Please describe Zenyatta Ventures to readers less familiar with your company

Zenyatta Ventures (TSXV: ZEN | OTCQX: ZENYF) is a junior graphite company based in Canada with a graphite deposit that is entirely different than the numerous flake graphite deposits of dozens of juniors. The unusual mode of formation, through igneous hydrothermal processes, accounts for the superior purity and crystallinity of graphite found in this one of a kind deposit. The Albany project, located in northern Ontario, is the largest & only, “high purity’ hydrothermal graphite deposit being developed in the world.

Hydrothermal graphite deposits are the purest in nature, but extremely rare. Dr. Andrew Conly (Associate Professor, Department of Geology at Lakehead University) observed,

“Evidence has shown that Zenyatta has discovered a unique sub-class of a hydrothermal graphite deposit unlike any other. Igneous breccia-hosted graphite deposits like Albany are very rare, and to the best of my knowledge, none are currently being mined or even in an advanced stage of
exploration globally. Our on-going research of the Albany deposit will establish the first genetic model for this distinctive type of graphite.”

The Albany project is close to roads, rail, people and power. We have a NI 43-101 compliant Indicated resource of 977k tonnes of graphitic carbon and an inferred resource of 441k tonnes. RPA Inc. expects to release a Preliminary Economic Assessment (‘PEA’) in the later half of the 4th quarter. The upcoming PEA technical data will include among other items: open pit mining methods, metallurgy and processing, infrastructure, environment, manpower requirements, marketing and price assumptions, capital and operating costs, life of mine plan and execution plan.

How important was Zenyatta’s press release on September 2nd regarding the market update of your pilot plant and metallurgical studies?

We updated the market on our ongoing pilot plant flotation and metallurgical testing in which we went from bench scale testing in grams to producing kilograms of material. The flotation pilot plant results confirmed earlier testing and produced a concentrate that has been upgraded to a high purity and highly crystalline product. This result further de-risked our project. In addition to achieving 99.95% purity, testing showed less than 0.05% of deleterious materials such as sulfur and boron. More importantly, we got there using a low cost and environmentally sound process. We don’t use aggressive acids and/or a costly thermal process.

The company stated that over 20 potential end users are starting to evaluate your graphite. Where are samples being sent?

That’s correct. So far, we’ve sent samples to prospective customers in Europe, Japan and the U.S. Sample sizes are typically 1-2 kg, but some ask for more or less than that.
Each prospective customer has signed a confidentiality agreement. Another 10 or more research institutions and testing facilities are studying our deposit and receiving samples as well. A great deal of research is under way globally related to high purity graphite. While we are at the PEA stage, demand for Zenyatta graphite samples and interest in our deposit has been strong. Zenyatta’s team is in early stage discussions with multiple parties. Everything is on the table, but again these are early stage talks.

A clear takeaway from my recent trip to Japan and from other sources is that everyone wants to source graphite outside China. NOTE: Mr. Eveleigh commented in last week’s press release,

“Generally speaking, corporations interested in Zenyatta’s graphite product are looking for large tonnage (long-life), high quality ‘raw material’ resources capable of producing a superior and consistent high purity product. They also have a strong interest in an environmentally sound and cost-effective process in a politically stable jurisdiction.”

Why do you talk about competing with synthetic graphite, while other graphite juniors do not?

I’m not sure that other graphite companies are looking at the high purity synthetic graphite market. Most flake graphite companies are looking at the refractory market and trying to enter the battery market as well. We watch the synthetic market very closely and learned a lot about this sector after Bharat Chahar and Tadashi Yamashita joined the Zenyatta team. They were formerly in charge of ConocoPhilips’ global synthetic graphite department. We believe our material can compete with the high purity synthetic graphite and none of our recent pilot plant results or metallurgical testing suggests otherwise.

How large is the synthetic graphite market?
The synthetic graphite market is roughly a 1.5mm tonnes per year market worth about $13-$14 billion. Zenyatta will not address the entire market, just about 20% of it. For example, we are not looking to get into carbon fibers or large electrodes.

When might Zenyatta reach initial production?

I can’t comment on when we will reach initial production. I will leave that to RPA Inc., the independent firm doing our PEA. That work should be complete by the end of the year. Much of the data required by RPA is now in the hands of Third parties, so we are not in a position to move the process any faster or comment. We believe with last week’s press release that we are graduating from an exploration to a development company. Next year we plan to complete a Pre-Feasibility Study followed by a Bank Feasibility Study, (‘BFS’) if all goes well.

How will your company fund the project?

Like most sizable projects, we expect to use a combination of strategic investors, off-take agreements, project level investment and debt facilities after a positive BFS. There’s a chance that we may not have to go to equity market. I think that the PEA could be a real catalyst, generating further interest in our company and significantly de-risking the Albany project.

Please describe Zenyatta’s access to roads, rail, labor, power and other key infrastructure?

Northern Ontario has access to all of that. Our location is not as remote as many people assume. For example, the Albany project is less than 10 kms from logging roads and 30km from the Trans Canada Highway and A gas pipeline. The project is only 70km from a railway. The two closest towns are Constance Lake First Nation and the town of Hearst. We believe the populations of these 2 towns can provide enough personnel for
our operation. Ontario is a great jurisdiction to work in. In 2013, Ontario ranked in the top 10% of the, “Best Practices Mineral Potential Index” category of the annual,”Fraser Institute of Mining Survey,” and in the top quartile overall.

Can you comment on China’s role going forward in the graphite market?

China wants to keep more and more of its graphite domestically, not to ship it to Japan for final processing and use in Japanese-made electronics and Electric Vehicle batteries. China wants to make the batteries itself. The same can be said for China’s rare earth market dominance and for other commodities. But, China has a severe problem and terrible reputation with its lack of environmental and labor standards. The junior flake companies will have to compete on cost with Chinese flake graphite. But China does not have a hydrothermal graphite deposit like Zenyatta.

Do you have a view on Syrah Resources? Some fear they will flood the market with graphite...

Syrah Resources’ flake graphite project is located in Mozambique. It is in a large metamorphic belt consisting of numerous flake graphite deposits stretching across several countries in Africa. Geologically speaking, flake graphite is not rare globally and certainly not rare within this belt. All flake deposits, whether in Africa or elsewhere, must compete against Chinese flake graphite deposits on cost. Dr. Andrew Conly,

“In contrast to more commonly occurring flake and amorphous graphite deposits, the unusual hydrothermal style in the Albany deposit can be processed, at a cost advantage, to yield high purity, crystalline graphite ideally suited for advanced high-tech applications.”

How do you perceive the investment proposition for those
looking at your company? Why should investors buy Zenyatta?

I think that there are too many competitors in the flake graphite space. Zenyatta has something different and is going after a different market. We have a unique, clean in the ground, cost advantaged and environmentally superior form of graphite. If one believes that, then one should understand that we are truly one of a kind. We think we have something special at Zenyatta. Simply put, that’s our value proposition.

What company-specific risks keep you up at night?

We have the same company specific risks that almost any other miner probably has. However, I think the biggest risk for most juniors is that of another global economic crisis. That would slow the adoption of fuel cells, batteries, pretty much everything. In a severe downturn, the growth in renewables would likely slow, especially if oil and natural gas prices were to fall.

Are there misconceptions about Zenyatta that you would like to address?

Some detractors of our company still make questionable claims about our deposit, but fewer and fewer people do that in a public forum. I invite any analyst or geologist who would like to see our deposit and speak with our team to visit the site. Then I challenge anyone to claim that what we have is not special and unique. I think that our PEA will put to rest some of the comments by detractors, as that report will address many of the issues that some have raised. Finally, it should be clear from our interview that we are not like the flake graphite juniors who are operating in a highly competitive market where many pundits believe only a handful of the dozens will survive.

Dr. Conly also noted that,

“The far more common flake type (sedimentary) graphite
deposits form through a completely different geological process. Flake graphite commonly occurs globally in metasedimentary rocks as a result of the conversion of organic matter through regional or contact metamorphism. Graphitization of organic matter is well understood to be due to heating and compression of organic matter in situ over a long period of time and this process results in graphite that contains various impurities.”

Once one better understands our unique hydrothermal deposit, I think that the takeaway is that Zenyatta is very well positioned and worth considering as a compelling investment opportunity.