



SECUTOR
CAPITAL MANAGEMENT CORPORATION

COMPANY SUMMARY

Location: Quebec
 Flagship: Miller Project
 Ownership: 100%
 Commodity: Graphite + Marble
 Status: PFS, permitting
 Resource: 2.15 M t @ 1.2% graphitic carbon
 Catalysts: PFS Q3 2016, marble production 2017, graphite production 2018

MARKET DATA

Price: \$0.29
 Market Cap: \$27 M
 Common Shares: 93.7 M
 Fully Diluted: 101.5 M
 52 Wk Range: \$0.23 - \$0.42
 90 Day Avg Vol: 212,487



RECENT FINANCINGS

June 2015: 3 M flow-through shares @ \$0.33/share

December 2014: 2 M flow-through units (1 share + ½ warrant @ \$0.40 for 18 months) @ \$0.28/unit



Source: quotemedia.com

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Company Update

May 5, 2016

Canada Carbon Inc.
V-CCB

**Nuclear-Grade Graphite Project
Advances Towards Production**

Canada Carbon is an emerging graphite producer focused on its 100% owned Miller graphite project located 75 kilometres west of Montreal, Quebec.

In March 2016, the company announced an initial resource estimate and preliminary economic assessment (PEA) based on annual production of approximately 1,500 tonnes of high-purity graphite and 150,000 tonnes of architectural marble. At a potentially conservative graphite selling price, the PEA generated an after-tax internal rate of return of 85%, a net present value of \$110 million (discounted at 8%) and a two year payback on initial capital costs of \$44.4 million.

Flotation concentrate produced at the mine site will be treated by a proprietary thermal upgrading process to produce a high purity, high quality product grading 99.9998% graphitic carbon.

Management's current focus is on the use of Miller graphite in nuclear power applications. Thermally treated Miller graphite has substantially lower contaminant levels than the best natural, synthetic and experimental graphite samples found in commercially available graphite products already being assessed for pebble bed nuclear reactor development programs funded by the United States government.

In July 2015, management announced it had received non-binding indicative pricing from a third party graphite processor of US\$12,000 to US\$14,000 per metric tonne for 300 to 420 tonnes per annum of 99.9998% graphite, representing 20-28% of Canada Carbon's projected production. The PEA used a price of US\$13,000 per tonne in its economic analysis however pricing for purified graphite for nuclear applications, though not yet confirmed by contract, is expected to be sold for US\$18,000 to US\$35,000 per tonne.

High purity graphite produced at Miller is not limited to nuclear applications. One market the company is examining is lithium battery energy storage devices, in which performance and reliability are the primary criteria such as are required by defense and aerospace applications, and where prices range from US\$15,000 to US\$25,000 per tonne. Dr. Pieter Barnard, a director of Canada Carbon and formerly president of a world leader in graphite material science, is actively assisting the company in its marketing activities.

A 47 hole, 3,405 metre in-fill drill program has been completed in order to upgrade the inferred graphite and marble resources to measured and indicated resources. This will be used in a pre-feasibility study scheduled for September 2016. Management is aiming for marble production to commence in February 2017 and the production of graphite in early 2018.

Location

The 100% owned Miller project is located in Quebec approximately 75 kilometres west of Montreal and 90 kilometres east of Ottawa. The closest towns are Grenville, Quebec (five kilometres to the south) and Hawkesbury, Ontario (eight kilometres to the south).



Source: Company Reports

The deposit was first mined in 1845, likely making it the first graphite operation in Canada. In 1899 to 1900, 25 rail cars of graphite were sent to the Globe Refining Company of Jersey City, New Jersey, yielding thirty-two tons of crucible graphite.

Infrastructure

All-year access roads are available to access the project. Highway 50, a provincial road linking the greater Montreal area to the greater Ottawa area, runs on the southern part of the property.

A power line connected to the provincial grid is present 500 metres south of the deposit. The grid power line will be able to supply sufficient electricity required for mining and processing.

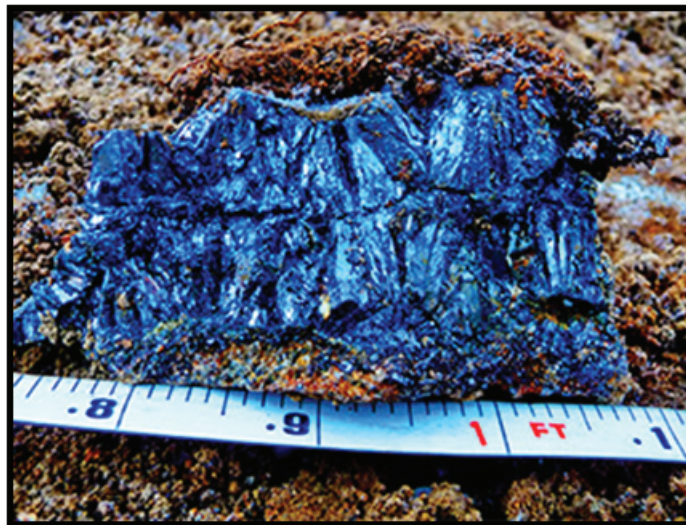
Resource

An initial resource for both the graphite and marble mineralization was announced in March 2016 and is based on 95 holes drilled between 2013 and 2015.



Location	Cut-off grade	Category	Tonnes (000)	Grade	Amount
Two graphite pit shells	0.8%	Inferred	952	2% graphitic carbon	19 k t graphitic carbon
marble pit shell	60% probability	Inferred	1,519	82% probability	1,519 k t marble
	0.4%	Inferred	1,180	2% graphitic carbon	6.2 k t graphitic carbon

Graphite Crystals, Miller Project



Source: Company Reports

Architectural White Marble, Miller Project



Source: Company Reports



The Miller project consists of hydrothermal lump-style, vein-hosted graphite mineralization hosted predominantly in marble within granulite-facies metamorphic rocks of the Grenville Province. Vein graphite is a very small proportion of the natural graphite market (<1%) and is only mined commercially in Sri Lanka. However, it generally commands premium pricing compared to flake/crystalline and amorphous graphite deposits.

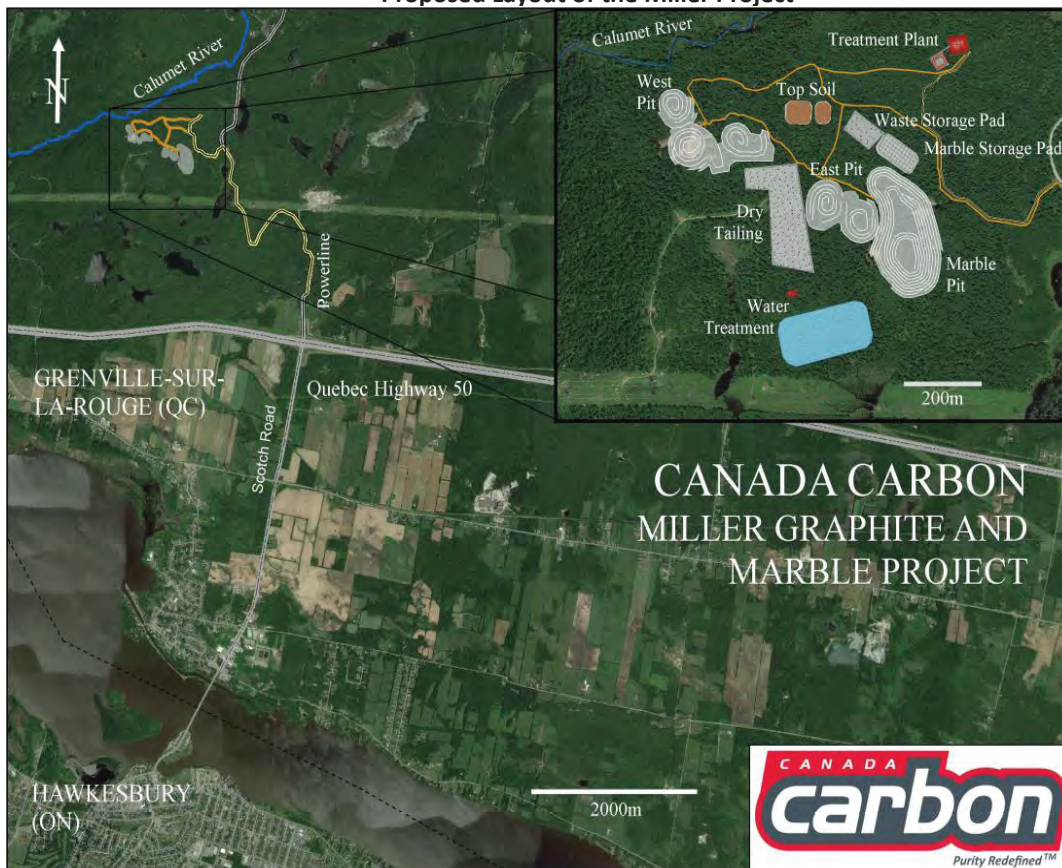
Graphite mineralization is open to depth and along strike. Drilling to date has been intentionally shallow in order to define sufficient near surface resources for Phase 1 mine development. The project defined to date represents only 0.22 square kilometres of the total 100 square kilometer claims package.

Preliminary Economic Assessment

Along with the initial resource announced in March 2016, management also reported the results of an initial preliminary economic assessment (PEA).

The PEA examined the extraction of graphite and marble from three proposed open pits, with annual production of approximately 1,500 tonnes of high-purity graphite and 150,000 tonnes of marble blocks.

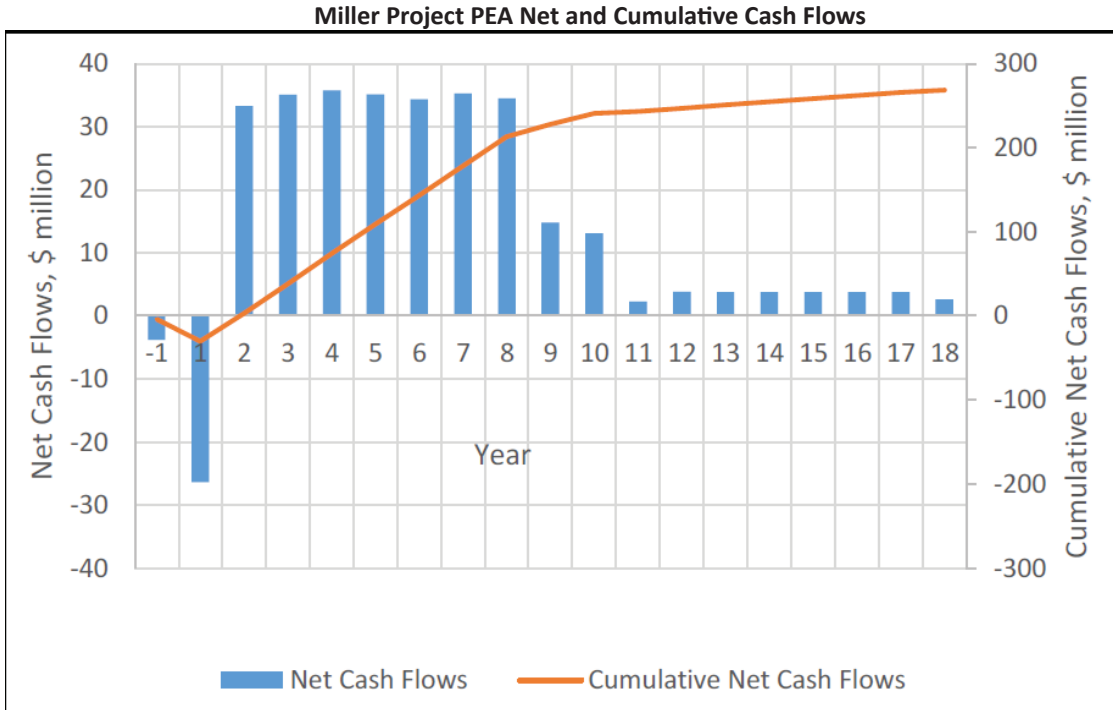
Proposed Layout of the Miller Project



Source: Company Reports

This generated an after-tax internal rate of return of 85%, a net present value of \$110 million (discounted at 8%) and a two year payback on initial capital costs of \$44.4 million (initial capex for the marble portion of the proposed project is only \$3.6 million).





Source: Company Reports

The PEA incorporated a royalty on graphite of 1.6% of gross proceeds less crushing costs, transportation costs to mill, milling costs, transport to Asbury, thermal processing costs and selling costs plus 2.0% of gross proceeds less mining costs, crushing, transportation costs to mill, milling costs, transport to Asbury, thermal processing costs, selling costs but excluding general & administrative and maintenance costs.

Marble production was subject to a royalty of 1.5% of gross proceeds less transportation to customer less selling costs plus 1.875% of gross proceeds less extraction costs, processing costs, less transport to customer and selling costs.

Mining

The two graphite pits will be mined using conventional trucks and loaders by a mining contractor. Marble will be cut into blocks using chain saws and loaded onto flatbed trucks for off-site transportation.

	<u>Graphite Pits</u>	<u>Marble Pit</u>
Life of Mine (years)	10	8
Graphite material (tonnes)	890,805	1,206,051
Grade (graphitic carbon)	1.87%	0.53%
Marble (tonnes)	-	1,182,037
Stripping Ratio	1.8	2.2

This PEA proposes a 19-year plan for graphite recovery, including one year of preproduction, eleven years of active mining operations and seven years of stockpile re-handling.



Graphite Processing and Refining

Graphite material will be crushed to 80% passing 12 millimetres, followed by two stages of primary grinding by rod mills and fed to a flash flotation circuit. The proposed mill feed rate will be approximately 200 tonnes per day (tpd) in the initial years when high-grade material is mined, increasing eventually to 500 tpd with a decrease in mill feed grade.

Five flotation metallurgical test programs have been conducted on graphite mineralization from Miller, covering a range of head grades from 0.53% to 61.2% graphitic carbon. The five programs consisted of four laboratory scale evaluations and one pilot plant campaign processing approximately 127 tonnes of a bulk sample. The programs produced graphite flotation concentrates that consistently exceeded combined concentrate grades of 95% total carbon regardless of head grade, with medium and large graphite flakes yielding concentrate grades of approximately 97% total carbon or higher.

The PEA modeled a life-of-mine average recovery of 86.7% with a 95% concentrate grade.

The flotation concentrate will be shipped to the past-producing Asbury graphite mine, located approximately 150 kilometres northwest of the Miller property, for thermal upgrading. Canada Carbon has a 100% interest in Asbury and plans to use it for the location of the thermal upgrading plant due to the presence of numerous buildings that can quickly be refurbished, thereby reducing capital costs. As well, there is ample room for additional structures if required.

The Municipality of Notre-Dame-Du-Laus, located approximately ten kilometres southwest of Asbury, owns the land rights. In May 2015, Canada Carbon obtained unanimous support from the council of the municipality of Notre-Dame-Du-Laus to proceed with the redevelopment of the Asbury site. This official support makes the company eligible to apply for economic development grants offered by the Province of Quebec

The proprietary thermal upgrading process heats the flotation concentrates to temperatures up to 2,000°C and was developed by a commercial processor of synthetic nuclear graphite. A nearby grid power line will be able to supply the electrical power required by the thermal upgrading operation.

In May 2015, Canada Carbon announced the results of thermal upgrading of Miller graphite concentrate. A randomly selected 10 kilogram sample of flotation concentrate was dried in an oven and split into four sub-samples. The first sub-sample was upgraded to 99.9998% graphitic carbon, with the results from the remaining sub-samples consistent with the first sub-sample. The 99.9998% result is reported to be the highest value for natural graphite using thermal upgrading alone, without the need for harsh chemical treatments such as caustic bake or acid leach that negatively affect the crystal structure of the graphite flakes, reducing its value.

Markets for High Purity Graphite

Canada Carbon will be able to produce a high-value, high-purity specialty graphite product. As such, it Carbon will not compete with flake or amorphous graphite producers, but will instead focus on specialized niche markets that command premium pricing.

Management's current focus is on the use of Miller graphite in nuclear power applications and believes that the future demand from the nuclear industry will be more than sufficient to consume the entire yearly production from Miller.

In July 2015, management announced it had received non-binding indicative pricing from a third party graphite processor of US\$12,000 to US\$14,000 per metric tonne for 99.9998% graphite for applications in electronic devices. The PEA used a price of US\$13,000 per tonne in its economic analysis however pricing for purified graphite for nuclear applications, though not yet confirmed by contract, is expected to be sold for US\$18,000 to US\$35,000 per tonne.



Data on pricing for high-purity specialty graphite products is difficult as transactions are almost always private. We note that at its April 2006 annual general meeting, SGL Group, one of the worldwide leading manufacturers of carbon-based products, noted it had "...signed an order with the South African manufacturer PBMR Ltd. for the delivery of specialty graphite as well as carbon fiber material for a demonstration reactor...For each reactor, this means under 1,300 tonnes of specialty graphite at a value of some 40 million euros in the form of graphite blocks as a heat shield and a radiation reflector to surround the reactor core...". Based on the exchange rate at that time, this equates to a value of over \$38,000 per tonne.

We note that a composite sample of Miller flotation concentrate analyzed by Evans Analytical Group, an independent laboratory, returned an Equivalent Boron Content less than five parts per million (ppm), indicating nuclear purity. (Graphite used for nuclear purposes must have little to no neutron-absorbing material, in particular boron).

Also, thermally treated Miller unpurified graphite has substantially lower contaminant levels (0.99 ppm) than the best natural (36.55 ppm), synthetic (4.53 ppm) and experimental (8.1 ppm) graphite samples found in commercially available graphite products already being assessed for pebble bed nuclear reactor development programs funded by the United States government.

Contaminant Levels of Graphite Samples For Use in Nuclear Power Applications

Element	Symbol	Miller Sample ¹	Asbury RD13371 ¹	Graftech-D ²	SGL KRB-2000 ²
Aluminum	Al	<0.01	8.3	<0.05	0.35
Calcium	Ca	<0.5	10	≤0.5	0.7
Titanium	Ti	<0.05	0.66	1.9	0.06
Vanadium	V	<0.05	0.35	4.7	0.02
Chromium	Cr	<0.05	<0.5	0.5	0.5
Manganese	Mn	<0.05	0.29	<0.05	<0.05
Iron	Fe	0.09	13	0.25	1.4
Cobalt	Co	<0.05	<0.05	<0.05	0.25
Nickel	Ni	<0.05	1.4	<0.1	1.2
Total Contaminants		0.99	36.55	8.1	4.53

Source: Company Reports

In September 2015, Canada Carbon announced that the thermally upgraded Miller graphite had been selected by the Subcommittee on Manufactured Carbon and Graphite Products of ASTM International to be fully characterized as a Standard Reference Material (SRM) for the chemical analysis of high purity graphites and manufactured carbon materials. ASTM International (formerly American Society for Testing and Materials) is an international standards organization that develops and publishes voluntary consensus technical standards for a wide range of materials, products, systems, and services. If the Miller thermally upgraded graphite obtains ASTM SRM designation, it would become the standard to which all other natural graphites are compared when considered for nuclear and other high-technology applications.

Canada Carbon has accepted an invitation to join the ASTM Sub Committee D02.F0 on Manufactured Carbon and Graphite Products. Members include nuclear scientists from Oak Ridge National Laboratory, Idaho National Laboratory and scientists from China, Germany, Netherlands, Japan, Germany and Great Britain.



High purity graphite produced at Miller is not limited to nuclear applications. One market the company is examining is high-performance lithium battery energy storage devices where prices range from US\$15,000 to US\$25,000 per tonne. As well, assessment programs for graphene-based applications are underway in laboratories around the world. Dr. Pieter Barnard, a director of Canada Carbon, retired in November 2014 as president for the global Industrial Materials division of GrafTech International Holdings Inc., a world leader in graphite material science. He is actively assisting Canada Carbon in marketing activities.

Selling Prices and Operating Costs

The PEA calculated an operating cost for graphite of \$76.11 per tonne milled and \$8,327 per tonne processed.

No spot price exists for graphite at any purity level though in July 2015, the company announced it had received non-binding indicative pricing from a third party graphite processor of US\$12,000 to US\$14,000 per metric tonne for 99.9998% graphite. As mentioned above, the PEA modeled a selling price of US\$13,000 per tonne though as specified in the technical report, the final selling price could be in the range of US\$18,000 to US\$35,000 per tonne.

Marble will be produced for a cost of \$22.27 per tonne. In November 2015, management announced it had signed an agreement to sell 75,000 tonnes of the host white marble for \$14 per cubic foot (approximately \$184 per tonne). The agreement was signed subsequent to an independent market assessment of architectural-quality blocks and slabs of the Miller marble. The term of the contract is to run for one year from the date of the acquisition of the required environmental approvals and an extraction permit to quarry the material. The contract is renewable and there are additional provisions for price increases above the base case, as well as royalties to be paid on the sale of all value-added marble products.

Crushed marble produced during graphite mining and marble quarrying will be removed from site by the mining contractor for a nominal credit of \$1 per tonne.

Tailings

The flotation tailings produced from the flotation circuit will be dewatered and trucked to the tailings stacking facility located adjacent to the graphite pits. When the western graphite pit and the marble pit are mined out, the dewatered tailings will be placed directly into the excavated pits. At the end of the operations, the stacked tailings will be backfilled into the excavated graphite and marble pits.

A detailed chemical analysis of Miller flotation tailings, composed entirely of crushed marble, has demonstrated that the tailings have calcium, iron, silica, and aluminum levels suitable as feedstock for cement manufacturers. Though no value has been assigned to the tailings, storage costs will be reduced significantly if the tailings are moved off-site even if no revenue is produced from their removal.

Permitting

Environmental assessments for the Miller and Asbury properties are already well-advanced.

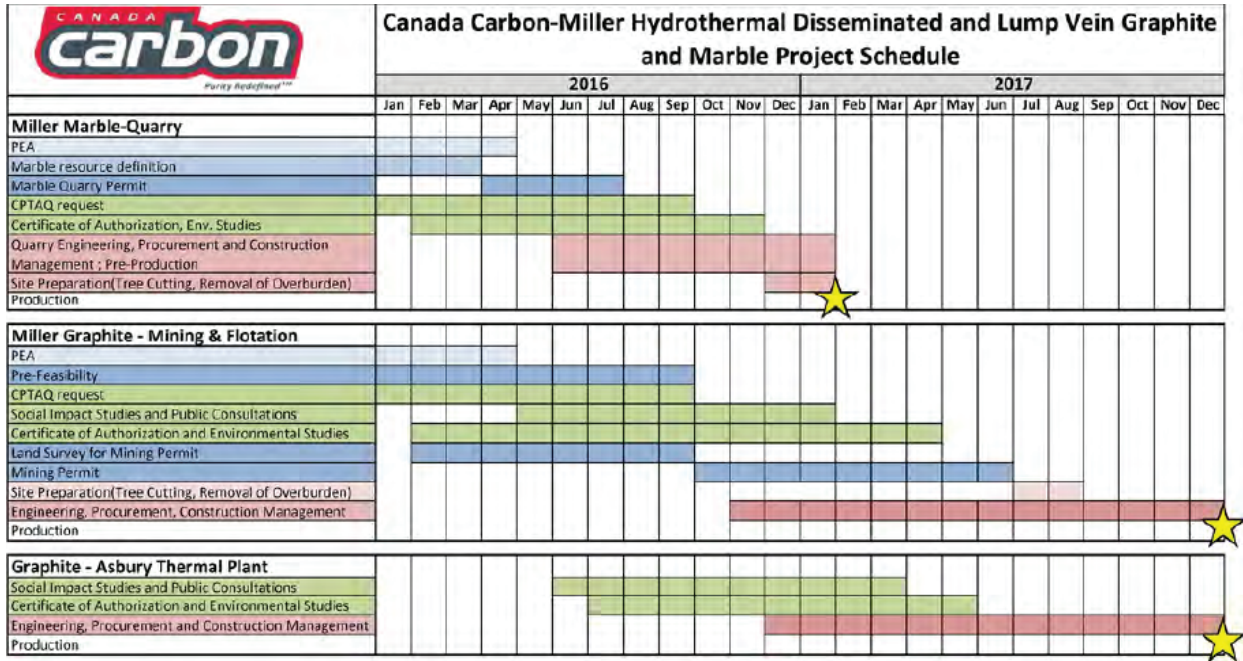
Marble pit production is scheduled to start one year ahead of graphite pit production. In order to commence marble production, authorization is required from the Commission de la Protection du Territoire Agricole du Quebec (CPTAQ) that confirms Miller is unsuitable for agriculture. Management expects authorization by September 2016. We note there are a number of producing quarries in the region, showing openness to mining as well as indicating sufficient pool of local labour and supplies.

Applications will then be submitted to the Ministry of Sustainable Development, Environment and the Fight against Climate Change to obtain Certificates of Authorisation to operate a marble quarry.

The Miller Project does not require an environmental assessment by the Canadian Environmental Assessment Agency.



Miller Project Timeline



Source: Company Reports



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Ticker	Company	1	2	3	4	5	6
V-CCB	Canada Carbon Inc.			X		X	

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