SECUTOR
CAPITAL MANAGEMENT CORPORATION

Company Update 19 January 2016

Canada Carbon Inc.
V-CCB

High Purity Graphite in Mining-Friendly Quebec

COMPANY SUMMARY

Location:	Quebec
Flagship:	Miller Project
Ownership:	100%
Commodity:	Graphite
Status:	Resouce
Resources:	n/a
Catalysts:	Initial resource estimate and PEA in Q1 2016

MARKET DATA

Price:	$0.305
Market Cap:	$29 M
Common Shares:	93.5 M
Fully Diluted:	101 M
52 Wk Range:	$0.19 - $0.36
30 Day Avg Vol:	264,000

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

Canada Carbon is an emerging graphite producer focused on its 100% owned Miller graphite project located 80 kilometres west of Montreal, Quebec

Management plans to release an initial resource estimate and preliminary economic assessment (PEA) in the first quarter of 2016 that they believe has the potential to show positive economics.

Metallurgical test-work completed on both higher-grade vein and lower-grade disseminated material indicate that high purity concentrates can be produced from flotation alone, regardless of head grade.

The company announced in May 2015 that its Miller graphite concentrate was directly upgraded to 99.9998% purity by thermal processes 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.

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. If the Miller 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.

Graphite mineralization at the Miller project is hosted predominantly in marble. In November 2015, management announced it had signed an agreement to sell 75,000 tonnes of the host 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 and could have the potential to significantly improve the economics of the project.

Canada Carbon also has a 100% interest in the past-producing Asbury graphite mine, located approximately 150 kilometres from the Miller property. Management is considering using Asbury as the location of the thermal upgrading plant for the Miller project. In May 2015, the company obtained unanimous support from the local municipality council to proceed with the redevelopment of the Asbury site. This official support makes Canada Carbon eligible to apply for economic development grants offered by the Province of Quebec that could be used towards refurbishing the site to allow crushers, flotation cells, tailing ponds, as well as a laboratory and furnaces for thermal upgrading of graphite concentrate.

Canada Carbon had $1.9 million in cash at September 30, 2015

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MANAGEMENT

Canada Carbon is led by Executive Chairman and CEO R. Bruce Duncan. Mr. Duncan has over thirty years of experience in the capital markets and brokerage industry. He is the Principal of West Oak Capital Partners Inc., which provides strategic advisory services, including identifying and qualifying merger and acquisition candidates and advising in public transactions.

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.

Canada Carbon's Technical Advisory Committee includes Richard Klue, a Senior Manager for Tetra Tech, Dr. Roger Roberts, formerly Chief Technical Officer of the Boeing Company and CEO of Boeing Satellite Systems, and Vice Admiral (retired) Richard Truly, former Administrator of NASA and former Director of the U.S. Department of Energy's National Renewable Energy Laboratory.

MILLER GRAPHITE PROJECT

Canada Carbon's 100% owned Miller graphite project is located in Quebec approximately 80 kilometres west of Montreal.

Location of the Miller Graphite Project, Quebec

Source: Company Filings

The property is approximately 100 square kilometres in size. A 4% net smelter royalty (NSR) is applicable on the main portion of the property package, of which 2.5% is payable to the landholder.

Infrastructure

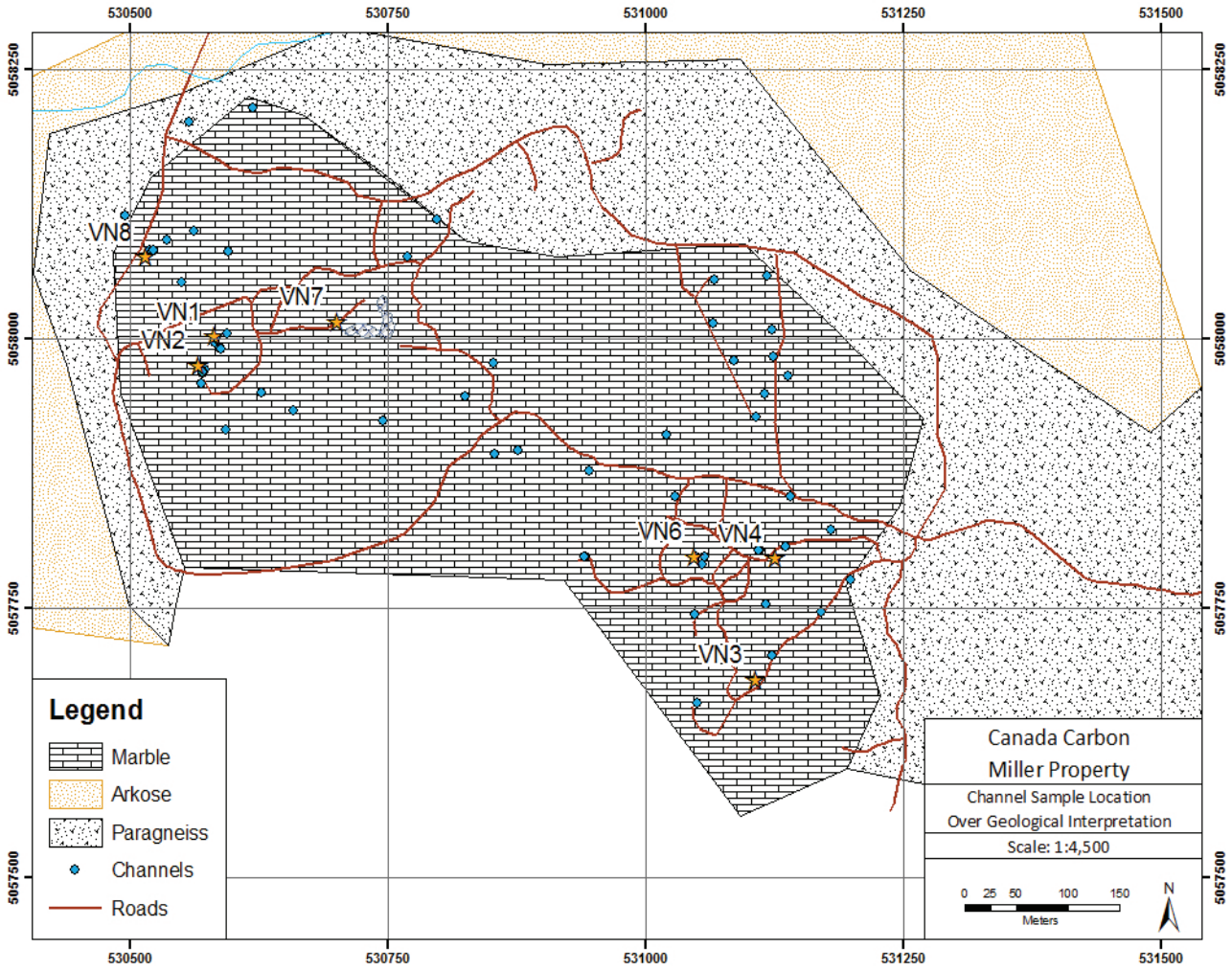
Main roads are just 800 metres away from the main deposits, with bush roads servicing most of the property package. A power line crosses the property 500 metres south of the deposit. A rail line is 500 meters south of the main highway that accesses the project.

Geology

The Miller project consists of hydrothermal lump-style, vein-hosted graphite mineralization predominantly within marble. 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.

The mineralization at Miller occurs as two main graphite veins, with smaller graphite veins radiating outwards, and numerous pods lying directly under a thin veneer of soil overburden.

Geology of the Miller Graphite Project



Source: Company Filings

The veins are generally oriented north-south, similar to the trend of the historic mine pit. Veins can contain up to 80% total carbon in graphite (Cg) and can host graphite crystals ten centimetres in length. Pods generally grade around 10-15% Cg.

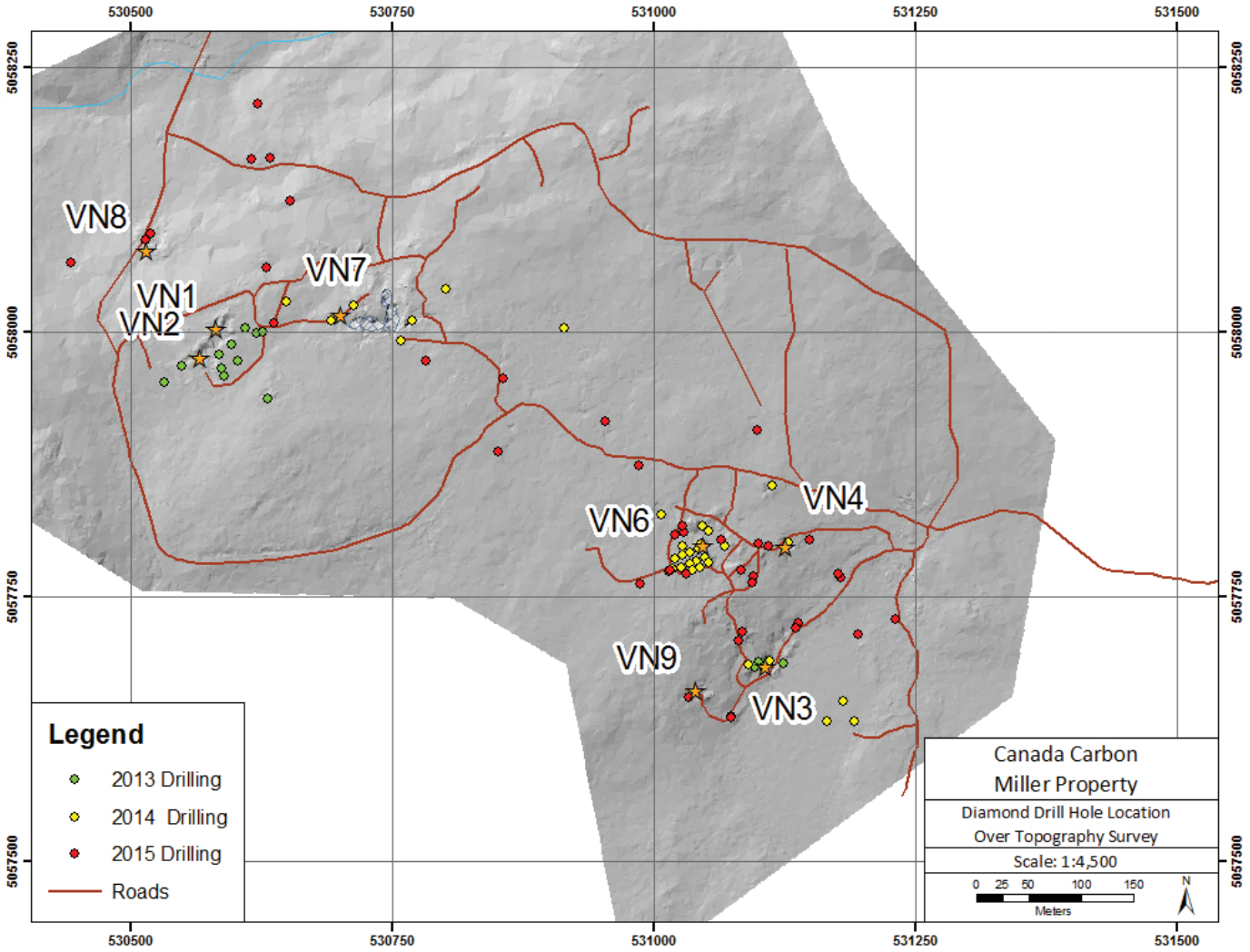
Both the VN2 and VN3 veins host massive graphite and are up to 1.5 and two metres respectively.

The VN6 showing is located about 350 metres south-east of the historic Miller pit and consists of multiple layers of graphitic marble bands.

Drilling

Canada Carbon has drilled 84 diamond core holes for 4,096 metres since August 2014. As well, 174 samples from 68 channels have been assayed. Results are pending.

Map of Drill Holes



Source: Company Filings

Bulk Samples

Canada Carbon received permission in March 2013 to collect and ship up to 480 tonnes of graphite-bearing material from the Miller project.

An initial 25 tonne bulk sample focused on higher-grade material, with five tonnes excavated from the VN1 and VN2 zones (150 metres west of the Miller pit), five tonnes excavated from the VN3 zone (500 metres south-east of the Miller pit) and 15 tonnes from the historic Miller stockpiles.

A second, 102 tonne bulk sample was collected to be representative of both high-grade vein and disseminated, lower-grade graphite-bearing material, with 61 tonnes from the historic Miller stockpiles, 26 tonnes excavated from the VN6 zone and 15 tonnes excavated from the VN4 zone.

Favourable Metallurgy

Portions of both bulk samples were sent to SGS Metallurgical Services in Lakefield, Ontario with the objective of developing a flotation concentration flow sheet to maximize the potential economic value of the Miller graphite by optimizing the preservation of the graphite's crystalline structure and particle sizes, as well as generate concentrates for downstream evaluation and to provide data for a preliminary economic assessment.

The samples consisted of both higher-grade vein and lower-grade, disseminated graphite-bearing material in order to investigate the possibility of employing a bulk mining method to include the disseminated graphite mineralization, rather than selectively mining the higher-grade veins.

A total of 22 flotation pilot plant trials were conducted on material with an average head grade of 7.63% Cg:

- The average grade of the coarse size fraction (+ 80 mesh, > 180 microns) was 98.2% Total Carbon (C(t)), with a mass recovery of 31.3%.

- The average grade of the medium size fraction, less than 80 mesh and greater than 150 mesh in size (106 microns), was 97.6% C(t), with a mass recovery of 25.6%.

- The average grade of the size fraction greater than 200 mesh (greater than 75 microns) was 97.0% C(t), with a mass recovery of 69.4%.

- The average grade of the combined concentrate collected was 95.6% C(t).

These results indicate that high purity concentrates can be produced from flotation alone, regardless of head grade.

Thermal Upgrading

In May 2015, Canada Carbon announced the results of thermal upgrading of its graphite concentrate.

A randomly selected 10 kilogram sample of flotation concentrate was dried in an oven and split into four sub-samples. These samples were subjected to a preliminary test using the proprietary thermal upgrading process of a commercial processor of synthetic nuclear graphite.

The first sub-sample was upgraded to 99.9998% C(t), 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.

Testing as Standard Reference Material Designation

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.

We note that a composite sample of Miller flotation concentrate analyzed by an independent laboratory (Evans Analytical Group) 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 graphite contains only a small fraction (0.99 ppm) of the contaminants (e.g., aluminum, calcium, titanium) when compared to the best natural graphite (36.55 ppm) assessed by Oak Ridge National Laboratory in 2011 for inclusion in their next generation nuclear reactor program. As well, the thermally treated Miller sample also had substantially lower contaminant levels than the best synthetic (4.53 ppm) and experimental (8.1 ppm) graphite samples.

MARBLE POTENTIAL

As mentioned above, mineralization at the Miller project consists of graphite veins hosted predominantly in marble. In November 2015, Canada Carbon announced it had signed an agreement to sell 75,000 tonnes of the host marble for $14 per cubic foot (approximately $184 per tonne). This 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. Management will apply for the permits as soon as practicable. 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.

This agreement has the potential to significantly improve the economics of the Miller project as a portion of the waste rock hosting the graphite veins can be converted into marble ore.

INITIAL RESOURCE ESTIMATE AND PRELIMINARY ECONOMIC ASSESSMENT

Canada Carbon plans to announce an initial resource estimate and a preliminary economic assessment (PEA) for the Miller project in the first quarter of 2016.

SGS Geostats will be preparing the graphite and marble resource estimates, whereas Tetra Tech is completing the PEA that will incorporate the pilot plant scale flotation concentration flow sheet developed by SGS Metallurgical Services.

Information on the parameters of both the resource estimates and PEA are scarce, though management previously indicated initial capital expenditures of approximately $20 million and production of 1,500 tonnes per annum (tpa) of final graphite product.

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.

It is unclear if the sale of marble from the Miller project will be included in the PEA, though at a production rate of 75,000 tpa and a selling price of $185 per tonne, this could generate revenue of almost $14 million per year.

Other possible positives for the economics of the Miller project are the waste rock could be sold as aggregate and the tailings from the plant could be sold as feedstock to cement producers, thereby reducing the tailings footprint and potentially speeding up the permitting timelines.

Utilizing Asbury for Thermal Upgrading, Storage and Distribution Centre

Canada Carbon also has a 100% interest in the past-producing Asbury graphite mine, located approximately ten kilometres northeast of Notre-Dame-du-Laus in Quebec, about 120 kilometres north of the Ottawa-Gatineau area and 150 kilometres from the Miller property. The open pit mine was in operation from 1980 to 1989, extracting 875,000 tonnes. The property is accessible by road and hosts a power transmission line.

Management is considering using Asbury as the location of the thermal upgrading plant for the Miller project for two reasons. First, there are numerous buildings which can quickly be refurbished. Second, there is ample room for additional structures, as required.

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 that could be used towards refurbishing the site to allow crushers, flotation cells, tailing ponds, as well as a laboratory and furnaces for thermal upgrading of graphite concentrate.

Canada Carbon has not conducted any exploration work on the Asbury property since 2012 given its focus on the Miller project. However, the property does have exploration potential. Historical geophysics over the property revealed three, north-south trending conductive zones. Anomaly A is 825 metres long and 30 metres wide and is located west of the past-producing pit. Anomaly B is 530 metres long and 35 metres wide, is located southwest of the open pit and was drilled by one diamond drill hole that intersected 40.5 metres of graphitic rock grading 2.30% Cg. Anomaly C is 230 metres long and 10 metres wide and strikes south from the pit.

An existing graphite tailings pond at Asbury has significant remaining capacity, thereby eliminating the capital cost of constructing a new one, if graphite is again concentrated by flotation on the property.

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

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