

# Overbought private placement deal boosts investor confidence in Mason Graphite

☒ There has been much speculation surrounding the trading halt for Mason Graphite Inc. (“Mason”, TSX.V: LLG | OTCQX: MGPHF). It is not unusual for a company to halt trading for a few hours, maybe a day, so the two day halt provoked much speculation as to the reason. Normally, halts last a few hours. Nevertheless, the speculation tended toward a favorable kind of news, given Mason’s recent achievements and their formal entry into the high technology world of graphene through their alliance with NanoXplore.

Today, Mason revealed that the trading halt was in fact related a material transaction; more specifically, Mason has formed an agreement with a syndicate of underwriters led by Macquarie Capital Markets Canada Ltd., which have agreed to purchase on a bought deal basis 12,307,705 units (the “ Units”) at a price of \$ 0.65 per unit for gross proceeds of \$ 10,000,000 dollars. The deal also includes the participation of Quebec Resources, a subsidiary of ‘Investissement Québec’, for a total of 4,615,385 units or CAD\$ 3 million. Resources Quebec have a right of first opportunity for participation in any future financings for Mason Graphite, which is also discussing additional funding with other major institutions in the order of CAD\$ 4 million. The net proceeds will add to the working capital to help Mason develop its Lac Gueret project. Effectively, the underwriting testifies to the confidence that the Government of Quebec (which considers mining an essential, if not primary, economic activity for the Province) has placed in Mason Graphite. This should also help generate an equal level of confidence among institutional or private investors, given that this strong financial support has clearly demonstrated the quality and viability of the Lac Gueret

project, which should complete all feasibility studies in 2014 in order to begin operations in 2015.



Mason estimates its annual production capacity to 50,000 tons of graphite purified to 96%. The cost of production is “very low” because of the level of graphite concentration. Mason’s resource promises to be especially rich in large and medium flake graphite, the most desirable variety of graphite for applications in clean energy, lighter and more powerful batteries, super capacitors for wind turbines and pebble-bed nuclear reactors. Mason, however, is also interested in generating revenue in the short term by supplying the more basic graphite market, including steel industry furnace refractory materials, carbon enhancers in steel alloys, lubricants and even pencils. This attention to the traditional and present market is the mark of a valid business plan, divulging the management’s experience in the sector and its understanding that the traditional business is what will contribute to reducing the ‘time to money’ ratio between production start, timing, identification and location of customers. The graphite market revolves around the ‘application’, which implies a significant understanding of the end user and their specific need. Mason Graphite, as well as other emerging graphite plays with interesting resources, has an advantage over their Chinese competition (70% of natural graphite comes from China) is a better understanding of their customers in the areas where new graphite technologies are emerging – even beyond the graphene space.

Quebec has been involved in graphite mining and production for decades with a propensity for large flake graphite. Given the presence of an active graphite mine, the province is rich in professional expertise; Quebec is also logistically ideally located to serve the North American and international markets with excellent infrastructure and government support. Mason’s

project is close to established transportation infrastructure and management has maintained good relations with the local First Nations Native Pessamit community. Mason's other advantage is having a CEO, Benoit Gascon, with more than 20 years experience in the graphite market. Indeed, the company he managed, *Stratmin Graphite – now Timcal Canada is one of the few graphite producers in North America (its deposit is also in the Lac-des-Iles zone) to have survived the 1990's, when much of the world's production of graphite, like so many other industrial developments, shifted to China.*

Growth in developing countries is fueling demand in traditional sectors such as the steel and automotive industry and Mason can offer the right product for these sectors. Moreover, Mason is also ready to address the 'new markets' fueled by demand and development of new technology in the production of electric cars, Li-ion batteries and fuel cells. The new generation of small nuclear reactors (pebble – bed) also require graphite. Quebec', as clearly demonstrated by its investment in Mason, plans to play an important role in challenging China's role in flake graphite production. China continues to pull the strings of the industry and accounts for 70% of world production. However, to ensure its own development, the Chinese government has recently deployed protectionist measures in regulating the export of graphite. A tax of 20% was added to a value added tax of 17%. Result: large consumers such as the United States and Europe are trying to source elsewhere, which should certainly promote Quebecoise graphite companies such as Mason.