

# Deveron confidently acquires 66 claims towards enhancing their zinc and graphite rich Rockstone property

Deveron Resources Ltd. ('Deveron', TSX-: DVR) has started 2015 by acquiring 66 additional unit claims related to its zinc and graphite rich Rockstone Property, near Thunder Bay, Ontario, presenting very similar geological features to the core Rockstone property. Last November, Deveron filed a NI 43-101 compliant report with SEDAR. The acquisition, especially considering sluggish performance of the commodity sector, suggests that Deveron's management is confident about the quality of the deposit. Deveron's majority – 65.8% – shareholder is Greencastle Resources Ltd. ('Greencastle'). Deveron will pay Greencastle CAD\$ 150,000, investing some CAD\$ 2.0 million on exploration over the next three years, earning a 60% interest while retaining an option to acquire 100% interest by incurring all expenditures required to produce a bankable feasibility study.

Deveron has already examined conductive features identified during Greencastle's 2012 four-hole drilling campaign for further exploration, given strong evidence of a substantial base metal resource, including high grades of zinc, copper and graphite. One of the holes explored by Greencastle intersected a section of 24 metres containing 1% combined zinc and copper. Deveron has since re-tested it, finding that it contains graphite of up to 25% carbon. Should the volumes, as predicted are high, then the mining operation will be relatively easier and cheaper to extract than comparable projects, thanks to the availability of excellent infrastructure. Moreover, zinc is one of the few raw materials benefiting from steady or rising prices because of a production deficit, expected to last for

the next few years. Important zinc mines in Australia (the huge Century mine) or in Ireland (Vedanta) are slated for closure. Indeed, 2014 was quite good for zinc and 2015 could be even better.

Last summer zinc rose to a price of USD\$ 2,325 per ton, the highest price of the past three years (in 2010, zinc prices exceeded USD\$ 2,600/ton while in 2008 they reached USD\$ 4,000/ton). If it had not been for the existence of stockpiles, zinc prices could have risen even higher. As for the stockpiles, their presence does not mean that they will not somehow be depleted and if 2014 didn't produce record prices, 2015 could come rather close as both mine shutdowns and depleting stockpiles will create shortages of supply. The only risk to the bullish scenario is if China, which is the largest zinc producer in the world and its largest consumer, decides to ramp up production to take advantage – ironically of the higher prices. Currently, China is importing zinc because it is more profitable than producing it. Nevertheless, while the commodities sector decides to pick up, zinc is poised for a bullish performance in 2015. The zinc evidence from Deveron's Property suggests that the grades are high, given that northern Ontario has shown potential to yield zinc grades in the order of 6-8%.

Zinc demand in North America, meanwhile, is growing and the low oil prices should lead to better industrial sector performance, generating more demand for zinc. As for graphite, it is also poised for a strong year as automotive and large consumer goods manufacturers plan to build facilities for the exclusive purpose of making Li-ion batteries. Tesla Motors, BMW and Samsung have announced the expansion of their battery supply contracts. Northern Ontario has surprisingly good grades and varieties of graphite to offer and Deveron can expect to discover battery grade graphite. Such optimistic forecasts are good news for nickel producers in Canada as they seek funding and investors projects heading toward

feasibility.

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## Northern Graphite and Graphite One lead the graphite sector in the first week of November

✘ **Graphite Market Review** – Northern Graphite Corporation (TSXV: NGC | OTCQX: NGPHF) was one of the few market movers for the week ending on November 7, 2014, gaining 11.84% in Toronto and 9.45% at the OTCQX. The gains contrast with the combined average performance for Graphite companies (members of InvestorIntel) of -2.19%. Graphite One (TSXV: GPH | OTCQX: GPHOF) rose 4.35% in Toronto and 16% at the OTC; Great Lakes Graphite (TSXV: GLK) gained rose 7.69%, Focus Graphite rose 5.88% in Toronto and 5.26% at the OTC while Deveron Resources gained 8.82%. Overall, the fundamentals of graphite demand have not changed and none of the cited companies published any significant news to warrant a shift in market performance, whether up or down. Indeed, the lukewarm performance had far more to do with falling industrial metal prices at the London Metal Exchange, reflecting weaker economic signals from China. Meanwhile, more jobs were created in the US, which strengthened the US Dollar, hurting commodities.

The October economic indicators from China were lower compared to September, suggesting that the People's Republic continues to struggle – relatively speaking of course – to meet economic growth targets. Analysts are betting that the government will ultimately take further measures to support the economy, as

GDP predictions growth are at risk. Meanwhile, the economy in the Eurozone has remained under tremendous pressure. The EU Commission has lowered its growth forecasts for this year and the current year, the euro against the US dollar continued again under pressure. The US dollar index rose again significantly, making commodities more expensive for holders of other currencies, which in turn affects demand – lowering it. Even zinc, for which a demand bottleneck is expected in the coming years, suffered in the markets because of a demand problem in China – reflected by sharply lower sales of zinc intensive e-bikes.

Graphite is one of those raw materials that, even if needed in small amounts, are expensive because of the special property requirements. Graphite is still expected to experience strong demand growth in the coming years. Similar to rare earths, China is the market leader in the market for graphite, which is there but mainly used in steel production. Graphite is also needed to make graphene. Such graphite requires a purity of more than 99% and a handful of producers can deliver it. Apart from graphene, graphite is generating considerable interest and demand because of its use in Lithium-ion batteries, better known as Li-ion batteries. Northern Minerals was, as noted above, one of the few market gainers last week. At the end of October, Northern launched a lithium ion battery (“LiB”) research and testing facility to develop and test natural graphite based anode materials for LiBs aimed at improving battery performance, reducing costs and reducing the environmental impact of anode manufacturing. The facility will be available on normal commercial terms to any company, including Northern’s competitors – so long as results are shared with the public.

One of those competitors is **Focus Graphite**, which last week signed a Pre-Development Agreement with the Uashat Mak Mani-Utenam First Nation with respect to the graphite Lac Knife project. This is very important because failing to secure such

agreements can affect deeply affect a project, delaying or preventing governments from granting the relevant permits. Alabama Graphite, meanwhile, announced the conclusion of a warrants purchase in the amount of USD\$ 2.1 million.

**Alabama Graphite** now has a zero balance debt and it plans to use the remaining proceeds from the voluntary exercise of the Warrants for further exploration and development of the Coosa and Bama Mine Projects in Alabama (USA), initiating a preliminary economic assessment of the Coosa project to generate working capital.

**Great Lakes** announced the use of a more accurate “modified infrared (IR) graphite concentration test method to achieve a high level of accuracy. Great Lakes is moving aggressively and it has set some important targets for the next few months with the resource estimate being the immediate priority. The Company wants to move fast enough to overtake its peers to become the first producer of graphite in North America.

**Graphite One** completed another drill campaign at its Graphite Creek deposit, which is claimed to be the largest flake graphite deposit in North America; certainly, it is one of the most significant large flake deposits in the United States. Having completed the drilling campaign, Graphite One can now proceed toward completing the preliminary economic assessment.

Australia’s **Discovery Africa**, focused on developing graphite at its Nachingwea graphite project in Tanzania, announced the receipt of a mining license covering an additional 103 km<sup>2</sup> of exploration territory. The samples from this area are very promising, having revealed 7.22% and 5.55% of total carbon-graphite, as announced on October 30. The Company also has significant graphite assets in Uganda. Finally, **Deveron Resources** announced it would agree to option as much as a 100% stake in Greencastle Resources’ Rockstone property in northwest Ontario, which is also said to contain zinc. Northern Ontario has surprisingly good grades and varieties of

graphite to offer at its Albany deposit. There is good reason to believe that Deveron may find its own world-class deposit featuring the kind of grades and varieties that lend themselves well to battery and graphene production.



**Graphite Market Review** is a special weekly feature on **InvestorIntel** sponsored by **Alabama Graphite Corp.** (TSXV: ALP | OTCQX: ABGPF).

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## **Deveron Resources officially enters the graphite and zinc market with targeted acquisition**

Deveron Resources Ltd. ('Deveron', TSXV: DVR), a diversified mineral exploration company (whose majority – 65.8% – shareholder is Greencastle Resources Ltd., 'Greencastle') has announced a new zinc and graphite discovery in Ontario related to a Greencastle Resources (TSXV: VGN) property – Rockstone – near Thunder Bay, Ontario. Deveron will earn a 60% interest in the property over a three year period while retaining an option to acquire 100% interest by incurring all expenditures required to produce a bankable feasibility study, subject to Greencastle retaining a 3% net smelter return royalty.

Greencastle started drilling at Rockstone in 2012, revealing several geophysical anomalies over an area of some 270 square kilometres. Earlier geochemical exploration work in the

general area identified outlined broad areas which are anomalous in zinc sulphides. Deveron has already started to re-evaluate various conductive features identified during Greencastle's 2012 campaign for further exploration, given strong evidence of a substantial base metal resource, including a distal copper zone, and it intends to drill test some nearby conductive anomalies and targets. The new exploration phase will evaluate both the base metal and the graphite potential at the property, given evidence of high grade zinc, copper and graphite.

In this time of drastic decline in mining investment, the few mining companies that are willing to invest to make significant discoveries stand to benefit in the end. The evidence from Rockstone suggests the presence of a deposit with good levels of zinc, copper and graphite. The question is how large the volumes are: if so, the mining operations will be relatively easy, given the good infrastructure, which facilitates operations. As for zinc, this is one of the few raw material to benefit from rising prices: zinc has been facing a production deficit, which is expected to last for the next few years. The largest zinc mines currently operating worldwide are old and many have 'fizzled out', forced to shut down in Canada (Glencore for instance, which has also stopped  
Zambian zinc production due to conflicts with tax authorities in Lusaka).

Important zinc mines in Australia (the huge Century mine) or in Ireland (Vedanta) are slated for closure. No significant start up zinc deposits are planned in West Africa (where Ebola has made havoc of many mining operations) is programmed and zinc production is expected to decline in Peru. Zinc production has increased in India, Mexico and China, but the production grades are low and supply for 2015 is generally expected to be below demand. The zinc evidence from Deveron's Property suggests that the grades are high, given that northern Ontario has shown potential to yield zinc grades in

the order of 6-8%. Zinc demand is stagnant in Europe, predictably, but it is growing in the United States and in China, where despite the slowdown in construction, zinc is essential in galvanizing iron and steel for roofing and China is undergoing an important revolution (upgrades) in construction standards following the effects of an earthquake in 2013.

Chinese automakers have also had to increase their consumption of zinc sheets after several scandals prematurely rusty on some new vehicles. Oxides and zinc sulfates are also used in the manufacture of rubber and into sunscreens. Zinc prices have increased by 13%, reaching USD\$ 2400 dollars per ton and they are expected to exceed it next year. As for graphite, the world is now engaged in the search to replace ever more expensive (even if abundant) oil. Graphite is one of the crucial materials to achieve this, because modern batteries and lightweight structures needed to develop more efficient modern electric vehicles, depend on it. Technical progress both creates and destroys demand for commodities. Meanwhile, such industrial giants as BMW and Samsung have announced the expansion of their battery supply contracts. Bloomberg spoke of a "billion deal." For the next few years Samsung will provide more lithium-ion cells for the BMW i3, the i8 and the plug-in hybrid vehicles. Tesla is still determined to build its battery GigaFactory. BMW and Tesla: just two of the giant automotive groups that have just started to build electric vehicles. Zenyatta Ventures (TSXV: ZEN) has already shown that Northern Ontario has surprisingly good grades and varieties of graphite to offer at its Albany deposit. There is good reason to believe that Deveron may find its own world-class deposit featuring the kind of grades and varieties that lend themselves well to battery and graphene production.