

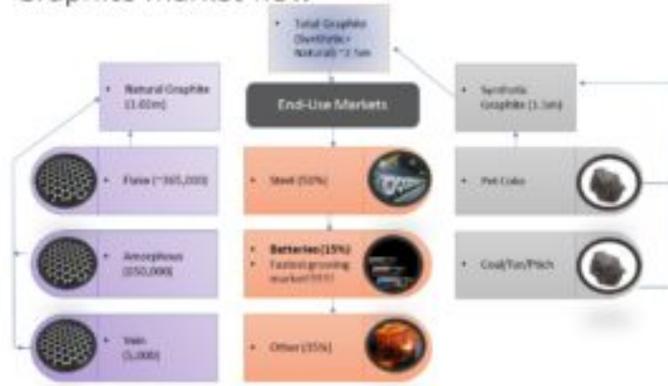
Analyst describes Northern Graphite as a near-producing, lean, capital efficient junior

Northern Graphite Corp. (TSXV: NGC | OTCQX: NGPHF) (“Northern Graphite”) is set to start mine construction this year, with the view of commencing commercial production as early as 2018. The deposit -an open pit operation, promises a cheap operating rate, capable of producing graphite flake concentrates at \$640/tonne, which is less than half of the current market rate of around \$1,700/tonne.

Northern Graphite’s Bissett Creek’s flake deposit is impressive. It is located in Eastern Ontario, has a life of mine of 28 years and is targeting an initial production of 20,800 tpa. From a financial perspective, Northern Graphite has zero debt and US\$1.2 million in capital, which, for a mining junior not yet in production, is no small feat. Most importantly, the mine is scaleable and the expansion is a fairly cheap undertaking. This allows Northern Graphite to take full advantage of market conditions and increase production in line with market demand.

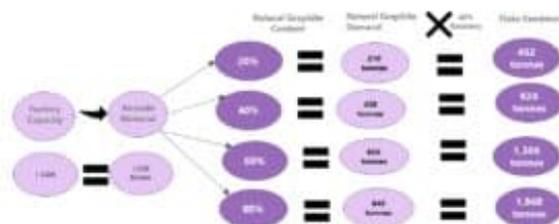
If one considers investing in graphite, flake graphite is where you want to be. Not only are the fortunes of flake graphite dependent on a growing battery market, as opposed to steel, but it is also driven by scarcity. The fact that there’s currently no flake graphite production in North America, makes Northern Graphite even more compelling. And in terms of pricing, flake graphite is directly affected by the level of purity. From this vantage, the fact that Northern Graphite has just announced an upgrade in the purity of its concentrate to 97.9% is extremely valuable.

Graphite market flow



The majority of the available graphite is synthetic, derived from pet. coke and coal tar. From an end-use perspective, batteries comprise only 15% of demand, but is the largest growth market.

How much additional flake graphite is required for every GWh of battery production?



It is estimated that every additional GWh of battery production requires between 462-1,848 tonnes of Graphite Flake feedstock. Given the expected growth in battery-propelled technologies, Flake Graphite has a bright future

What is more, Northern Graphite has developed a proprietary process in creating concentrate in a more environmentally responsible manner with an excellent recovery rate, both on

SPG and flake processing, creating the first viable and cost effective process to the traditional way of producing concentrate.

The company's management is highly experienced, lending credibility to the operation. Not only are they experienced in the mining arena and running successful businesses, but they also have experiences within the lithium, copper and gold mining spaces. They have proven that they run a tight ship and keep costs firmly under control, imbuing much confidence from an investor point of view.

We have seen that in the company's capital raising efforts, (the latest was in March, being the private placement that raised US\$2.5 million). The placement was oversubscribed, which Gregory Bowes, CEO of Northern Graphite, viewed as a reflection of the backing the company enjoys from its investors and a bullish outlook for the graphite market.

"The financing provides the means to continue moving forward with preparations for full project financing, construction and production," Bowes said about the oversubscribed placement.

To summarize, we like Northern Graphite as a near-producing, lean, capital efficient junior. Its capital expenses are low. It is cash positive with no debt. And it owns a world class flake deposit that is scaleable and is expected to grow investors' money in the years to come. As long as the graphite market fundamentals remain positive for Northern Graphite, we see the company soaring to new highs.

Tesla news bolsters confidence in Canadian graphite project

✘ Northern Graphite Corp. (TSXV: NGC | OTCQX: NGPHF) is a mineral exploration and development company that owns a 100% interest in the Bissett Creek graphite mining project located in eastern Ontario.

Northern's Bissett Creek mine is an advanced, pre-development stage project that completed its NI 43-101 Final Bankable Feasibility Study in 2013, and was recently granted its major environmental permit. Northern expects to commence construction in 2017, subject to the availability of financing and species-at-risk permit, both reported to be in advanced stages. Their company website states that the Bissett Creek project has the best flake size distribution and highest margin of any new graphite project, with the added advantages of low capital costs and realistic production targets relative to the size of the market.

A significant growth in demand for graphite is expected since it is essential to cell phones, cameras, laptops, power tools, etc. and applications of Lithium-Ion batteries (LIBs) continue to multiply. Both the EU and US have declared graphite a supply critical material. In 2013, the global graphite market was valued at US\$ 13.6 billion (including synthetic and amorphous graphite), and is projected to increase at 3.70% CAGR and reach US\$ 17.5 billion in 2020.

Tesla Motors' recently announced plans to manufacture lithium-ion batteries, further indicating a promising future for Northern's project as numerous countries strive to increase the uptake of electric vehicles, and experience increased demand for newer technologies such as grid energy storage

systems.

☒ China has recognised this dynamic and since 2012 has increased its imports of graphite exponentially, whilst at the same time, global supply actually fell from its peak in 2011 of 450,000 tonnes to 300,000 tonnes in 2015. This has left a gap to be filled by junior miners.

Northern expects that its plant will process up to 2,900 tonnes of material each day from commencement of production in 2018, with over 90% of the contained graphite being categorised as large flake, the highest in the industry. Over 28 years of operation an average of 20,800 tonnes of concentrate will be produced each year, at an average cash mining cost of CDN\$795 per tonne. The capital cost to construct the processing plant, power plant and associated infrastructure is estimated at a total of \$102m. Northern's feasibility study in 2013 used a weighted average price of \$1,800/tonne to value its concentrates, while prices have since come down, the outlook for graphite is positive, underpinned by solid fundamentals.

With respect to the junior graphite market, the majority are focused on producing flake graphite for batteries. Annual world flake graphite production is 370,000 tonnes, while it takes around 100,000 tonnes of flake concentrate to produce the anode material for 400,000 Tesla Model 3's. This implies that the 370,000 tonne flake market will have to increase by around 27% to service Tesla's requirements alone. Our last assessment was that graphite flake concentrate prices were trading at \$780-840/tonne (80 mesh, 94-97% Cg) in October 2016.

Northern announced this year that they have advanced their proprietary purification and coating technologies and joined forces with Elcora Advanced Materials Corp. (TSXV: ERA | OTCQB: ECORF), Nouveau Monde Mining Enterprises Inc. (TSXV: NOU), Metals of Africa Limited (ASX: MTA), Coulometrics LLC and a private industry partner to acquire a micronizing and spheronizing mill to produce spherical graphite ("SPG"), a critical step in the production of anode material used in LIBs. All natural based SPG is currently produced in China and

is purified using sulfuric and hydrofluoric acid, the method is unsustainable due to high levels of untreated waste and increasing demand for environmentally friendly alternatives. On October 27th 2016 Northern and its associates announced their mill was installed and operational.

The Bissett Creek project is in a politically stable authority only 15km from the trans-Canada highway and has easy access to the port of Montreal and north-eastern US markets. Its flat geography makes for easy future expansion and Bissett Creek has very attractive economics even at or below current depressed graphite price levels. Graphite deposits generally yield less than 15% XL flake and yet 50% of Bissett Creek's production will be XL flake, providing the Company with the choice of serving both the LiB and expandable graphite markets.