Costs
- M&A: Synthetic & Carbon Fiber Companies
- Mine to Market Companies

Junior Graphite Bubble

- Few Contenders & Many Pretenders
- May 2011: 2 Graphite Companies
- May 2012: 50 Graphite Companies
- Cream of the Crop:

  Project, Share Structure, People

Cream of the Crop = Three Companies

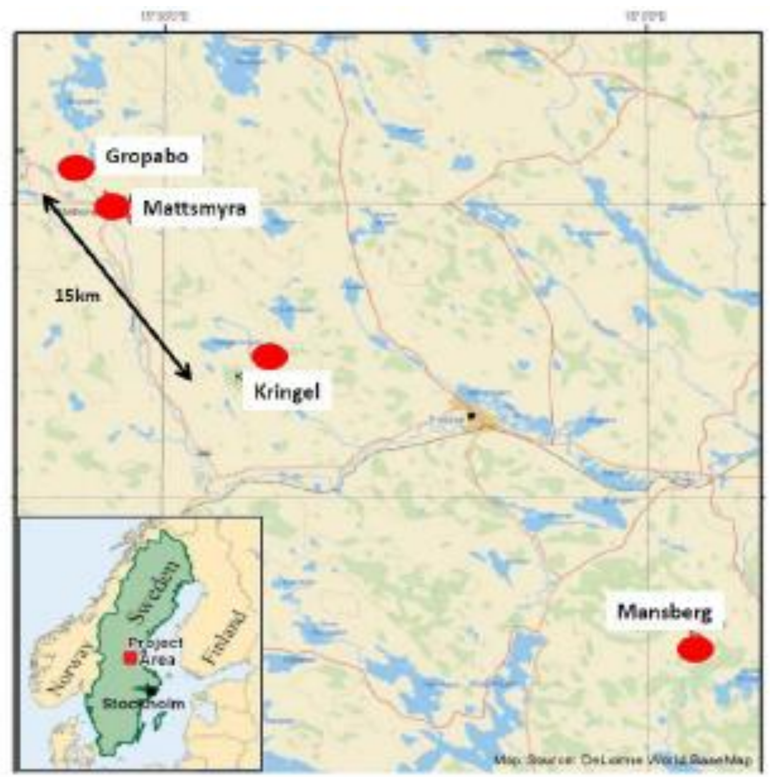
- Flinders Resources Ltd Sweden
- Focus Graphite Inc Quebec
- Northern Graphite Corp Ontario

- Galaxy Capital Corp Ont & Que (?)

Flinders Resources Ltd

- Central Sweden : Stable & Mining - Friendly
- Past - Producing, Permitted Mine & Mill
- Open - Pit: 13,000 t /yr ; 100 % Flake
- Resources : 6.9 mm t at 8.8 % Cg
- Financed to Production : Capex $\leq$ \$20 mm
- Commercial Production : Early 2014

Woxna Project, Sweden



Kringle Mine & Mill, Sweden

Monday Morning Musings from Mickey the Mercenary Geologist

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