

Today's Notes:

1. Northern Graphite's Crowd Score Improves (Chris Berry)

Based on our Discovery Investing Scoreboard (DiS), the Crowd Score of Northern Graphite increased this week. We like the graphite sector today – all companies in the graphite, fullerene and graphene race. We know of 5 Canadian projects (2 of them private). They include Northern Graphite (NGC.V), Focus Metals (FMS.V) and the new entrant Orocan Resources Corp (OR.V). We plan to visit these companies this year.

Yesterday, Northern Graphite (NGC: TSX) announced very positive results from pilot plant testing on its Bissett Creek graphite project in Ontario located between Ottawa and North Bay on the Trans-Canada Highway. The company has been operating a pilot plant to confirm and optimize the process plant design to produce large flake, high purity graphite. NGC announced results that showed 50% of the graphite concentrate produced will be jumbo size +48 mesh flake with a carbon content averaging 97.7% graphitic carbon (Cg). These results imply that graphite of this high carbon content and flake size will command a premium price on world markets. The graphite NGC plans to produce will be ideal for use in lithium-ion batteries and other applications requiring a highly pure form of graphite. An electrified future is building. It will require more stable supplies of both lithium and graphite (amongst other metals); this is good news for companies like NGC.

To put this in context, the company stated in its press release that “industry standard premium product” is a 94% Cg concentrate with a flake size distribution of 80% greater than +80 mesh. This product sells in a range of \$2,500 and \$3,000 per tonne today. At present it appears that the planned production from Bissett Creek will either meet or exceed this benchmark. In short, a project backed by solid economics just improved. Obviously, the markets agreed with our sentiments, sending NGC shares up 24% on 408,000 shares.



The pilot plant testing was conducted by SGS. They processed a 130 tonne sample from Bissett Creek and produced several products all of which demonstrated consistency in flake size and overall carbon grade (95% Cg). CEO Greg Bowes was also able to confirm that the pilot plant test produced these results from flotation which avoids expensive chemical treatment.

Metallurgical and pilot plant testing has been conducted on this property in 1989 and 2007 and these historical results were verified by yesterday's release. The next step for the company is to complete a bankable feasibility study by the end of Q1 2012 and then set its sights on the eventual production of large flake, high purity graphite by the end of 2012.

When using the DiS Ten Factor Model, Factor #6 is Cycle and Catalyst Identification. We look forward to catalysts that may propel a company's share price higher. News releases often provide such catalysts. Based on the move in the company's shares yesterday, it is apparent that these pilot plant results provided a positive catalyst. We now await the results of the BFS later this quarter which point to solidifying in place a robustly economic project. There is another aspect of the graphite space that interests us as well. In the meantime of course we continue to update all ten DiS factors as events transpire as does our team of expert analysts.

We see these Incubator companies, as a group, not unlike the Uranium sector in 2004 or the rare earth sector in 2006. We see the potential of a cyclical increase in the graphite companies as a group. Further, the materials science of derivatives of graphite, graphene for example, is just beginning to emerge for the R&D world. Focus metals for example has spun off a private company called "Graphoid" to take advantage of the many applications that of that new material appear to offer.

We think our Factor 3 (Immediacy and Potential) and the destructive innovation of this material may provide significant breakthroughs in the future. Could graphene thermal inks revolutionize the "printing" of TFTs, OLEDs and photovoltaic cells and thereby render some companies / industries obsolete by replacing silver inks? Could such destructive creation reduce costs and positively impact the economics of today's alternative energy modalities?

But we do not have to wait for the distant future to see more catalysts and cyclical drivers. Management of Northern graphite notes that, graphite is used to make the bipolar plates in Vanadium Redox batteries (VRBs). There is about 700 lbs. used for every 1Mwh battery. "Pretty compelling math if you look at the number of VRBs that are needed."

One of the strengths of the graphite story is that it is not just dependent on one technology. Lithium Ion batteries, Electric Vehicles, fuel cells, VRBs, Pebble Bed Nuclear Reactors, are all going to be commercial to some degree and all will have an effect on the graphite market which is already tight.

All this technology has emanated from the "lead" pencil that everyone has used in our daily work for our entire lives.

Time will tell, but we are monitoring these developments and their associated supply chain development in our due diligence discovery research ere at Morning Notes.

The NGC Crowd Score in our Discovery Investing Scoreboard (DIS) is trending upwards, crossing 6.04 (out of a possible score of 10) as I write, scoring it ahead of its peers in the junior graphite discovery space and most other companies in our DiS data base. This case study demonstrates the power of the DiS in performance analysis and due diligence.

We are now in the process of producing an e-book on graphite, its many current and new uses, the geopolitics, and the companies involved. We will update you with our progress as the book nears completion and how to purchase a copy. In the meantime we will be introducing the DiS software for retail users at the Cambridge House Resource Conference in Vancouver on January 22.

Ed Note: We recently conducted an interview with The Critical Metals Report where we discussed our thoughts on graphite, manganese, vanadium and other industrial metals as well as the prospects for some of the junior mining companies involved in this sector. The interview can be found in its entirety [here](#).

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