
Analysts' Ideas of the Week – Graphite One Close to Completing a \$4M Financing

www.researchfrc.com



Sid Rajevee, B.Tech, MBA, CFA
Head of Research

Graphite One Close to Completing a \$4M Financing

On September 10, 2014, Graphite One Resources Inc. (TSXV: GPH) announced that it intends to complete the final tranche of a \$4 million financing on or around September 22, 2014. A total of 30.77 million units will be issued at a unit price of \$0.13. Each unit consists of a common share and common share purchase warrant (exercise price of \$0.20 for the first two years, and \$0.25 per share in years three and four). This new financing puts Graphite One in a strong cash position to complete the recently announced exploration program on its Graphite Creek property in western Alaska. We have been covering GPH since March 2013. Our fair value at the time of our previous report, in January 2014, was \$0.50 per share. GPH shares are currently at \$0.17 per share.

The Graphite Creek deposit, we believe, is the largest discovered graphite deposit in North America in development. In January 20, 2014, the company announced an updated resource estimate which is summarized on the next page.

Cut-Off Grade (% Cg) by LECO	Tonnage (Million Tonnes)	Graphite % (Cg) by LECO	In Situ Graphite (Tonnes)
2014			
2	284.71	4.5	12,756,000
3^b	186.86	5.5	10,346,000
5	95.93	7.2	6,906,000
7	37.68	9.2	3,467,000
10	8.63	12.8	1,103,000
2012			
2	164.5	4.61	7,583,450
3^b	107.2	5.78	6,196,160
5	54.98	7.66	4,211,468
7	25.44	9.69	2,465,136
10	7.8	13.49	1,052,220

* Graphite concentrate with average selling price of \$1200 /tonne.

*b = base-case

The new estimate, based on a 2% Cg cut-off, increased by 73% to 285Mt. In-situ graphite increased by 68% to 12.76 Mt. As for the base-case estimate, which used a 3% cut-off, in-situ graphite increased by 67% to 10.35 Mt. The high-grade in-situ resource (based on a cut-off of 7%) increased by 41% 3.47 Mt. The resource increase was a result of 2013 drilling, which increased the strike length to 4.8 km, up from the previous estimate of 2.2 km.

Metallurgical testing results announced in April 2014 confirmed the results announced in 2013, and showed the project's potential to produce high quality flake graphite.

The company has just commenced an infill drill program on the property, with the objective to convert a portion of its inferred resources to measured/indicated categories.

The graphite sector got a boost from an announcement made by Tesla Motors (NASDAQ: TSLA) in May 2014. Tesla announced their plans to build a \$5 billion lithium-ion battery manufacturing facility in the U.S., which they have named as the "Gigafactory". The facility is expected to be operational in 2017. Tesla's facility is expected to consume approximately 90,000 tons of flake graphite a year, compared to the current global consumption of 80,000-90,000 tons per year. Therefore, Tesla's facility is expected to more than double the demand for flake graphite in batteries.

We are currently working on an update report on GPH. Interest parties can download the report from www.researchfrc.com or subscribe to be notified as new reports are published.



Daniel Iwata, BA, Dip. Fin. Mgmt.
Equity Research Associate

Update on Canola pricing

In our last update for Input Capital (TSX-V: INP), we mentioned that canola prices were softening and lowered our price per tonne of Canola. Since then, Canola prices have continued the downward trend. The price decline has been attributed to a poor quality of canola and a record year for soybeans in the U.S.

The Canadian seeding period experienced inconsistent weather with untimely rain. This has led to disease and sprouting for some canola crops. Statistics Canada is estimating that this year, the canola harvest will be more in line with the average than last year's record harvest. From the July 22 crop report, they estimate 13.9 million tonnes of canola down 22.6% from 2013's harvest. We had previously anticipated that the lower harvest would lead to higher prices than those seen in 2014; however, due to a forecasted record soybean crop, prices are continuing to trend down.

The United States Department of Agriculture (USDA) released their forecast of crops in the U.S. last week, boosting their estimates for soybeans and corn. Soybean production is estimated at 3.91 billion bushels, which is a 19% increase over last year. The anticipated record harvest has led to soybean futures being at a 4 year low. This decline has dragged down canola prices as they are seen as substitutes and are highly correlated. Canola and soybean Jan 2015 future prices are shown below.

Canola Jan 2015 futures price



Source: ICE

Soybean January 2015 Futures



Source: CME Group

We feel that the weakening canola price is a risk to Input in the short term. Farmers are just starting to harvest their canola crops and we feel investors should look to reports on quality, yields and pricing.

Disclaimers and Disclosure

The opinions expressed in this report are the true opinions of the analyst(s) about any companies and industries mentioned. Any "forward looking statements" are our best estimates and opinions based upon information that is publicly available and that we believe to be correct, but we have not independently verified with respect to truth or correctness. There is no guarantee that our forecasts will materialize. Actual results will likely vary. Companies mentioned in this report may be covered by FRC under an issuer paid model or be candidates for coverage. Distribution procedure: our reports are distributed first to our web-based subscribers on the date shown on this report then made available to delayed access users through various other channels for a limited time. The performance of FRC's research is ranked by Investars. Full rankings and are available at www.investars.com.

To subscribe for real-time access to research, visit <http://www.researchfrc.com> for subscription options.

This report contains "forward looking" statements. Forward-looking statements regarding the Company, industry, and/or stock's performance inherently involve risks and uncertainties that could cause actual results to differ from such forward-looking statements. Factors that would cause or contribute to such differences include, but are not limited to, continued acceptance of the Company's products/services in the marketplace; acceptance in the marketplace of the Company's new product lines/services; competitive factors; new product/service introductions by others; technological changes; dependence on suppliers; systematic market risks and other risks discussed in the Company's periodic report filings, including interim reports, annual reports, and annual information forms filed with the various securities regulators. By making these forward looking statements, Fundamental Research Corp. and the analyst/author of this report undertakes no obligation to update these statements for revisions or changes after the date of this report.

Fundamental Research Corp DOES NOT MAKE ANY WARRANTIES, EXPRESSED OR IMPLIED, AS TO RESULTS TO BE OBTAINED FROM USING THIS INFORMATION AND MAKES NO EXPRESS OR IMPLIED WARRANTIES OR FITNESS FOR A PARTICULAR USE. ANYONE USING THIS REPORT ASSUMES FULL RESPONSIBILITY FOR WHATEVER RESULTS THEY OBTAIN FROM WHATEVER USE THE INFORMATION WAS PUT TO. ALWAYS TALK TO YOUR FINANCIAL ADVISOR BEFORE YOU INVEST. WHETHER A STOCK SHOULD BE INCLUDED IN A PORTFOLIO DEPENDS ON ONE'S RISK TOLERANCE, OBJECTIVES, SITUATION, RETURN ON OTHER ASSETS, ETC. ONLY YOUR INVESTMENT ADVISOR WHO KNOWS YOUR UNIQUE CIRCUMSTANCES CAN MAKE A PROPER RECOMMENDATION AS TO THE MERIT OF ANY PARTICULAR SECURITY FOR INCLUSION IN YOUR PORTFOLIO. This REPORT is solely for informative purposes and is not a solicitation or an offer to buy or sell any security. It is not intended as being a complete description of the company, industry, securities or developments referred to in the material. Any forecasts contained in this report were independently prepared unless otherwise stated, and HAVE NOT BEEN endorsed by the Management of the company which is the subject of this report. Additional information is available upon request. THIS REPORT IS COPYRIGHT. YOU MAY NOT REDISTRIBUTE THIS REPORT WITHOUT OUR PERMISSION. Please give proper credit, including citing Fundamental Research Corp and/or the analyst, when quoting information from this report.

The information contained in this report is intended to be viewed only in jurisdictions where it may be legally viewed and is not intended for use by any person or entity in any jurisdiction where such use would be contrary to local regulations or which would require any registration requirement within such jurisdiction.