

**U.S. SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**FORM 10-K**

(Mark One)

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended **December 31, 2014**

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 001-34048

**NEXT GRAPHITE, INC.**

(Exact name of registrant as specified in its charter)

**Nevada**

(State or other jurisdiction  
of incorporation or organization)

**90-0911609**

(IRS Employer  
Identification No.)

**318 North Carson Street, Suite 208**  
**Carson City, NV 89701 USA**

(Address of principal executive offices)

Issuer's telephone number, including area code: **(949) 397-2522**

Securities registered pursuant to Section 12(b) of the Act: None.

Securities registered pursuant to Section 12(g) of the Act: Common Stock, par value \$0.0001 per share.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was Required to submit and post such files). ☒ Yes ☐ No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. (as defined in Rule 12b-2 of the Exchange Act). Check one:

Large accelerated filer ☐  
Accelerated Filer ☐

Non-accelerated filer ☐  
Smaller reporting company ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

As of June 30, 2014, the last day of the Registrant's most recently completed second fiscal quarter, the aggregate market value of the registrant's voting and none-voting common stock held by non-affiliates of the registrant was approximately: \$2,974,514 at \$0.08 per share, based on the closing price on the OTCQB.

As of March 31, 2015, there were outstanding 50,411,443 shares of the registrant's common stock, \$.0001 par value.

Documents incorporated by reference: None.



**Next Graphite, Inc.**

**Form 10-K**

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## PART I

### ITEM 1. BUSINESS

#### *Corporate History*

Next Graphite, Inc. (the “Company”) was incorporated under the name Zewar Jewellery, Inc. on September 26, 2012 in the State of Nevada. The business plan of the Company was originally to operate as an on-line imitation jewelry retailer. Immediately after the completion of the Share Exchange, the Company discontinued its on-line imitation jewelry business and changed its business plan to exploration and development of the license area covered by the License. Effective December 16, 2013, the Company changed its name to Next Graphite, Inc.

#### Share Exchange Agreement

On November 14, 2013, we consummated transactions (the “Share Exchange”) pursuant to a Share Exchange Agreement (the “Share Exchange Agreement”) dated November 14, 2013 by and among the Company and the stockholders of African Graphite, Inc., a private Nevada corporation (“AGI” and the “AGI Stockholders”), whereby AGI Stockholders transferred 100% of the outstanding shares of common stock of AGI held by them, in exchange for an aggregate of 8,980,046 newly issued shares of the Company’s common stock, par value \$.0001 per share (“Common Stock”).

#### Stock Purchase Option Agreement

On November 14, 2013, AGI entered into a Stock Purchase Option Agreement (the “Option Agreement”) with NMC Corp., a corporation organized under the laws of the Province of Ontario, Canada (“NMC”), whereby NMC granted to AGI an option to purchase 90 ordinary shares, par value one Namibian dollar per share, of Gazania Investments Two Hundred and Forty Two (Proprietary) Limited, a corporation organized under the laws of the Republic of Namibia (“Gazania”), representing 90% of the issued and outstanding shares of Gazania, for \$240,000. NMC had entered into an option agreement dated March 29, 2013, as amended on November 4, 2013 (the “Centre Agreement”), with Centre for Geoscience Research CC (formerly known as “Industrial Minerals and Rock Research Centre CC”), a company organized under the laws of the Republic of Namibia (“Centre”), whereby Centre agreed to transfer to Gazania 100% undivided interest in the exclusive prospecting license No. 3895 known as AUKAM originally issued to Centre by the government of the Republic of Namibia on April 4, 2011 and renewed on April 4, 2013 (the “License”). The License grants the right to conduct prospecting operations, bulk sampling and pilot production in the license area called AUKAM located in southern Namibia in the Karas Region within the Betaine district. The license area covers about 49,127 hectares. AUKAM is the only mine in Namibia which has produced graphite is situated in the license area. The ore body lies on the eastern slope of a prominent range of hills, which rises 120 to 150 meters above the level of the surrounding sand-covered valleys. The country rock consists almost entirely of grayish, medium-to-coarse grained granite and gneissic rocks of the Namaqualand Metamorphic Complex. The License applies to “base and rare metals” and “industrial minerals” and Gazania is the only party licensed to conduct mining operations of this type in the area. The transfer of the License to Gazania was approved by the Ministry of Mines and Energy of the Republic of Namibia on February 25, 2014.

Under the Option Agreement, AGI was required to pay to NMC \$90,000 as an advance payment to be credited towards the purchase price of the Gazania shares. The Company made the advance payment on November 14, 2013. The balance of the purchase price in the amount of \$150,000 was paid by AGI upon exercise of the Option that was completed on March 14, 2014. As a result, Gazania became a direct 90% owned subsidiary of AGI and an indirect subsidiary of the Company.

On November 14, 2013, the Company issued 12,600,003 shares of Common Stock to NMC in connection with the Option grant closing under the Option Agreement. In connection with the issuance of 12,600,003 shares of Common Stock, NMC entered into a Stock Escrow Agreement and a Lock-Up Agreement with the Company. Pursuant to the Stock Escrow Agreement, NMC delivered to the escrow agent the shares of Common Stock issued to it to be held by the escrow agent pending the closing of the Option exercise to purchase shares of Gazania by AGI under the Option Agreement in which case such 12,600,003 shares of Common Stock will be released by the escrow agent to NMC. The shares were released from escrow following the closing of the option exercise on March 14, 2013.

Under the Option Agreement, we undertook to provide at least \$260,000 of working capital to or for the benefit of Gazania from the option grant closing date to June 30, 2014. The \$260,000 of working capital was provided prior to June 30, 2014.

Under the Lockup Agreement executed on November 14, 2013, NMC agreed not to offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, sell short, grant any option, right or warrant to purchase, lend or otherwise transfer or dispose of any shares of Common Stock, or enter into any swap or other arrangement that transfers any economic consequences of ownership of Common Stock until 12 months after the date therein.

### Private Placement of Common Stock

From November 2013 to November 2014, the Company entered into and consummated transactions pursuant to a series of the Subscription Agreements (the “Subscription Agreements”) with certain accredited investors whereby the Company issued and sold to the investors for \$1.00 per share an aggregate of 1,501,402 shares of the Company’s Common Stock for an aggregate purchase price of \$1,501,400 (the “Private Placement”).

The Subscription Agreements contain representations and warranties by the Company and the investors which are customary for transactions of this type such as, with respect to the Company: organization, good standing and qualification to do business; capitalization; subsidiaries, authorization and enforceability of the transaction and transaction documents; valid issuance of stock, consents being obtained or not required to consummate the transaction; litigation; compliance with securities laws; and no brokers used, and with respect to the investors: authorization, accredited investor status and investment intent.

### Stock Split

Effective December 16, 2013, a 7.8-for-1 forward stock split of the Company’s issued and outstanding Common Stock was effected (the “Stock Split”). As a result of the Stock Split, 9,602,569 shares of common stock issued and outstanding immediately before the Forward Split increased automatically, and without any further action from the Company’s stockholders, to 74,900,039 shares of common stock. The authorized number and par value of common stock were unchanged.

### Consulting Agreement

On March 20, 2014, the Company entered into a consulting agreement with Wall Street Relations, Inc. (the “Consultant”). Under the agreement, the Consultant will provide to the Company public relations, communications, advisory and consulting services. The term of the agreement is 12 months. For the services to be rendered under the agreement, the Company paid to the Consultant an aggregate amount of \$500,000 in cash.

On June 20, 2014, the Company terminated the agreement because of the Consultant’s failure to perform its obligations under the agreement. The Company is currently pursuing its options to obtain reimbursement of the fee paid to the Consultant under the agreement. As a result, the Company recorded a write off of prepaid assets of approximately \$320,000 for the year ended December 31, 2014.

### Private Placement of Secured Convertible Note

On October 2, 2014, the Company sold and issued to an accredited investor a secured convertible promissory note in the principal amount of \$100,000 (the “2014 Note”), which is due and payable on December 31, 2015 and accrues interest at the rate of 5% per annum. In addition, all or any outstanding amount of the 2014 Note shall be convertible one year from the date of this Note at the Holder’s discretion into the Company’s stock at a 25% discount to the market price of the Company’s Common Stock at the time of conversion.

The foregoing descriptions of the 2014 Note are qualified in their entirety by reference to the provisions of the 2014 Note which is included as Exhibit 4.2 to this Report and is incorporated by reference herein.

### ***Company’s Corporate Structure***

Below is the Company’s current corporate structure:



## ***Going concern***

The Company's financial statements are prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of obligations in the normal course of business. However, it has \$17,878 in cash, has losses and an accumulated deficit, and a working capital deficiency. The Company does not currently have any revenue generating operations. These conditions, among others, raise substantial doubt about the ability of the Company to continue as a going concern.

In view of these matters, continuation as a going concern is dependent upon continued operations of the Company, which in turn is dependent upon the Company's ability to, meet its financial requirements, raise additional capital, and the success of its future operations. The financial statements do not include any adjustments to the amount and classification of assets and liabilities that may be necessary should the Company not continue as a going concern.

Management believes they can raise the appropriate funds needed to support their business plan and acquire an operating company with positive cash flow. Management intends to seek new capital from owners and related parties to provide needed funds.

## ***Aukam Processing & Preliminary Economic Report***

On February 18, 2015, the Company's lead geologist consultant Mr. Ian Flint prepared and issued a report that addresses building requirements for an overall processing circuit on site that would adequately accommodate the processing of Aukam graphite, initially targeted towards processing material from the on-site mine dumps. In August of 2014 Next carried out a 500 tonne bulk sampling program on the Aukam property, targeting the largest of three surface mine dumps. Through this sampling program it was discovered that the dumps contained a significant amount of graphitic lump material, which is easily separated from the mix. It was further recorded that a lump to waste ratio of 1:3 was averaged throughout the sample taken. From the 500 tonne sampling program 150 tonnes of lumps were separated out of the dumps by running the material over a screen specifically constructed for this purpose. The majority of the graphitic lumps ranged in purity from 40-80% graphite with an average grade of 42%, and a residual 350 tonnes of lesser grade material graded an average of 34% graphite. In December of 2014, the Company reported additional testing from Gecko Laboratories, Namibia, including industry-standard flotation tests that reported the flotation characteristics of its lump graphite that influenced the Company's plant design. The tests were conducted on 1,763 pounds of composite samples drawn from the 150 tonnes of pre-screened graphitic lump, residual and waste material. Flotation tests carried out on samples and then tested for purity and grade demonstrated a 212-micron grind was the optimal size for flotation, and delivered a result of 97.1 % pure graphite after a single, rougher float. An average of 96.2 % graphite was recorded in the concentrates across all samples including waste material.

Below is a brief summary of Mr. Ian Flint's biographical information:

**Mr. Ian Flint** holds a PhD in Mining and Mineral Processing Engineering from the University of British Columbia, and a Master of Science degree in Metallurgical Engineering and Bachelor of Science degree in Geological Engineering, both from the University of Toronto. He has 24 years of graphite experience, including geology, test work, pilot plants, circuit design, mine development, purchasing, management, marketing and service as a public company corporate director. Mr. Flint is currently on a project for Elcora Resources Corp. (TSXV: ERA), and he has previously worked on projects for companies such as the Graphene Corporation, Dalhousie, Integrated Carbonics, Quinto, Bissett Creek, Mount Cameron Minerals, Worldwide Graphite (Superior), Farrell, Crystal Graphite, Victoria Graphite, CalGraphite. He worked as a technical advisor to Innovacorp during June 2011 through August 2013 and he served as Vice President at Champlain Tidal Energy Corp. Ltd. between 2009 and 2010. Mr. Flint has served on the Board or Advisor to several mining and graphite companies including, The Graphene Corporation, Dalhousie, Integrated Carbonics, Quinto, Bissett Creek, Mount Cameron Minerals, Worldwide Graphite (Superior), Farrell, Crystal Graphite, Victoria Graphite, CalGraphite.

## ***New Potential Business Relationships***

The Company is in discussions with off takers for the purchase, initially, of high grade unprocessed graphite from its existing 140,000 tonnes of tailing heaps. It is also in discussions with a firm relative to a joint venture arrangement that would begin in the second quarter of 2015 and would include the funding and installation of a processing facility at the Company's Aukam mine site.

## ***Our Business***

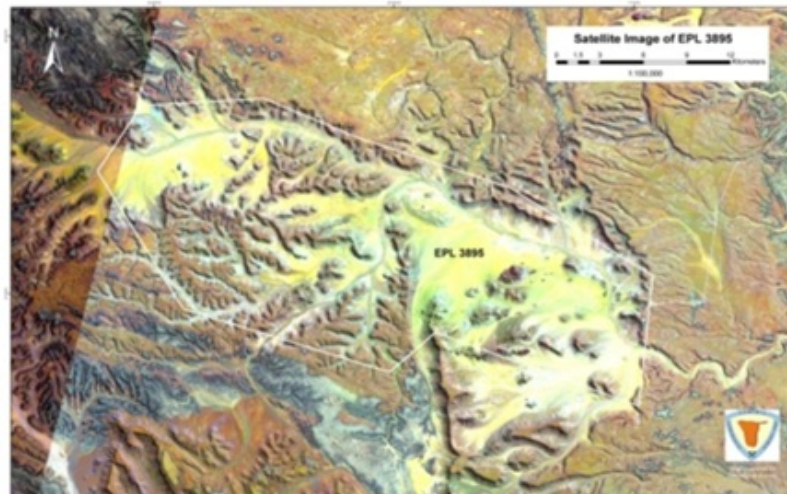
Next Graphite, Inc. is an exploration/development stage company targeting the growing global graphite production industry with the Company's 125,000-acre Africa-based Aukam Graphite Project. The Aukam Graphite Mine was established in 1940 in the current Republic of Namibia, produced USD \$30 million of graphite at today's prices. The Graphite property is estimated to still contain a significant amount of high grade, vein type graphitic material. Global graphite demand is being driven by the development of new markets for clean and efficient energy alternatives, smart grid infrastructure and military capabilities. Next Graphite has an immediately available, surface-visible, estimated 140,000-tonne mine heaps along with competitive projected mining and processing costs. The completion of GPNE's Aukam Graphite Mine re-launch and development activities are expected to result in a multi-million dollar inward investment into Namibia commencing in 2015.

Global graphite demand is being driven by the development of new markets for clean and efficient energy alternatives, smart grid infrastructure and military capabilities.

### ***Location of the Project and Infrastructure***

The Aukam Graphite Mine is located in southern Namibia in the Karas region within the Betanien district 169 km from the port of Luderitz. The nearest town of Aus is some 87 km away by road. The license area spurns about 49,127 hectares stratiform base metal that form part of the Namaqualand meta-sedimentary sequence.

The infrastructure in the area is good with access to the site possible throughout the year. The Aukam Graphite deposit is relatively close to a main tar road and well graded so the only construction required would be an approximately 2 km long access road to the site. There is a national power grid that passes right by the property. Water is available in large amounts from underground aquifers. The nearest rail link is located next to the main highway (some 70 km from the site).

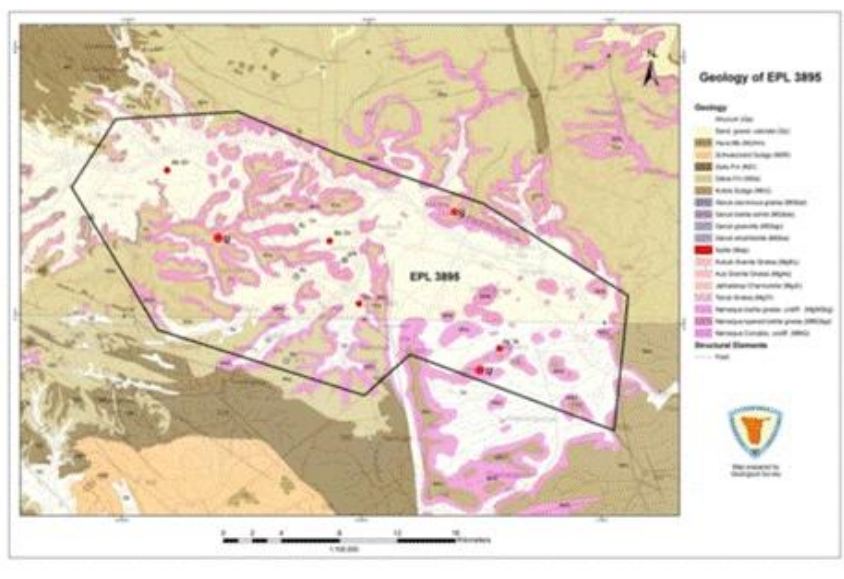


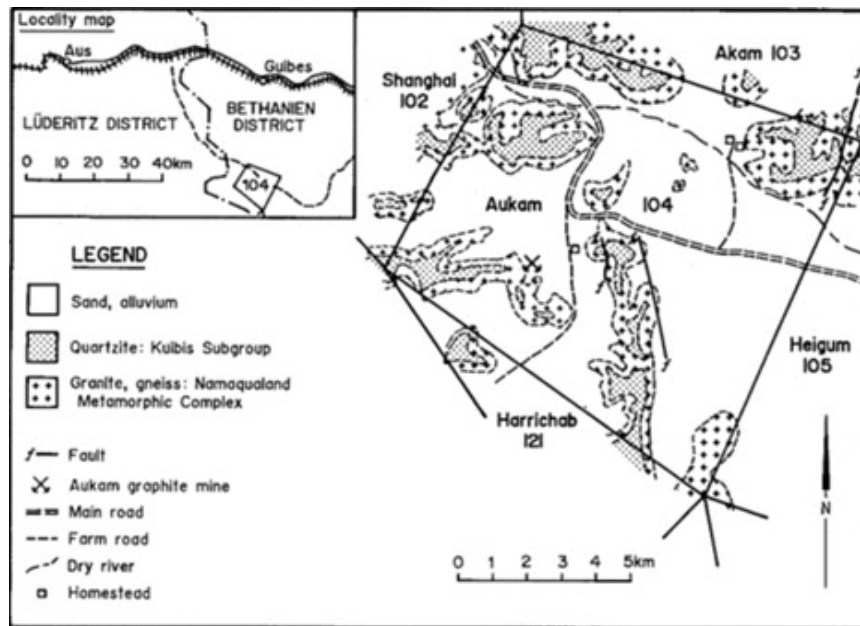
### ***Climate***

The Aukam Graphite Mine deposit is located in an unusual area of southern Namibia with both summer and winter rainfall. In the austral summer, day-time temperature peak in the mid 40° Celsius, while in winter temperatures can go as low as freezing. Rainfall in winter is generally light drizzle with occasional harder falls and sometimes flurries. In summer, the rainfall is associated with occasional thunderstorms and is of short duration, but can be of very high intensity. All of the streams within the area are ephemeral and can flow very strongly after summer rainfall. Average annual rainfall is 50-150 mm.

### ***Geology***

The Aukam Graphite Mine is the only mine in Namibia which has produced graphite. The ore body lies on the eastern slope of a prominent range of hills which rises 120 to 150 meters above the level of the surrounding sand covered valleys. The country rock consists almost entirely of grayish, medium- to coarse grained granite and gneissic rocks of the Namaqualand Metamorphic Complex.

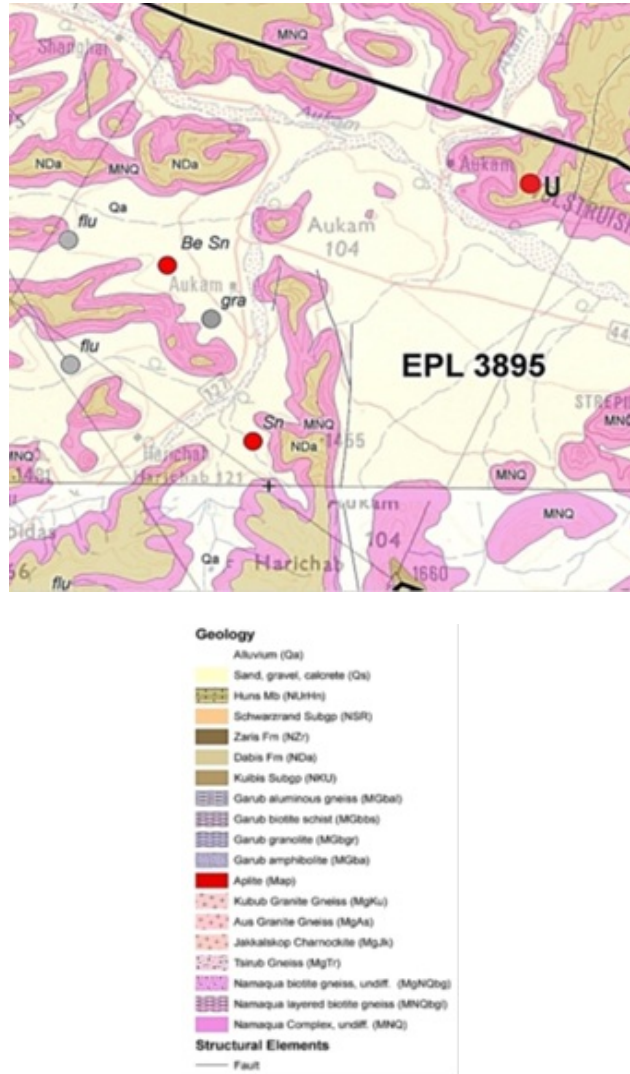




The graphite-bearing zone, which strikes east-west, is about 10 m wide and is traceable over a distance of some 350 m. The graphite, which is of the fine-flaky to lumpy type, usually contains malachite specks, while sulphur occurs along cracks. The graphite veins are flanked by a pale green, highly epidotized and kaolinized granite which is soft and highly decomposed. Parallel stringers of ferruginous and micaceous talcose material are associated with the veins.



## Graphite deposit in the Aukam Graphite Mine



The best quality graphite is located in the central lode and was initially worked by opencast mining along the slope, as the softness of the rocks in this area greatly facilitated mining operations. The excavation, which now measures 45 by 35 m, was later supplemented by two adits sited further downhill along the same lode, and a third was developed above the opencast pit. The lowermost tunnel is about 120 m long. Large-scale sloping from these adits yielded several thousand tons of graphite. The deposit was mined from 1940 to 1956 when the workings were destroyed by fire. Production was resumed in 1964 and ceased in 1974.

Graphite occurs as veins and lenses in the East-West striking vertical zone, 10m wide and 350m long. At the bottom of the hill it disappears underneath the sand cover, whereas near the summit it tapers out. The zone comprises three parallel lodes. Veins, lenses and pockets of ore, several meters wide, dip 70° to 90° to the south.

### ***Graphite and its Industrial Uses***

Graphite is considered to be the purest form of carbon. Graphite is an excellent conductor of heat and electricity and has a high melting temperature of 3,500 degrees Celsius. It is extremely resistant to acid, chemically inert and highly refractory. The utility of graphite is dependent largely upon its type.

There are three principal types of natural graphite, each occurring in different types of ore deposits:

- Crystalline flake graphite, or flake graphite, occurs as isolated, flat, plate-like particles with hexagonal edges, if unbroken, and when broken, the edges can be irregular or angular.
- Amorphous graphite occurs as fine particles and is the result of thermal metamorphism of coal, the last stage of coalification, and is sometimes called meta-anthracite. Very fine flake graphite is sometimes called amorphous in the trade.
- Lump graphite, or vein graphite, occurs in fissure veins or fractures and appears as massive platy intergrowths of fibrous or acicular crystalline aggregates, and is probably hydrothermal in origin.

All grades of graphite, especially high grade amorphous and crystalline graphite that remains suspended in oil are used as lubricants. Graphite has an extraordinarily low coefficient of friction under most working conditions. This property is invaluable in lubricants. It diminishes friction and tends to keep the moving surface cool. Dry graphite as well as graphite mixed with grease and oil is utilized as a lubricant for heavy and light bearings. Graphite grease is used as a heavy-duty lubricant where high temperatures may tend to remove the grease.

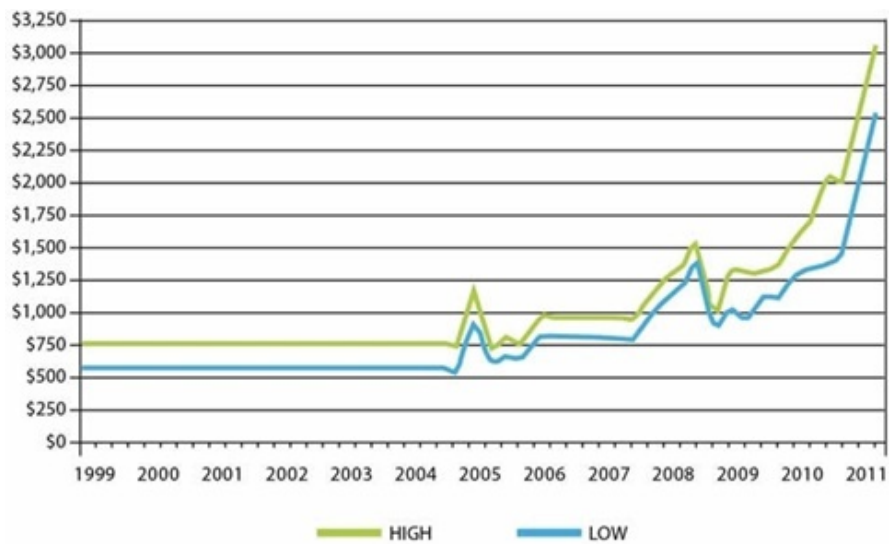
The flake type graphite is found to possess extremely low resistivity to electrical conductance. The electrical resistivity decreases with the increase of flake particles. The bulk density decreases progressively as the particles become flakier. Because of this property in flake graphite, it is used in the manufacture of carbon electrodes, plates and brushes required in the electrical industry and dry cell batteries. Flake graphite has been replaced to some extent by synthetic, amorphous, crystalline graphite and acetylene black in the manufacture of plates and brushes. Flake graphite containing 80 to 85% carbon is used for crucible manufacture; graphite containing a carbon content of 93% and above is preferred for the manufacture of lubricants, and graphite containing a carbon content of 40 to 70% is utilized for foundry facings. Natural graphite, refined or otherwise pure, having carbon content not less than 95% is used in the manufacture of carbon rods for dry battery cells.

### **The Industry**

The recent surge in interest and value of graphite is built on long-standing and solid fundamentals as a well-established industrial mineral. Natural graphite has been mostly consumed in steel making; for refractories and foundry facings; as a lubricant and as a containment lining in nuclear applications. Other uses have included automobile brake linings and transmission components, but with the extraordinary increase in the use of lithium-ion batteries, graphite has experienced a huge growth surge and the auto industry is sure to be at the forefront of this growth.

Prices of large-flake, high carbon graphite has increased from \$600 per metric ton during the 1990s to highs of approximately \$2,500 per metric ton recently. Industry participants believe that positive trends in graphite prices could continue in the coming years as China is expected to continue to tighten regulations regarding exports of graphite.

The statements made in this section, "The Industry," reflect management opinions and beliefs based on the information obtained from a variety of sector and industry sources. These include but are not limited to: Angel Publishing, Industrial Minerals Magazine, RR Market Research, and the U.S. Geological Survey of Mineral Commodity Summaries.

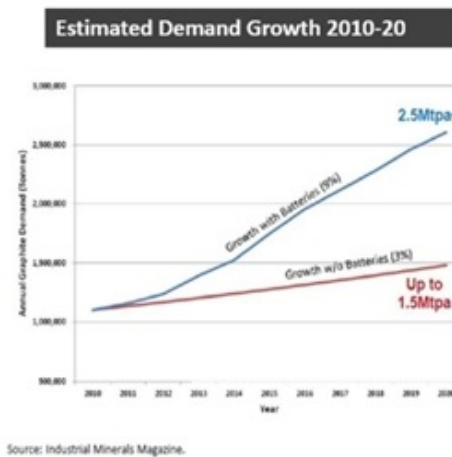
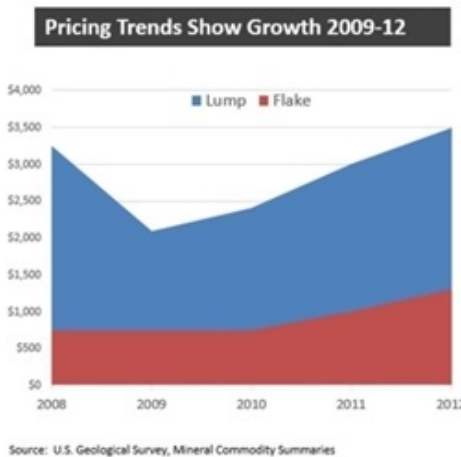


A report by Industrial Minerals, a leading source of information on critical minerals, stated that the Chinese government is focused on consolidating the domestic graphite industry and is going ahead with plans to reduce the number of graphite mines in Hunan province from 230 to around 20, with increased government supervision aimed at reducing environmental impact due to harmful mining practices. This is expected to lead to a loss of around 100,000 metric tons of graphite per year, or approximately 10 percent of the global supply.

Recent prices for flake graphite have seen \$1,500 - \$3,000 per tons depending on flake size and grade. Graphite prices have seen increases for large flake, high purity graphite (+80 mesh, 94-97%C) and have more than doubled in recent years. China, which produces about 80 percent of the world's graphite, is reducing its 200 amorphous graphite mines to 20 and creating a state-run monopoly causing disruptions in supply. Industrial Minerals recently reported exports from China in January and February 2012 have been reduced by 55.3% and 60.1% from 2011 level exports from Hunan Province. It is not expected that current graphite mines in other countries could replace Chinese amorphous supply.

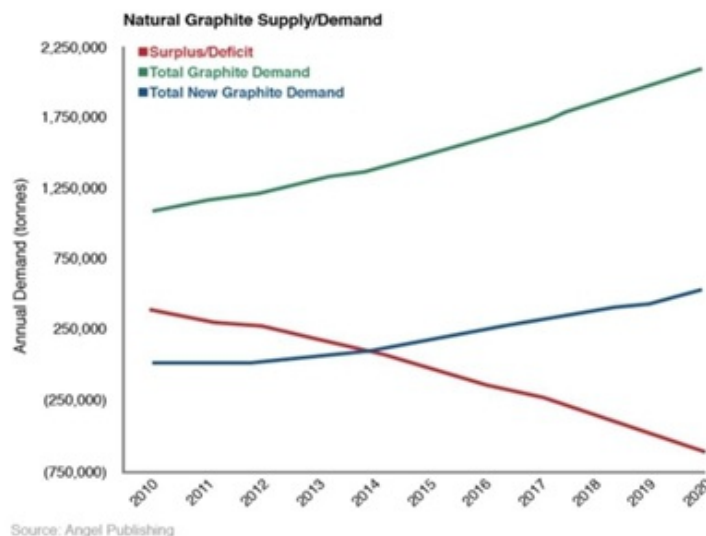
## Natural Graphite Flake Pricing and Demand

Chinese Steel Demand Replaced by Battery and New Product Requirements in 2010-2012



## Graphite Demand

Product and Application Demand Steadily Increases, Every Year.



### World demand to rise 6% annually through 2018

Worldwide demand for natural and synthetic graphite (including carbon fiber) is forecast to expand six percent per annum to about 3.9 million metric tons in 2018. This is an improvement over the 2008-2013 pace. Three key trends are expected to fuel this growth. First, advances in manufactured goods are expected to spur graphite consumption. Second, steelmaking and other types of metallurgy activity, important markets for graphite, are expected to accelerate between 2013 and 2018. Third, the global graphite market will benefit greatly from the rise of new, technologically advanced applications, including graphene, pebble-bed nuclear reactors, fuel cells, solar power, and aerospace. [Source: RR Market Research World Graphite (Natural, Synthetic & Carbon Fiber to 2018)]

### Natural flake graphite to outpace amorphous types

In the natural graphite segment flake graphite is anticipated to capture market share from amorphous graphite as high tech applications become more important and the availability of flake graphite increases. Through 2018, worldwide demand for flake graphite is expected to grow more than twice as fast as for amorphous products. When China reduced natural graphite output between 2011 and 2013 because of environment and industry fragmentation concerns, a large number of exploration projects were launched around the world. Approximately 30 companies are now working on developing mines in countries such as Australia, Canada, Russia, South Korea, Sweden, and the US. Finally, interest in natural graphite has increased dramatically with the rise of lithium ion batteries, which are used in electronics and electric motor vehicles.

The synthetic graphite market is also likely to see healthy gains during the 2013-2018 period. Worldwide demand for carbon fiber is expected to grow at a double-digit annual pace through 2018, as its use in aerospace, automotive, wind turbine, and other applications increases sharply. Additionally, the cost of carbon fiber is expected to gradually decline between 2013 and 2018 because of technological innovation. The growing use of electric arc furnaces to produce steel in most parts of the world is expected to boost sales of graphite electrodes. As synthetic graphite becomes more widely available in industrializing countries, product demand will grow. However, increasing production capacity will moderate prices. [Source: RR Market Research World Graphite (Natural, Synthetic & Carbon Fiber to 2018, online

research)]

#### China to remain key market

Roughly 45 percent of all additional graphite demand generated between 2013 and 2018 is expected to be attributable to China, also the world's leading consumer of these products. Growth will be bolstered by gains in manufactured goods shipments, increases in metallurgy activity, and additional investment in technologically advanced industries. Other industrializing countries in the Asia/Pacific region are also expected to perform well between 2013 and 2018, as their manufacturing sectors expand and grow in sophistication. Additionally, the availability of graphite products in Asia/ Pacific countries is anticipated to increase.

Graphite consumption in North America is forecast to expand by nearly six percent per annum between 2013 and 2018. This is a significant improvement over the 2008-2013 pace. The US is expected to register the region's fastest growth, as industrial production increases, metallurgy activity rebounds, and lithium ion battery output surges. Led by Brazil, Central and South America is projected to see sales of graphite increase at the second fastest annual rate worldwide through 2018. [Source: RR Market Research World Graphite (Natural, Synthetic & Carbon Fiber to 2018, online research)]

### Graphite's new era of demand

Natural graphite appears to be entering a new era of demand. Faced by a perfect storm of factors the world's graphite supply is in uncertain times. Graphite's diversity has secured a strong suite of traditional end use markets over the last 100 years as refractories, metallurgy, lubricants, carbon products such as car brake pads and pencils, and many other products, have carved out a substantial business for many producers around the world. However, it is the emergence of the Li-ion battery era that has the potential to turn the industry on its head. Portable electronic devices: mobile phones, iPads, and power tools, and large scale energy storage, all favor Li-ion technology. It is anticipated that electric vehicles hold the potential demand clout that could revolutionize the graphite space. The potential for graphite does not stop there. The wild card is the new super-material graphene. Derived from a single layer of graphite, graphene is over 100 times stronger than steel and more conductive than copper while being incredibly light. The applications of graphene seem to be endless, but it is yet to be commercialized. Very soon, the industry may not have enough natural graphite to go around. [Source: The Natural Graphite Report, 2012.]

### China

The world is currently at the mercy of Chinese supply, which accounted for 79% of the world's natural graphite in 2011. China's graphite production power was on display twenty years ago when huge volumes of new supply came into the world market rendering smaller mines in Canada, Mexico, Europe, and Australia uneconomic. Now China has focused on serving its own domestic needs and the manufacture of higher value goods. China's desire to build a value-chain means it no longer wants to be the source of raw materials, but the source of processed and finished products.

This situation holds the potential to be a graphite game-changer. A generation of under investment in mines around the world is now being felt. However, exploration is underway, particularly in Canada and Brazil, and new mines are under development. Some of the questions facing the industry are the following:

- How long will this new supply take to come to fruition?
- Will the quality and volumes be sufficient?
- Is there room for more players?
- Are there already too many producers?

### Prices up 140%

A supply/demand situation has been simmering for the last five years. Since 2010 the price of high quality flake grades of natural graphite have increased by 140% as a result of Chinese policy and struggling production elsewhere. The price pattern is recurring: that of a stabilization followed by an increase. One thing seems certain –that graphite is not losing its value. The talk in, and outside of, the industry is on what the future will hold for natural graphite. The rate of exploration in the second half of 2011 has levels not seen in a generation and Canada is leading the way on new projects. The unknowns that are electric vehicles and large scale energy storage together with China at a rapid stage of economic development, leaves the future for the key raw material uncertain.

### ***Our Strategy***

The Company has prepared a plan to re-launch mining production and on-site processing at an estimated cost, from inception, of \$2,750,000. The completed, re-opened mine will initially be targeting an estimated 5,000 tons of annual production.

In 2014, we conducted the following pre-production activities: the transfer of the mining license to Next Graphite Inc.; initial testing of the Aukam Graphite Mine samples and the compilation of its initial geological report; process testing of surface graphite samples from on-site tailings; preparation of an Environmental Impact Assessment report; application for a Mining License for extraction; preliminary drilling and advanced product testing; preliminary economic analysis based on our findings and a scoping study that details the engineering for production, mining design, flowchart and operations; construction planning for a small-scale processing facility; and continuing public company governance, overhead & professional services.

In 2015, the Company plans to build an on-site processing plant and begin processing its existing 140,000 tons of graphite tailings. The Company is targeting to initially reach graphite production of up to 2,000 tons per year commencing in the second half of 2015. The approximately 140,000 tonnes of mine heaps currently sitting at the surface is a legacy of the former mining operations on site. The pile still contains a large concentration of graphitic material. Through a recent bulk testing program conducted in June-August 2014, the Company was able to recover 137 metric tonnes of graphite lumps from 455 metric tonnes of material passed through a separation screen. The average lump-to-waste ratio in the piles with an average of  $\pm 70$  recovery was 1:3. If these results continue the Company can expect that approximately 30,000 tonnes of graphitic lumps will still be present in the heaps. The former average grade per lump was about 42% carbon. This indicates that within the piles alone there could be as much as 15,000 tonnes of graphite. 80 samples were submitted to a laboratory in Namibia for testing to determine the average grade of the recovered lumps. The results as reported in December 2014 were positive. Historically 300,000 tonnes of material was mined from the Aukam site, from which 25,000 tonnes of graphite was recovered.

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### Next Graphite's Aukam Mine Production Plan

Re-ignite Production and Develop On-Site Processing for < USD \$2.8 m

Objectives	Target by Year and Quarter							
	2014				2015			
	1	2	3	4	1	2	3	4
1. Commission geology studies for mining re-launch plan	✓							
2. Process testing of surface graphite samples				✓	✓			
3. Conduct Preliminary economic analysis					✓			
4. Small-scale processing facility construction planning						✓	✓	
5. Obtain basic processing equipment in-country							✓	✓
6. Start processing 140,000 MT of graphite heaps								✓
7. Target 2,000 MT per year of graphite production								✓

✓ Indicates completed objective

The Company intends to capitalize upon the increasing worldwide demand for high-grade graphite in a cost-effective and potentially profitable fashion, overseen by a highly experienced management team:

- ■ The Global Graphite market, currently estimated at \$12 billion, is expected to grow at a Compound Aggregate Growth Rate (“CAGR”) of 5.5% during 2012-2016. One key factor is the increasing use of graphite in batteries, e.g., the Li-Ion market is estimated at ~\$250B by 2020 [Source: ReportStack, “Global Graphite Market 2012-2016”].
- ■ Next Graphite has secured the mining rights to a mine with proven resources that has already been historically operated (has previously produced USD \$30 million of graphite at today’s prices, and is estimated by the Company’s geological consultants to contain over 4 million tons of natural, high-grade, large-flake, hydrothermal-sourced graphite reserves)
- ■ The Company plans to be operating in the Republic of Namibia, a country that is mining-friendly, has infrastructure in place, and has low labor costs.

### Market, Customers and Distribution Methods

Although there can be no assurance, large and well capitalized markets are readily available for all metals and precious metals throughout the world. A very sophisticated futures market for the pricing and delivery of future production also exists. The price for metals is affected by a number of global factors, including economic strength and resultant demand for metals for production, fluctuating supplies, mining activities and production by others in the industry, and new and or reduced uses for subject metals.

The mining industry is highly speculative and of a very high risk nature. As such, mining activities involve a high degree of risk, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Few mining projects actually become operating mines. The mining industry is subject to a number of factors, including intense industry competition, high susceptibility to economic conditions (such as the price of metal, foreign currency exchange rates, and capital and operating costs), and political conditions (which could affect such things as import and export regulations, foreign ownership restrictions). Furthermore, the mining activities are subject to all hazards incidental to mineral exploration, development and production, as well as risk of damage from earthquakes, any of which could result in work stoppages, damage to or loss of property and equipment and possible environmental damage. Hazards such as unusual or unexpected geological formations and other conditions are also involved in mineral exploration and development.

Our methods of distributing our mined graphite will in part be dictated by what our initial drilling activities indicate relative to quality, quantity, concentration and cost of extraction.

The options we are considering include:

- marketing department that sells the Company’s graphite to end users. This will probably not be pursued unless we are mining at least 5,000 - 10,000 tonnes of graphite a year.
- market the graphite through a partnership with another graphite mine.
- market the material, via offtakes, to graphite distributors, traders or other companies that may market graphite from more than one mining company.

The Company's costs of operation will also be largely influenced by the factors noted above such as quality, quantity, concentration, and cost of extraction. Based on our initial planned small-scale operation, the cost to build our processing plant will be approximately \$1,000,000. We anticipate our on-going costs of operation will be relatively low given our low Namibian labor costs and low extraction costs based on preliminary testing.

### ***Intellectual Property***

The Company does not have any Intellectual Property at this time.

### ***Competition***

The mineral exploration industry is highly competitive. We are a new exploration stage company and have a weak competitive position in the industry. We compete with junior and senior mineral exploration companies, independent producers and institutional and individual investors who are actively seeking to acquire mineral exploration properties throughout the world together with the equipment, labor and materials required to operate on those properties. Competition for the acquisition of mineral exploration interests is intense with many mineral exploration leases or claims available in a competitive bidding process in which we may lack the technological information or expertise available to other bidders.

Many of the mineral exploration companies with which we compete for financing and for the acquisition of mineral exploration properties have greater financial and technical resources than those available to us. Accordingly, these competitors may be able to spend greater amounts on acquiring mineral exploration interests of merit or on exploring or developing their mineral exploration properties. This advantage could enable our competitors to acquire mineral exploration properties of greater quality and interest to prospective investors who may choose to finance their additional exploration and development. Such competition could adversely impact our ability to attain the financing necessary for us to acquire further mineral exploration interests or explore and develop our current or future mineral exploration properties.

We also compete with other junior mineral exploration companies for financing from a limited number of investors that are prepared to invest in such companies. The presence of competing junior mineral exploration companies may impact our ability to raise additional capital in order to fund our acquisition or exploration programs if investors perceive that investments in our competitors are more attractive based on the merit of their mineral exploration properties or the price of the investment opportunity. In addition, we compete with both junior and senior mineral exploration companies for available resources, including, but not limited to, professional geologists, land specialists, engineers, camp staff, helicopters, float planes, mineral exploration supplies and drill rigs.

General competitive conditions may be substantially affected by various forms of energy legislation and/or regulation introduced from time to time by the governments of the United States and other countries, as well as factors beyond our control, including international political conditions, overall levels of supply and demand for mineral exploration. In the face of competition, we may not be successful in acquiring, exploring or developing profitable mineral properties or interests, and we cannot give any assurance that suitable oil and gas properties or interests will be available for our acquisition, exploration or development. Despite this, we hope to compete successfully in the mineral exploration industry by:

- keeping our costs low;
- relying on the strength of our management's contacts; and
- using our size and experience to our advantage by adapting quickly to changing market conditions or responding swiftly to potential opportunities.

### ***Government Regulation***

In Namibia, all mineral rights are vested in the state. The Minerals (Prospecting and Mining) Act of 1992 regulates the mining industry in the country. The Ministry of Mines and Energy is responsible for mining. Licenses and permits are authorized by the Minister on recommendation of the Mining Commissioner. Namibia's mining industry is also regulated by the Minerals Development Fund of Namibia Act of 1996 and the Diamond Act of 1999. Several types of mining and prospecting licenses exist as follows:

- Non-Exclusive Prospecting Licenses, valid for 12 months, permit prospecting non-exclusively in any open group not restricted by other mineral rights.
- Reconnaissance Licenses allow regional remote sensing techniques, and are valid for 6 months (renewable under special circumstances) and can be made exclusive in some instances.
- Exclusive Prospecting Licenses can cover areas not exceeding 1000 square kilometers and are valid for 3 years, with two renewals of 2 years each and discretionary renewals thereafter. Two or more EPLs can be issued for more than one mineral in the same area.
- Mineral Deposit Retention Licenses (MDRLs) allow successful prospectors to retain rights to mineral deposits which are uneconomical to exploit immediately. MDRLs are valid for up to 5 years and can be renewed subject to limited work and expenditure obligations.
- Mining Licenses can be awarded to Namibian citizens and companies registered in Namibia. They are valid for an initial 25 years, renewable up to 15 years at a time.
- There is no requirement that the Government should hold equity participation in mining ventures.

We will be required to comply with the foregoing government regulations. An Environmental Impact Analysis was prepared and accepted by the Namibia Ministry of Environment and Tourism on September 22, 2014. We have submitted an extension to our current Exploratory License and are confident of it being renewed.





Additional approvals and authorizations may be required from other government agencies, depending upon the nature and scope of the proposed exploration program. The amount of these costs is not known as we do not know the size, quality of any resource or reserve at this time. It is impossible to assess the impact of any capital expenditures on earnings or our competitive position.

### ***Environmental Regulations***

Our exploration activities are also subject to laws and regulations of Namibia governing protection of the environment. These laws are continually changing and, as a general matter, are becoming more restrictive. Our policy is to conduct business in a way that safeguards public health and the environment and in material compliance with applicable environmental laws and regulations. Changes to current laws and regulations in the jurisdictions where we operate could require additional capital expenditures and increased operating costs. Although we are unable to predict what additional legislation and the associated costs of such legislation, if any, might be proposed or enacted, additional regulatory requirements could render certain exploration activities uneconomic.

### ***Employees***

As of December 31, 2014, the Company and its subsidiaries had no employees. The Company utilizes the services of consultants and advisors. These include its principal executive officer, chief financial officer, geological personnel, accountants, and attorneys. Some of these positions, especially those of a technical nature, may be converted to employment if and when the Company's business requires and resources permit.

### ***Emerging Growth Company***

The Company is an "emerging growth company", as defined in the Jumpstart Our Business Startups Act of 2012 ("JOBS Act"), and may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not "emerging growth companies" including, but not limited to, not being required to comply with the auditor attestation requirements of section 404(b) of the Sarbanes-Oxley Act, and exemptions from the requirements of Sections 14A(a) and (b) of the Securities Exchange Act of 1934 to hold a nonbinding advisory vote of shareholders on executive compensation and any golden parachute payments not previously approved.

The Company has elected to use the extended transition period for complying with new or revised accounting standards under Section 102(b)(1) of the JOBS Act. This election allows us to delay the adoption of new or revised accounting standards that have different effective dates for public and private companies until those standards apply to private companies. As a result of this election, our financial statements may not be comparable to companies that comply with public company effective dates.

We will remain an "emerging growth company" until the earliest of (1) the last day of the fiscal year during which our revenues exceed \$1 billion, (2) the date on which we issue more than \$1 billion in non-convertible debt in a three year period, (3) the last day of the fiscal year following the fifth anniversary of the date of the first sale of our common equity securities pursuant to an effective registration statement filed pursuant to the Securities Act of 1933, as amended, or (4) when the market value of our common stock that is held by non-affiliates exceeds \$700 million as of the last business day of our most recently completed second fiscal quarter.

To the extent that we continue to qualify as a "smaller reporting company", as such term is defined in Rule 12b-2 under the Securities Exchange Act of 1934, after we cease to qualify as an emerging growth company, certain of the exemptions available to us as an emerging growth company may continue to be available to us as a smaller reporting company, including: (1) not being required to comply with the auditor attestation requirements of Section 404(b) of the Sarbanes Oxley Act; (2) scaled executive compensation disclosures; and (3) the requirement to provide only two years of audited financial statements, instead of three years.

## ITEM 1A. RISK FACTORS

An investment in the Company is subject to risks and uncertainties. The occurrence of any one or more of these risks or uncertainties could have a material adverse effect on the value of any investment in the Company and the business, prospects, financial position, financial condition or operating results of the Company. Prospective investors should carefully consider the information presented in this report, including the following risk factors, which are not an exhaustive list of all risk factors associated with an investment in the Company or the Company's shares or in connection with the operations of the Company:

***The Company has a limited history of operations and Aukam Graphite Project is the Company's sole asset. There can be no assurance that any of the Company's planned exploration and development activities on the Aukam Graphite Project will ever lead to the re-launch of graphite production from it.***

The Company has a limited history of operations and is in the early stage of development. The Company is engaged in the business of exploring, resuming production and developing a single asset, the Aukam Graphite Project, in the hope of ultimately, at some future point, placing the Aukam Graphite Project back into production. The Aukam Graphite Project will be for the foreseeable future the Company's sole asset. Although management believes the Aukam Graphite Project has sufficient merit to justify focusing all the Company's limited resources upon it, the Company will in consequence be exposed to some heightened degree of risk due to the lack of property diversification. The Aukam Graphite Project is assumed to still host graphitic material that has been historically mined. However, there are no guarantees that the re-launched production of these potentially indicated and inferred resources will ever be demonstrated, in whole or in part, to be profitable to mine. Development of the Aukam Graphite Project will only follow upon obtaining satisfactory results from the recommended multi-phase testing, exploration and development program and any subsequent work and studies that may be required. There can be no assurance that any of the Company's planned exploration and development activities on the Aukam Graphite Project will ever lead to the re-launch of graphite production from it.

***There is no guarantee that the mineral deposit contained in the Aukam Graphite Project will be commercially viable.***

The exploration and development of mineral projects is highly speculative in nature and involves a high degree of financial and other risks over a significant period of time, which even a combination of careful evaluation, experience and knowledge may not reduce or eliminate. The Aukam Graphite Project will constitute the Company's sole asset. However, there are no guarantees that there will ever be a profitable mining operation on the Aukam Graphite Project. The proposed multi-phase exploration and development program on the Aukam Graphite Project is subject to a significant degree of risk. Whether a mineral deposit will be commercially viable depends on a number of factors, including the particular attributes of the deposit (i.e. size, grade, access, flake size distribution, contaminants, and proximity to infrastructure), financing costs, the cyclical nature of commodity prices and government regulations (including those relating to prices, taxes, currency controls, royalties (both product and monetary), land tenure, land use, importing and exporting of mineral products, and environmental protection). The effect of these factors or a combination thereof cannot be accurately predicted but could have an adverse impact on the Company.

***The Company has no history of mineral production.***

Even though the Aukam Graphite Project has produced graphite historically, the Company has never had an interest in a mineral-producing property. There is no assurance that commercial quantities of minerals will be discovered at any future properties, nor is there any assurance that any future exploration programs of the Company on the Aukam Graphite Project or any future properties will yield any positive results. Even where commercial properties of minerals are discovered, there can be no assurance that any property of the Company will ever be brought to a stage where mineral reserves can be profitably produced thereon. Factors that may limit the ability of the Company to produce mineral resources from its property include, but are not limited to, the price of mineral resources are explored, availability of additional capital and financing and the nature of any mineral deposits.

***The Company's operations will be subject to all of the hazards and risks normally encountered in mineral exploration and development. The Company does not currently carry insurance against these risks and there is no assurance that such insurance will be available in the future, or if available, at economically feasible premiums or acceptable terms.***

Mining operations generally involve a high degree of risk. The Company's operations will be subject to all of the hazards and risks normally encountered in mineral exploration and development. Such risks include unusual and unexpected geological formations, seismic activity, rock bursts, cave-ins, water inflows, fires and other conditions involved in the drilling and removal of material, environmental hazards, industrial accidents, periodic interruptions due to adverse weather conditions, labor disputes, political unrest and theft. The occurrence of any of the foregoing could result in damage to, or destruction of, mineral properties or interests, production facilities, personal injury, damage to life or property, environmental damage, delays or interruption of operations, increases in costs, monetary losses, legal liability and adverse government action. The Company does not currently carry insurance against these risks and there is no assurance that such insurance will be available in the future, or if available, at economically feasible premiums or acceptable terms. The potential costs associated with losses or liabilities not covered by insurance coverage may have a material adverse effect upon the Company's financial condition.

***The Company has a limited operating history and financial resources.***

The Company has a limited operating history, has no operating revenues and is unlikely to generate any revenues from operations in the immediate future. Its existing cash resources are not sufficient to cover its projected funding requirements for the ensuing year. If its phased exploration and development program is successful, additional funds will be required to bring the Aukam Graphite Project back into production. The Company has limited financial resources and there is no assurance that sufficient additional funding will be available to enable it to fulfill its obligations or for further exploration and development on acceptable terms or at all. Failure to obtain additional funding on a timely basis could result in delay or indefinite postponement of further exploration and development and could cause the Company to reduce or terminate its operations.

***If we cease to continue as a going concern, due to lack of funding or otherwise, you may lose your entire investment in the Company.***

Our current plans indicate that we will need substantial additional capital to implement our plan of operations before we have any anticipated revenues. When we require additional funds, general market conditions or the then-current market price of our common stock may not support capital raising transactions such as additional public or private offerings of our common stock. If we require additional funds and we are unable to obtain them on a timely basis or on terms favorable to us, we may be required to scale back our development of new products, sell or license some or all of our technology or assets, or curtail or cease operations.

***The Company is subject to Namibian government regulation of its mining operations. Although the Company believes that the Aukam Graphite Project is in substantial compliance with all material laws and regulations that currently apply to its activities, there can be no assurance, however, that the Company will obtain on reasonable terms or at all the permits and approvals, and the renewals thereof, which it may require for the conduct of its future operations or that compliance with applicable laws, regulations, permits and approvals will not have an adverse effect on plans to explore and develop the Aukam Graphite Project.***

The future operations of the Company, including exploration and development activities and the commencement and continuation of commercial production, require licenses, permits or other approvals from various federal, provincial and local governmental authorities and such operations are or will be governed by laws and regulations relating to prospecting, development, mining, production, exports, taxes, labor standards, occupational health and safety, waste disposal, toxic substances, land use, water use, environmental protection, land claims of indigenous people and other matters. The Company believes that the Aukam Graphite Project is in substantial compliance with all material laws and regulations that currently apply to its activities. There can be no assurance, however, that the Company will obtain on reasonable terms or at all the permits and approvals, and the renewals thereof, which it may require for the conduct of its future operations or that compliance with applicable laws, regulations, permits and approvals will not have an adverse effect on plans to explore and develop the Aukam Graphite Project. Possible future environmental and mineral tax legislation, regulations and actions could cause additional expense, capital expenditures, restrictions and delay on the Company's planned exploration and operations, the extent of which cannot be predicted.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

***The initial property report was based on production data generated from the Namibian Ministry of Mines and Energy and from prior exploration work. There is no guarantee in reliability of such data.***

In preparing the initial property report, The Aukam Property Geological Report of February 16, 2014, the authors of that report from Element 12 Consulting relied upon certain data generated on production from the government-mining ministry, and by exploration work carried out by geologists employed by others. There is no guarantee that data generated from government records or by prior exploration work is 100% reliable and discrepancies in such data not discovered by the Company may exist. Such errors and/or discrepancies, if they exist, could have impact on the accuracy of the subject report.

***If we lose the services of key management personnel and are unable to attract and retain highly skilled employees, we may not be able to execute our business strategy effectively.***

The success of the Company will be largely dependent upon the performance of its senior management and directors. Due to the relative small size of the Company, the loss of these persons or the inability of the Company to attract and retain additional highly skilled employees may adversely affect its business and future operations. The Company has not purchased any “key-man” insurance nor has it entered into any non-competition or non-disclosure agreements with any of its directors, officers or key employees and has no current plans to do so.

While our executive officers and directors are highly experienced in business, they do not come from the mining industry and rely on Company managers and consultants for specific mining expertise. The Company has hired and may continue to rely upon consultants and others for geological and technical expertise. The Company’s current personnel may not include persons with sufficient technical expertise to carry out the future development of the Company’s properties. There is no assurance that suitably qualified personnel can be retained or will be hired for such development.

***The Company faces increased competition for equipment and experienced personnel from competitors with greater financial and technical resources.***

The mineral exploration and mining business is competitive in all of its phases. The mining industry is facing a shortage of equipment and skilled personnel and there is intense competition for experienced geologists, field personnel, contractors and management, including from competitors with greater financial resources. There is no assurance that the Company will be able to compete successfully with others in acquiring such equipment or personnel.

***There is no guarantee that the Company will be successful in its competition for productive mineral properties and financing with competitors possessing greater financial and technological resources.***

The mineral exploration and mining business is competitive in all phases of exploration, development and production. The Company competes with a number of other entities in the search for and acquisition of productive mineral properties. As a result of this competition, the majority of which is with companies with greater financial resources than the Company, the Company may be unable to acquire attractive properties in the future on terms it considers acceptable. The Company also competes for financing with other resources companies, many of whom have greater financial resources and/or more advanced properties. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, the terms of such financing will be favorable to the Company.

***There is no assurance that the Company will be able to obtain a leasehold interest to the land lot covering the Aukam Graphite Project on financially sound terms.***

The land lot comprising the Aukam Graphite Project is owned by an unrelated third party, and the Company will need to obtain a leasehold interest to such land lot before it can commence mining operations. Under the laws of Namibia, the grant of a mining license guarantees access to the land where a mineral deposit is located. The financial terms of such access, however, need to be negotiated directly with the land owner. While the Company believes that it will be able to negotiate financially sound terms of such access when mining is commenced, there can be no assurance or guarantee that such terms will be acceptable to the Company.

***There can be no assurance that the Company will be able to secure the renewal of the prospecting license or grant of a mining license on terms satisfactory to it, or that governments having jurisdiction over the Aukam Graphite Project will not revoke or significantly alter such license or other tenures or that such license and tenures will not be challenged or impugned.***

The Company possesses the license to the Aukam Graphite Project allowing for prospecting operations, bulk sampling and pilot production (subject to ministry approval) in the license area, which expires on April 3, 2015. We submitted our application for an extension to our current Exploratory License on March 13, 2015 and are confident of it being renewed. The exploration license will be followed by a mining license, which cost is dependent on a number of variables that the Namibian Ministry of Mines will determine. We do not expect that the mining license will exceed \$20,000 in annual cost. While the Namibian government has an interest in the license area being developed and the Company believes that it will be able to obtain necessary extensions on the prospecting license and grant of a mining license required to recommence mining operations, there can be no assurance that the Company will be able to secure the renewal of the prospecting license or grant of a mining license on terms satisfactory to it, or that governments having jurisdiction over the Aukam Graphite Project will not revoke or significantly alter such license or other tenures or that such license and tenures will not be challenged or impugned.

***If environmental hazards are identified on the Aukam Graphite Project, it may have the potential to negatively impact on the Company's exploration and development plans for the Aukam Graphite Project.***

All phases of the Company's operations will be subject to environmental regulation in the jurisdictions in which it operates. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation and provide for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry activities and operations. They also set forth limitations on the generation, transportation, storage and disposal of hazardous waste. A breach of such regulation may result in the imposition of fines and penalties. In addition, certain types of mining operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. The cost of compliance with changes in governmental regulations has the potential to reduce the viability or profitability of operations of the Company. The Aukam Graphite Project has in the past been subject to an environmental study. Additional environmental studies will, however, be required as the Company's anticipated exploration and development programs unfold. It is always possible that, as work proceeds, environmental hazards may be identified on the Aukam Graphite Project which are at present unknown to the Company and which may have the potential to negatively impact on the Company's exploration and development plans for the Aukam Graphite Project.

***The price of the Company's securities, its financial results and its exploration, development and mining activities may be significantly adversely affected by declines in the price of graphite.***

The price of the Company's securities, its financial results and its exploration, development and mining activities may be significantly adversely affected by declines in the price of graphite. Industrial mineral prices fluctuate widely and are affected by numerous factors beyond the Company's control such as the sale or purchase of industrial minerals by various dealers, interest rates, exchange rates, inflation or deflation, currency exchange fluctuation, global and regional supply and demand, production and consumption patterns, speculative activities, increased production due to improved mining and production methods, government regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals, environmental protection, the degree to which a dominant producer uses its market strength to bring supply into equilibrium with demand, and international political and economic trends, conditions and events. The prices of industrial minerals have fluctuated widely in recent years, and future price declines could cause continued exploration and development of the Aukam Graphite Project to be impracticable. Further, reserve calculations and life-of-mine plans using significantly lower industrial mineral prices could result in material write-downs of the Company's investment in the Aukam Graphite Project and increased amortization, reclamation and closure charges. In addition to adversely affecting reserve estimates and the Company's financial condition, declining commodity prices can impact operations by requiring a reassessment of the feasibility of a particular project. Such a reassessment may be the result of a management decision or may be required under financing arrangements related to a particular project. Even if the project is ultimately determined to be economically viable, the need to conduct such a reassessment may cause substantial delays or may interrupt operations until the reassessment can be completed.

***As our business grows, we will need to hire highly skilled personnel and, if we are unable to retain or motivate hire additional qualified personnel, we may not be able to grow effectively.***

Although no assurance can be given, the Company contemplates that growth will occur as the Company implements its business strategies. The Company expects the expansion of its business to place a significant strain on its limited managerial, operational, and financial resources. The Company will be required to expand its operational and financial systems significantly and to expand, train, and manage its work force in order to manage the expansion of its operations. The Company's failure to fully integrate new employees into its operations could have a material adverse effect on its business, prospects, financial condition, and results of operations. The Company's ability to attract and retain highly skilled personnel in connection with its growth is critical to its operations and expansion. The Company faces competition for these types of personnel from other mining companies and more established organizations, many of which have significantly larger operations and greater financial, marketing, human, and other resources than does the Company. The Company may not be successful in attracting and retaining qualified personnel on a timely basis, on competitive terms, or at all. If the Company is not successful in attracting and retaining these personnel, its business, prospects, financial condition, and results of operations will be materially adversely affected.

***The market price of the common stock may fluctuate significantly.***

There was no quotation for the Company common stock until March 6, 2014. An active public market for the Company's common stock may not be sustained. The market price of the common stock may fluctuate significantly in response to factors, some of which are beyond the Company's control, such as competitors' results of operations, changes in earnings estimates or recommendations by securities analysts, developments in our industry, and general market conditions and other factors, including factors unrelated to our operating performance.

***Issuance of additional shares of common stock or securities convertible into common stock may substantially dilute the ownership interests of our existing stockholders.***

We may in the future issue our previously authorized and unissued securities, resulting in the dilution of the ownership interests of our common stockholders. We are currently authorized to issue one hundred million shares of common stock and ten million shares of preferred stock with such designations, preferences and rights as determined by our board of directors. Issuance of additional shares of common stock may substantially dilute the ownership interests of our existing stockholders. We may also issue additional shares of our common stock or other securities that are convertible into or exercisable for common stock in connection with the hiring of personnel, future acquisitions, future public or private placements of our securities for capital raising purposes, or for other business purposes. Any such issuance would further dilute the interests of our existing stockholders.

***The outcomes of any legal action may have a material adverse effect on the financial results of the Company.***

From time to time, the Company may be involved in lawsuits. The outcomes of any such legal actions may have a material adverse effect on the financial results of the Company on an individual or aggregate basis.

***The Company does not anticipate paying any dividends on its common stock.***

The Company has no earnings or dividend record and does not anticipate paying any dividends on its common shares in the foreseeable future.

***Our common stock is considered a "penny stock" and, as a result, it may affect the ability of investors to sell their shares.***

The SEC has adopted regulations which generally define "penny stock" to be an equity security that has a market or exercise price of less than \$5.00 per share, subject to specific exemptions. The market price of the Company's common stock may be below \$5.00 per share and therefore may be designated as a "penny stock" according to SEC rules. This designation requires any broker or dealer selling these securities to disclose certain information concerning the transaction, obtain a written agreement from the purchaser and determine that the purchaser is reasonably suitable to purchase the securities. These rules may restrict the ability of brokers or dealers to sell such shares and may affect the ability of investors to sell their shares. In addition, since the Company's common stock is currently quoted on the OTCQB, investors may find it difficult to obtain accurate quotations of the stock and may find few buyers to purchase the stock or a lack of market makers to support the stock price.

***Failure to achieve and maintain effective internal controls in accordance with Section 404 of the Sarbanes-Oxley Act of 2002 could prevent the Company from producing reliable financial reports or identifying fraud. In addition, current and potential stockholders could lose confidence in the Company's financial reporting, which could have an adverse effect on the Company's stock price.***

Effective internal controls are necessary for the Company to provide reliable financial reports and effectively prevent fraud, and a lack of effective controls could preclude the Company from accomplishing these critical functions. We are required to document and test our internal control procedures in order to satisfy the requirements of Section 404 of the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act"), which requires annual management assessments of the effectiveness of the Company's internal controls over financial reporting.

If we fail to maintain the adequacy of our internal accounting controls, as such standards are modified, supplemented or amended from time to time, we may not be able to ensure that we can conclude on an ongoing basis that we have effective internal controls over financial reporting in accordance with Section 404. Failure to achieve and maintain an effective internal control environment could cause investors to lose confidence in our reported financial information, which could have an adverse effect on our stock price.

***Under the JOBS Act we have elected to use an extended period for complying with new or revised accounting standards.***

We have elected to use the extended transition period for complying with new or revised accounting standards under Section 102(b)(1), which allows us to delay adoption of new or revised accounting standards that have different effective dates for public and private until those standards apply to private companies. As a result of this election, our financial statements may not be comparable to companies that comply with public company effective dates.

## ITEM 2. PROPERTIES

The Company's direct 90% owned subsidiary Gazania owns a 100% undivided interest in the exclusive prospecting license No. 3895 known as AUKAM originally issued to Centre by the government of the Republic of Namibia on April 4, 2011 and renewed on April 4, 2013 (the "License"). The License grants the right to conduct prospecting operations, bulk sampling and pilot production in the license area called AUKAM located in southern Namibia in the Karas Region within the Betaine district. The license area covers about 49,127 hectares.

The property is named after the Aukam Farm where it is located. A land use and royalty agreement was reached with the landowner on July 15, 2014, inclusive of land lease, boring and trenching and water usage compensation, and gross royalties once mining commences. Under the laws of Namibia, the grant of a mining license guarantees access to the land where a mineral deposit is located.

## ITEM 3. LEGAL PROCEEDINGS

From time to time, we may become involved in various lawsuits and legal proceedings which arise in the ordinary course of business. However, litigation is subject to inherent uncertainties, and an adverse result in these or other matters may arise from time to time that may harm our business. Except for the following, we are currently not aware of any such legal proceedings or claims that we believe will have a material adverse effect on our business, financial condition or operating results.

On August 25, 2014, the Company filed a complaint in the Supreme Court of the State of New York in Nassau County against Wall Street Relations, Inc. ("WSR"). On March 20, 2014, the Company entered into a consulting agreement (the "Consulting Agreement") with WSR, which is incorporated by reference herein to Exhibit 10.3 to the Company's Current Report on Form 8-K filed on March 20, 2014. Under the Consulting Agreement, WSR agreed to provide to the Company public relations, communications, advisory and consulting services for fees of \$500,000 (the "Fees"). For the services to be rendered under the Consulting Agreement, the Company paid to WSR \$500,000 in cash. On June 20, 2014, the Company terminated the Consulting Agreement because the Company believed that WSR failed to perform its obligations under the Consulting Agreement. The Company therefore terminated the Consulting Agreement and demanded WSR's repayment of the Fees but to no avail. The Company's claim against WSR seeks, among other things, monetary damages of \$500,000 and interests, costs and attorney's fees. The Company intends to vigorously prosecute its claims against WSR.

## ITEM 4. MINE SAFETY DISCLOSURES.

**Not applicable.**

## PART II

## ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

### *Market Information*

Our Common Stock, \$.0001 par value, is quoted on the OTC Market Group's OTCQB Marketplace under the symbol "GPNE." There were no reported quotations for our common stock during the fiscal year 2013 and through March 5, 2014. Trading in stocks quoted on the OTCQB is often thin and is characterized by wide fluctuations in trading prices due to many factors that may have little to do with a company's operations or business prospects. OTCQB securities are not listed or traded on the floor of an organized national or regional stock exchange. Instead, OTCQB securities transactions are conducted through a telephone and computer network connecting dealers in stocks.

For the periods indicated, the following table sets forth the high and low bid prices per share of Common Stock. The following quotations reflect the high and low bids for our shares of common stock based on inter-dealer prices, without retail mark-up, mark-down or commission and may not represent actual transactions. There were no reported quotations for our common stock during the fiscal year 2013.

Fiscal Year 2014	High	Low
First Quarter*	\$ 0.50	\$ 0.40
Second Quarter	\$ 0.53	\$ 0.07
Third Quarter	\$ 0.20	\$ 0.06
Fourth Quarter	\$ 0.25	\$ 0.06

\* The Company's Common Stock did not trade until March 6, 2014.

As of March 31, 2015, the last sale price reported on the OTCQB for the Company's Common Stock was \$0.02 per share.

As of March 31, 2015, we had approximately 62 shareholders of record. The holders of common stock are entitled to one vote for each share held of record on all matters submitted to a vote of stockholders. Holders of the common stock have no preemptive rights and no right to convert their common stock into any other securities. There are no redemption or sinking fund provisions applicable to the common stock.

### **Transfer Agent and Registrar**

Our transfer agent is Globex Transfer, LLC at the address of 780 Deltona Blvd., Suite 202, Deltona, FL 32725.





### ***Description of Common Stock***

Our authorized capital stock consists of 100,000,000 shares of Common Stock, par value \$.0001 per share, and 25,000,000 shares of preferred stock, par value \$.0001 per share. The following description of our Common Stock is intended as a summary only and is qualified in its entirety by reference to our Articles of Incorporation, as amended, and By-laws. Subject to a special voting rights or restrictions attached to a class of shares, each shareholder shall be entitled to one vote for each share of stock in his or her own name on the books of the corporation, whether represented in person or by proxy.

No business, other than the election of the chairman or the adjournment of the meeting, will be transacted at an annual or special meeting unless a quorum of shareholders, entitled to attend and vote, is present at the commencement of the meeting, but the quorum need not be present throughout the meeting. The holders of at least one third of the outstanding voting shares of stock shall constitute a quorum at a meeting of stockholders for the transaction of any business. Unless otherwise provided by law, any action required to be taken at a meeting of the shareholders, or any other action which may be taken at a meeting of the shareholders, may be taken without a meeting, without prior notice and without a vote if written consents are signed by shareholders representing a majority of the shares entitled to vote at such a meeting, except however, if a different proportion of voting power is required by law, the Articles of Incorporation or these Bylaws, than that proportion of written consents is required. Such written consents must be filed with the minutes of the proceedings of the shareholders of the Corporation.

According to the Articles of Incorporation and the By-laws of the Company, the holders of Common Stock have neither preemptive rights nor cumulative voting rights. Dividends may be declared and paid out of any funds available therefor, as often, in such amounts, and at such time or times as the Board of Directors may determine and shares may be issued pro rata and without consideration to the Corporation's shareholders or to the shareholders of one or more classes or series. Shares of one class or series may not be issued as a share dividend to shareholders of another class or series unless such issuance is in accordance with the Articles of Incorporation and: a majority of the current shareholders of the class or series to be issued approve the issue; or there are no outstanding shares of the class or series of shares that are authorized to be issued as a dividend.

### ***Dividends***

Since our inception, we have not declared nor paid any cash dividends on our capital stock and we do not anticipate paying any cash dividends in the foreseeable future. Our current policy is to retain any earnings in order to finance our operations. Our Board of Directors will determine future declarations and payments of dividends, if any, in light of the then-current conditions it deems relevant and in accordance with applicable corporate law.

### ***Securities Authorized for Issuance under Equity Compensation Plans***

We have no existing equity compensation plan.

### ***Unregistered Sales of Equity Securities***

On February 10, 2015, the Company consummated a private placement of a secured convertible note of \$24,000, which accrues interest at the annual rate of 5% and will be due on July 31, 2015.

On October 2, 2014, the Company consummated a private placement of a secured convertible note of \$100,000, which accrues interest at the annual rate of 5% and will be due on December 31, 2015.

On August 28, 2014, the Company consummated a private placement of an aggregate of 170,000 shares of its Common Stock, for gross proceeds of \$170,000 at a per share price of \$1.00 pursuant to a subscription agreement with an accredited investor.

On June 19, 2014, the Company consummated a private placement of an aggregate of 60,000 shares of Common Stock for gross proceeds of \$60,000 at a per share price of \$1.00 pursuant to a subscription agreement with an accredited investor.

On April 29, 2014, the Company consummated a private placement of an aggregate of 50,000 shares of Common Stock, for gross proceeds of \$50,000 at a per share price of \$1.00 pursuant to a subscription agreement with an accredited investor.

On March 25, 2014, the Company consummated a private placement of an aggregate of 150,000 shares of Common Stock, for gross proceeds of \$150,000 at a per share price of \$1.00 pursuant to a subscription agreement with an accredited investor.

On March 14 and March 20, 2014, the Company consummated a private placement of an aggregate of 550,000 shares of Common Stock, for gross proceeds of \$550,000 at a per share price of \$1.00 pursuant to a subscription agreement with an accredited investor.

On February 3, 2014, the Company consummated a private placement of an aggregate of 271,400 shares of Common Stock, for gross proceeds of \$271,400 at a per share price of \$1.00 pursuant to a subscription agreement with an accredited investor.

The foregoing issuances of the Company's securities described herein were effectuated pursuant to the exemption from the registration requirements of the 1933 Act provided by Section 4(2) of the Act and Rule 506(b) of Regulation D promulgated thereunder.

***Purchases of Equity Securities by the Registrant and Affiliated Purchasers***

We have not repurchased any shares of our common stock during the fiscal year ended December 31, 2014.

***Penny Stock Regulations***

The Securities and Exchange Commission has adopted regulations which generally define "penny stock" to be an equity security that has a market price of less than \$5.00 per share. Our Common Stock, when and if a trading market develops, may fall within the definition of penny stock and be subject to rules that impose additional sales practice requirements on broker-dealers who sell such securities to persons other than established customers and accredited investors (generally those with assets in excess of \$1,000,000, or annual incomes exceeding \$200,000 individually, or \$300,000, together with their spouse).

For transactions covered by these rules, the broker-dealer must make a special suitability determination for the purchase of such securities and have received the purchaser's prior written consent to the transaction. Additionally, for any transaction, other than exempt transactions, involving a penny stock, the rules require the delivery, prior to the transaction, of a risk disclosure document mandated by the Securities and Exchange Commission relating to the penny stock market. The broker-dealer must also make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written agreement to the transaction. In addition, the broker-dealer must disclose the commissions payable to both the broker-dealer and the registered representative, current quotations for the securities and, if the broker-dealer is the sole market-maker, the broker-dealer must disclose this fact and the broker-dealer's presumed control over the market. Finally, monthly statements must be sent disclosing recent price information for the penny stock held in the account and information on the limited market in penny stocks. Consequently, the "penny stock" rules may restrict the ability of broker-dealers to sell our Common Stock and may affect the ability of investors to sell their Common Stock in the secondary market.

In addition to the "penny stock" rules promulgated by the Securities and Exchange Commission, the Financial Industry Regulatory Authority ("FINRA") has adopted rules that require that in recommending an investment to a customer, a broker-dealer must have reasonable grounds for believing that the investment is suitable for that customer. Prior to recommending speculative low priced securities to their non-institutional customers, broker-dealers must make reasonable efforts to obtain information about the customer's financial status, tax status, investment objectives and other information. Under interpretations of these rules, FINRA believes that there is a high probability that speculative low-priced securities will not be suitable for at least some customers. The FINRA requirements make it more difficult for broker-dealers to recommend that their customers buy our common stock, which may limit the investors' ability to buy and sell our stock.

## **ITEM 6. SELECTED FINANCIAL DATA**

Disclosure in response to this item is not required of a smaller reporting company.

## **ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATION**

### **SPECIAL NOTE OF CAUTION REGARDING FORWARD-LOOKING STATEMENTS**

CERTAIN STATEMENTS IN THIS REPORT, INCLUDING STATEMENTS IN THE FOLLOWING DISCUSSION, ARE WHAT ARE KNOWN AS "FORWARD-LOOKING STATEMENTS", WHICH ARE BASICALLY STATEMENTS ABOUT THE FUTURE. FOR THAT REASON, THESE STATEMENTS INVOLVE RISK AND UNCERTAINTY SINCE NO ONE CAN ACCURATELY PREDICT THE FUTURE. WORDS SUCH AS "PLANS", "INTENDS", "WILL", "HOPES", "SEEKS", "ANTICIPATES", "EXPECTS" AND THE LIKE OFTEN IDENTIFY SUCH FORWARD-LOOKING STATEMENTS, BUT ARE NOT THE ONLY INDICATION THAT A STATEMENT IS A FORWARD-LOOKING STATEMENT. SUCH FORWARD-LOOKING STATEMENTS INCLUDE STATEMENTS CONCERNING OUR PLANS AND OBJECTIVES WITH RESPECT TO THE PRESENT AND FUTURE OPERATIONS OF THE COMPANY, AND STATEMENTS WHICH EXPRESS OR IMPLY THAT SUCH PRESENT AND FUTURE OPERATIONS WILL OR MAY PRODUCE REVENUES, INCOME OR PROFITS. NUMEROUS FACTORS AND FUTURE EVENTS COULD CAUSE THE COMPANY TO CHANGE SUCH PLANS AND OBJECTIVES OR FAIL TO SUCCESSFULLY IMPLEMENT SUCH PLANS OR ACHIEVE SUCH OBJECTIVES, OR CAUSE SUCH PRESENT AND FUTURE OPERATIONS TO FAIL TO PRODUCE REVENUES, INCOME OR PROFITS. THEREFORE, THE READER IS ADVISED THAT THE FOLLOWING DISCUSSION SHOULD BE CONSIDERED IN LIGHT OF THE DISCUSSION OF RISKS AND OTHER FACTORS CONTAINED IN THIS REPORT ON FORM 10-K AND IN THE COMPANY'S OTHER FILINGS WITH THE SECURITIES AND EXCHANGE COMMISSION. NO STATEMENTS CONTAINED IN THE FOLLOWING DISCUSSION SHOULD BE CONSTRUED AS A GUARANTEE OR ASSURANCE OF FUTURE PERFORMANCE OR FUTURE RESULTS.

### **Plan of Operations**

The Company plans to re-launch mining production and on site processing at the Aukam Graphite Mine at an overall estimated cost of \$2,750,000. Approximately \$1,100,000 was used for 2013-2014 start-up costs such as mining rights acquisition, licensing, engineering, geological and project consultants fees, accounting and legal fees. An additional \$1,000,000 has been budgeted for the 2015 costs of a small-scale, on-site processing plant and another \$650,000 for initial operating costs until the Company's revenue make it self-sufficient.

In 2014, we conducted the following pre-production activities: the transfer of the mining license to Next Graphite Inc.; initial testing of the Aukam Graphite Mine samples and the compilation of its initial geological report; process testing of surface graphite samples from on-site tailings; preparation of an Environmental Impact Assessment report; application for a Mining License for extraction; preliminary drilling and advanced product testing; preliminary economic analysis based on our findings and a scoping study that details the engineering for production, mining design, flowchart and operations; construction planning for a small-scale processing facility; and continuing public company governance, overhead & professional services.

The Company will need to raise at least \$1,650,000 in funding for planned 2015 activities. Funds will also be required to pursue the exploration of additional subterranean graphite on the property with the goal to produce 2,000 tonnes of graphite yearly.

The completed, re-opened mine will be targeting an estimated 2,000 tons of annual production, with initial production targeted for the third quarter of 2015. As previously stated, approximately \$1,000,000 has been targeted for securing basic processing equipment and other costs associated with the construction of a small-scale, on-site processing plant. We believe the Company should be profitable within 18 months of initial production.

The management team continues to review and assess the benefits and costs to of financing structures and methods to fund its growth. While the Company believes it will begin to realize some revenue and working capital in 2015 through initial sales of graphite, it plans to obtain most of its required capital through private placements of its common stock to accredited investors.

### **Results of Operations**

We did not have any revenues since inception. We incurred operating expenses of \$1,387,435 for the year ended December 31, 2014 and \$2,569,223 from August 29, 2013 (inception) to December 31, 2013. The operating expenses for the year ended December 31, 2014 primarily consisted of professional and legal fees of approximately \$1,085,000 and \$228,000 of stock based compensation expense. The operating expenses from August 29, 2013 (inception) to December 31, 2013 primarily consisted of professional and legal fees of approximately \$183,000 and \$2,370,000 of stock based compensation expense. We also incurred \$240,000 impairment loss on goodwill and intangible assets and \$19,000 of interest expense, primarily related to amortization of debt discount from issuance of convertible note, for the year ended December 31, 2014 which are included in other expense in the statements of operations.

### **Liquidity and Capital Resources**

As of December 31, 2014 and 2013, we had \$17,878 and \$2,450, respectively, in cash.

The Company does not currently have sufficient resources to cover ongoing expenses and expansion. From November 2013 to March 2014, we consummated a private placement of our securities that resulted in net proceeds to us of \$1,098,900. We used \$240,000 out of the net proceeds to make a payment to NMC under the Option Agreement in connection with the option grant closing and the option exercise closing.

Under the Option Agreement, we undertook to provide at least \$260,000 of working capital to or for the benefit of Gazania from the option grant closing date to June 30, 2014. We plan on raising additional funds from investors to implement our business model. In the event we are unsuccessful, this will have a negative impact on our operations.

If the Company cannot find sources of additional financing to fund its working capital needs, the Company will be unable to obtain sufficient capital resources to operate our business. We cannot assure you that we will be able to access any financing in sufficient amounts or at all when needed. Our inability to obtain sufficient working capital funding will have an immediate material adverse effect upon our financial condition and our business.

### **Critical Accounting Policies**

#### *Development stage entity*

The Company is considered a development stage entity, as defined in FASB ASC 915, because since inception it has not commenced operations that have resulted in significant revenue and the Company's efforts have been devoted primarily to activities related to raising capital.

#### *Going concern*

The Company's financial statements are prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of obligations in the normal course of business. However, it has \$17,878 in cash, has losses and an accumulated deficit, and a working capital deficiency. The Company does not currently have any revenue generating operations. These conditions, among others, raise substantial doubt about the ability of the Company to continue as a going concern.

In view of these matters, continuation as a going concern is dependent upon continued operations of the Company, which in turn is dependent upon the Company's ability to, meets its financial requirements, raise additional capital, and the success of its future operations. The financial statements do not include any adjustments to the amount and classification of assets and liabilities that may be necessary should the Company not continue as a going concern.

Management believes they can raise the appropriate funds needed to support their business plan and acquire an operating company with positive cash flow. Management intends to seek new capital from owners and related parties to provide needed funds.

### **Off-Balance Sheet Arrangements**

We do not have off-balance sheet arrangements, financings, or other relationships with unconsolidated entities or other persons, also known as "special purpose entities" (SPEs).

### **ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

The Company's consolidated audited financial statements for the fiscal years ended December 31, 2014 and 2013, together with the report of the independent certified public accounting firm thereon and the notes thereto, are presented beginning at page F-1.

### **ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

None.

## ITEM 9A. CONTROLS AND PROCEDURES

### *Disclosure Controls and Procedures*

The Securities and Exchange Commission defines the term “disclosure controls and procedures” to mean controls and other procedures of an issuer that are designed to ensure that information required to be disclosed in the reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Securities Exchange Act of 1934 is accumulated and communicated to the issuer’s management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. The Company maintains such a system of controls and procedures in an effort to ensure that all information which it is required to disclose in the reports it files under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified under the SEC’s rules and forms and that information required to be disclosed is accumulated and communicated to principal executive and principal financial officers to allow timely decisions regarding disclosure.

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of our chief executive officer and chief financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures. The Company did not disclose in its SEC filings in a timely manner the transactions with respect to the sale and issuance of a secured convertible note of \$100,000 by the Company on October 2, 2014. Based on this evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures were not effective as of the end of the period covered by this report.

### *Management’s Annual Report on Internal Control over Financial Reporting*

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act. Our internal control over financial reporting is designed to provide reasonable assurance regarding the (i) effectiveness and efficiency of operations, (ii) reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles, and (iii) compliance with applicable laws and regulations.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

Management assessed the effectiveness of our internal control over financial reporting as of the end of the period covered by this report. In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control - Integrated Framework. Based on our assessment, we determined that, as of the end of the period covered by this report, our internal control over financial reporting was not effective based on those criteria.

During our assessment of the effectiveness of internal control over financial reporting as of the end of the period covered by this report, management identified the following material weaknesses:

1. Lack of Internal Audit Function – We lack qualified resources to perform the internal audit functions properly as well as oversight of recording and reporting of information. In addition, the scope and effectiveness of the internal audit function are yet to be developed.
2. Review of Financial Information and Financial Reporting – We do not have adequate levels of review of financial information necessary to ascertain the accounting for complex transactions as well as review of financial information presented.
3. Lack of Segregation of Duties – We do not have segregation of duties between recording, authorizing and testing.

## Remediation Initiative

We are developing a plan to ensure that all information will be recorded, processed, summarized and reported accurately, and as of the date of this report, we have taken the following steps to address the above-referenced material weakness in our internal control over financial reporting:

1. We will continue to educate our management personnel to increase its ability to comply with the disclosure requirements and financial reporting controls; and
2. We will increase management oversight of accounting and reporting functions in the future; and
3. As soon as we can raise sufficient capital or our operations generate sufficient cash flow, we will hire additional personnel to handle our accounting and reporting functions.

While the first two steps of our remediation process are ongoing, we do not expect to remediate the weaknesses in our internal controls over financial reporting until the time when we start to commercialize our products (and, therefore, may have sufficient cash flow for hiring sufficient personnel to handle our accounting and reporting functions).

A material weakness (within the meaning of PCAOB Auditing Standard No. 5) is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those responsible for oversight of the company's financial reporting.

This annual report does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our registered public accounting firm because as a smaller reporting company we are not subject to Section 404(b) of the Sarbanes-Oxley Act of 2002.

### ***Changes in Internal Controls over Financial Reporting***

No change in our system of internal control over financial reporting occurred during the fourth quarter of the fiscal year ended December 31, 2014 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## **ITEM 9B. OTHER INFORMATION**

As previously reported in the Current Report on Form 8-K filed by the Company with the SEC on March 20, 2014, on March 14, 2014, the Company exercised its option under the Option Agreement with NMC and completed its acquisition of 90% of the outstanding shares of Gazania which currently holds the License to the Aukam Graphite Mine.

As a result of the option exercise and acquisition of Gazania, the Company ceased to be a shell company as such term is defined in Rule 12b-2 under the Exchange Act.



### PART III

#### ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

The following table sets forth certain information as of March 31, 2015 concerning our directors and executive officers:

Name	Age	Position
Michael Doron	53	Chairman, Director and Secretary
Charles C. Bream III	70	Director, Chief Executive Officer, Chief Financial Officer and Treasurer

**Michael Doron**, age 53, is an accomplished corporate leader with executive level experience in the financing of small to mid-cap private and public companies. Currently based in Stockholm, Sweden, he is also Managing Partner at DDR & Associates, a business development firm specializing in pre-IPO companies. Previously Mr. Doron was Co-Founder and a Partner in Evolution Capital, a private firm working in conjunction with DDR, and specializing in providing capital to publicly held companies using various debt instruments. He serves on the Board of Directors of MusclePharm Corp (NASDAQ: MSLP), and GASE Energy, Inc. (OTCQB: GASE). We believe that Mr. Doron's qualifications and his extensive experience with emerging public companies provide a unique perspective for our board.

**Charles C. Bream III**, age 70, is a seasoned executive, turnaround expert, and investor with over 30 years of experience leading companies in the telecommunications, computer, office products, and packaged goods sectors. He has managed public and private companies as president/CEO, has served as a senior executive at Fortune 500 corporations, and has worked in environments ranging in revenue from \$1 million to over \$15 billion. Mr. Bream was appointed President and CEO of Next Graphite, Inc. in November 2013. He is also a Managing Partner of an M&A and merchant banking firm which he co-founded. Prior to this he served as Senior Managing Director at a national specialty financial advisory services firm, and as Senior Managing Director at a turnaround and restructuring firm. Mr. Bream holds a B.S. in Electrical Engineering from the United States Naval Academy and earned an MBA from the Wharton School of Business, University of Pennsylvania. We believe that Mr. Bream's qualifications and his extensive business experience position him well as our director and President/CEO..

Our directors hold their positions on the board until our next annual meeting of the shareholders, and until their successors have been qualified after being elected or appointed. Officers serve at the discretion of the board of directors.

There are no family relationships among our directors and executive officers. There is no arrangement or understanding between or among our executive officers and directors pursuant to which any director or officer was or is to be selected as a director or officer, and there is no arrangement, plan or understanding as to whether non-management shareholders will exercise their voting rights to continue to elect the current board of directors.

Our directors and executive officers have not, during the past ten years:

- had any bankruptcy petition filed by or against any business of which was a general partner or executive officer, either at the time of the bankruptcy or within two years prior to that time,
- been convicted in a criminal proceeding and is not subject to a pending criminal proceeding,
- been subject to any order, judgment or decree, not subsequently reversed, suspended or vacated, of any court of competent jurisdiction, permanently or temporarily enjoining, barring, suspending or otherwise limiting his involvement in any type of business, securities, futures, commodities or banking activities; or
- been found by a court of competent jurisdiction (in a civil action), the Securities Exchange Commission or the Commodity Futures Trading Commission to have violated a federal or state securities or commodities law, and the judgment has not been reversed, suspended or vacate

## **Board Committees**

We currently do not have standing audit, nominating or compensation committees. Currently, our entire board of directors is responsible for the functions that would otherwise be handled by these committees. We intend, however, to establish an audit committee, a nominating committee and a compensation committee of the board of directors as soon as practicable. We envision that the audit committee will be primarily responsible for reviewing the services performed by our independent auditors, evaluating our accounting policies and our system of internal controls. The nominating committee would be primarily responsible for nominating directors and setting policies and procedures for the nomination of directors. The nominating committee would also be responsible for overseeing the creation and implementation of our corporate governance policies and procedures. The compensation committee will be primarily responsible for reviewing and approving our salary and benefit policies (including stock options), including compensation of executive officers.

### **Audit Committee Financial Expert**

The Board of Directors does not currently have Audit Committee financial expert, as defined under Item 407(d)(5)(i) of Regulation S-K.

### **Code of Ethics**

We do not have a code of ethics but intend to adopt one in the near future.

### **Board Leadership Structure**

Charles C. Bream III is our Chief Executive Officer. Michael Doron is the Chairman of our Board of Directors. We believe a board leadership structure involving one person serving as chairman and another as chief executive officer is best for our company and our stockholders. Further, we believe this separation improves the Board's oversight of management, provides greater accountability of management to stockholders, and allows the chief executive officer to focus on managing our business operations, while allowing the chairman to focus on more effectively leading the Board and overseeing our general strategic direction and extraordinary transactions.

### **Potential Conflict of Interest**

Since we do not have an audit or compensation committee comprised of independent Directors, the functions that would have been performed by such committees are performed by our Board of Directors. Thus, there is a potential conflict of interest in that our Directors have the authority to determine issues concerning management compensation, in essence their own, and audit issues that may affect management decisions. We are not aware of any other conflicts of interest with any of our executives or Directors.

### **Board's Role in Risk Oversight**

The Board assesses on an ongoing basis the risks faced by the Company. These risks include financial, technological, competitive, and operational risks. The Board dedicates time at each of its meetings to review and consider the relevant risks faced by the Company at that time. In addition, since the Company does not have an Audit Committee, the Board is also responsible for the assessment and oversight of the Company's financial risk exposures.

## ITEM 11. EXECUTIVE COMPENSATION

The following is a summary of the compensation we paid to our executive officers, for the two fiscal years ended December 31, 2014 and 2013.

**Summary Compensation Table**

Name and Position	Year	Salary (\$)	Stock Awards (\$)	Total (\$)
Charles C. Bream III <sup>(1)</sup>	2014	51,500	-	51,500
CEO, CFO and Director of the Company	2013	6,000	300,004	306,004
Mohsin Mulla <sup>(2)</sup>	2014	-	-	-
CEO, CFO and Director	2013	-	-	-

(1) Mr. Bream was appointed as the Chief Executive Officer, Chief Financial Officer and Director of the Company on November 14, 2013.

(2) Mr. Mulla resigned as our Chief Executive Officer, Chief Financial Officer and Sole Director of the Company on November 14, 2013.

### Compensation Discussion and Analysis

#### Overview

We intend to provide our named executive officers (as defined in Item 402 of Regulation S-K) with a competitive base salary that is in line with their roles and responsibilities when compared to peer companies of comparable size in similar locations.

#### Consultant Agreements

On September 2, 2013, AGI and 360 Partners, LLC (the “Consultant”) entered into an independent consultant agreement for the service of Mr. Charles C. Bream III, the principal of the Consultant as AGI’s Chief Executive Officer, Chief Financial Officer, Director and Treasurer for a term of six months. On November 14, 2013 he was appointed to the same positions at the Company. The agreement is automatically renewable for additional six months unless either party notifies the other at least 30 days prior to the end of the term of an intention to terminate. Under the original agreement, the Consultant is compensated with a monthly cash compensation of US\$3,000, payable in arrears. The Consultant also received 38,462 shares of AGI’s common stock that were exchanged for approximately 300,004 shares of the Company’s common stock on November 14, 2103, which are not subject to any vesting conditions or subject to forfeiture. In the fiscal year of 2014, Mr. Bream’s monthly cash compensation was increased to \$6,500 effective May 1, 2014, per board resolution. The Consultant received an aggregate of \$51,000 in cash as compensation pursuant to the aforementioned agreement and resolution. In addition, the Board of Directors approved to the grant of a total of 1,200,000 restricted shares of common stock, which will be vested in three equal installments based on achievement of certain performance goals. As of the date of this Report, none of the granted shares have been issued to Mr. Bream or the Consultant.

On September 27, 2013 AGI and Michael Doron entered into an independent consultant agreement as AGI’s Chairman and Director for a term of six months. On November 14, 2013 he was appointed to the same positions at the Company. The agreement is automatically renewable for additional six months unless either party notifies the other at least 30 days prior to the end of the term of an intention to terminate. Under the agreement, Mr. Doron is compensated with a monthly cash compensation of US\$1,000, payable in arrears. Mr. Doron also received 12,821 shares of AGI’s common stock that were exchanged for approximately 100,012 shares of the Company’s common stock on November 14, 2103, which are not subject to any vesting conditions or subject to forfeiture. Mr. Doron’s monthly cash compensation was increased to \$1,500 effective May 1, 2014, per board resolution. In the fiscal year of 2014, Mr. Doron received an aggregate of approximately \$15,000 in cash as compensation pursuant to the aforementioned agreement. In addition, the Board of Directors approved to the grant of a total of 150,000 restricted shares of common stock, which will be vested in two equal installments based on achievement of certain performance goals. As of the date of this Report, none of the granted shares have been issued to Mr. Doron.

#### Outstanding Equity Awards at Fiscal Year End

None.

## Additional Narrative Disclosure

We have no plans that provide for the payment of retirement benefits, or benefits that will be paid primarily following retirement, including, but not limited to, tax qualified defined benefit plans, supplemental executive retirement plans, tax qualified defined contribution plans and non-qualified defined contribution plans.

## Director Compensation

The following table reflects the compensation of the directors (other than the named executive officers) including director fees and consulting fees for the Company's fiscal years ended December 31, 2014 and 2013:

Name of Director	Year	Fees Earned or Paid in Cash		Stock Awards	Total
		(\$)		(\$) <sup>(1)</sup>	(\$)
Michael Doron <sup>(2)</sup>	2014	\$	10,223	-	26,920
	2013	\$	2,000	100,012	102,012

- (1) The amounts in these columns represent the compensation cost of stock awards granted during the fiscal year ended December 31, 2014 and 2013, except that these amounts do not include any estimate of forfeitures. The amount recognized for these awards was calculated based on the value of the stock awards at the time of vesting.

- (2) Mr. Doron was appointed as our Chairman and Director of the Company on November 14, 2013.

## ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table sets forth information regarding beneficial ownership of our common stock as of the date of this report by (i) any person or group with more than 5% of any class of voting securities, (ii) each director, (iii) our chief executive officer and each other executive officer whose cash compensation for the most recent fiscal year exceeded \$100,000, and (iv) all such executive officers and directors as a group. Unless otherwise specified, the address of each of the officers and directors set forth below is in care of the Company, 318 N. Carson Street, Suite 208, Carson City, NV 89701. Except as indicated in the footnotes to this table and subject to applicable community property laws, the persons named in the table to our knowledge have sole voting and investment power with respect to all shares of securities shown as beneficially owned by them.

Name	Office	Shares Beneficially Owned(1)	Percent of Class(2)
<b>Officers and Directors</b>			
Michael Doron	Chairman, Director and Secretary	100,012	*
Charles C. Bream III(3)	Director, CEO, CFO and Treasurer	300,004	*
All officers and directors as a group (2 persons named above)		400,016	*

### 5% Securities Holders

None.

\* Less than 1%.

- (1) Beneficial ownership is determined in accordance with the rules of the SEC and generally includes voting or investment power with respect to securities.
- (2) Based on 50,411,443 shares of the Company's common stock outstanding.
- (3) Includes shares held by 360 Partners, LLC, an entity in which Charles C. Bream III is a Managing Partner.

### Change in Control

As of the date of this report, there were no arrangements which may result in a change in control of the Company.

### Securities Authorized for Issuance under Equity Compensation Plan

None.

## ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

### Transactions with related persons

On March 26, 2014 the Company cancelled the 3,300,000 pre-split shares of the Company's stock acquired under the Stock Purchase Agreement with Mr. Mohsin Mulla, resulting in the current 49,431,443 shares of the Company's common stock outstanding.

On September 2, 2013, AGI and 360 Partners, LLC (the "Consultant") entered into an independent consultant agreement for the service of Mr. Charles C. Bream III, the principal of the Consultant as AGI's Chief Executive Officer, Chief Financial Officer, Director and Treasurer for a term of six months. On November 14, 2013, Mr. Bream was appointed to the same positions at the Company. The agreement is automatically renewable for additional six months unless either party notifies the other at least 30 days prior to the end of the term of an intention to terminate. Under the agreement, the Consultant is compensated with a monthly cash compensation of US\$3,000, payable in arrears. The Consultant also received 38,462 shares of AGI's common stock that were exchanged for approximately 300,004 shares of the Company's common stock on November 14, 2103, which are not subject to any vesting conditions or subject to forfeiture.

On September 27, 2013 AGI and Michael Doron entered into an independent consultant agreement as AGI's Chairman and Director for a term of six months. On November 14, 2013 he was appointed to the same positions at the Company. The agreement is automatically renewable for additional six months unless either party notifies the other at least 30 days prior to the end of the term of an intention to terminate. Under the agreement, Mr. Doron is compensated with a monthly cash compensation of US\$1,000, payable in arrears. Mr. Doron also received 12,821 shares of AGI's common stock that were exchanged for approximately 100,012 shares of the Company's common stock on November 14, 2103, which are not subject to any vesting conditions or subject to forfeiture.

Other than the above transactions or as otherwise set forth in this report or in any reports filed by the Company with the SEC, there have been no related party transactions, or any other transactions or relationships required to be disclosed pursuant to Item 404 of Regulation S-K. The Company is currently not a subsidiary of any company.

The Company's Board conducts an appropriate review of and oversees all related party transactions on a continuing basis and reviews potential conflict of interest situations where appropriate. The Board has not adopted formal standards to apply when it reviews, approves or ratifies any related party transaction. However, the Board believes that the related party transactions are fair and reasonable to the Company and on terms comparable to those reasonably expected to be agreed to with independent third parties for the same goods and/or services at the time they are authorized by the Board.

#### ***Director Independence***

We are not subject to listing requirements of any national securities exchange and, as a result, we are not at this time required to have our board comprised of a majority of "independent Directors." We do not believe that any of our directors currently meets the definition of "independent" as promulgated by the rules and regulations of NASDAQ.

#### **ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

The following lists fees billed by the auditors for the Company, for the years ended December 31, 2014 and 2013:

<u>Financial Statements for the Year Ended December 31</u>	<u>Audit Services</u>	<u>Audit Related Fees</u>	<u>Tax Fees</u>	<u>Other Fees</u>
2014 <sup>(1)</sup>	\$ 18,720	-	-	-
2013 <sup>(1)</sup>	\$ 8,160	-	-	-
2013 <sup>(2)</sup>	\$ 7,065	-	-	-

(1) These services were provided by Anton & Chia, LLP who were engaged on December 5, 2013.

(2) These services were provided by LBB & Associates Ltd., LLP who were engaged through December 5, 2013.

- *Audit Fees.* Represents fees for professional services provided for the audit of the Company's annual financial statements and review of its quarterly financial statements, and for audit services provided in connection with other statutory or regulatory filings.
- *Audit-Related Fees.* Represents fees for assurance and other services related to the audit of Company's financial statements.
- *Tax Fees.* Represents fees for professional services provided primarily for tax compliance and advice.
- *All Other Fees.* Represents fees for products and services not otherwise included in the categories above.

In the event that we should require substantial non-audit services, the audit committee would pre-approve such services and fees.

## PART IV

### ITEM 15. EXHIBITS

#### (a) Financial Statements and Schedules

The following financial statements and schedules listed below are included in this Form 10-K.

Audited Financial Statements	F-1
Balance Sheet	F-2
Statement of Operations and Comprehensive Loss	F-3
Statement of Stockholders' Equity	F-4
Statement of Cash Flows	F-5
Notes to Financial Statements	F-6

#### (b) Exhibits

Number	Description
2.1	Share Exchange Agreement (1)
3.1	Certificate of Incorporation of the Company (2)
3.2	Certificate of Amendment of Certificate of Incorporation of the Company (3)
3.3	By-Laws of the Company (2)
4.1	Specimen of Common Stock Certificate (4)
4.2	Form of Secured Convertible Note dated October 2, 2014*
4.3	Form of Secured Convertible Note dated February 10, 2015*
10.1	Form of Option Agreement by and between AGI and NMC (1)
10.2	Form of Subscription Agreement by and among the Company and investors (1)
10.3	Stock Purchase Agreement by and between AGI and Mohsin Mulla (1)
10.4	Independent Consultant Agreement by and between AGI and Michael Doron (1)
10.5	Independent Consultant Agreement by and between AGI and 360 Partners, LLC (1)
10.6	Aukam Processing & Preliminary Economic Report*
21.1	List of Subsidiaries (4)
31.1	Certifications of Charles C. Bream III pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*
32.1	Certification of Charles C. Bream III pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002*
101	Interactive data files pursuant to Rule 405 of Regulation S-T**

#### Footnotes:

- (1) Incorporated by reference to our Current Report on Form 8-K filed with the SEC on November 20, 2013.
- (2) Incorporated by reference to our Registration Statement on Form S-1 filed with the SEC on December 5, 2012.
- (3) Incorporated by reference to our Current Report on Form 8-K filed with the SEC on December 18, 2013.
- (4) Incorporated by reference to our Annual Report on Form 10-K filed with the SEC on April 15, 2014.

\* Filed herewith

\*\*Users of this data are advised pursuant to Rule 406T of Regulation S-X that this interactive data file is deemed not filed or part of a registration statement or prospectus for the purpose of section 11 or 12 of the Securities Act of 1933, as amended, is deemed not filed for

purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, and otherwise is not subject to liability under these sections



## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

### Next Graphite, Inc.

Date: March 31, 2015

By: /s/ Charles C. Bream III

Name: Charles C. Bream III

Title: Chief Executive Officer, Chief Financial Officer and Director (Principal Executive Officer, Principal Financial Officer and Principal Accounting Officer)

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant in the capacities and on the dates indicated.

<u>Name and Title</u>	<u>Date</u>
<u>/s/ Charles C. Bream III</u> Charles C. Bream III Chief Executive Officer, Chief Financial Officer and Director (Principal Executive Officer, Principal Financial Officer and Principal Accounting Officer)	March 31, 2015
<u>/s/ Michael Doron</u> Michael Doron, Chairman and Director	March 31, 2015

**Next Graphite, Inc.**

**Index to Financial Statements**

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Report of Independent Registered Public Accounting Firm	F-1
Consolidated Balance Sheet as of December 31, 2014 and December 31, 2013	F-2
Consolidated Statement of Operations for the year ending December 31, 2014 and the period from August 29, 2013 (Inception) to December 31, 2013	F-3
Consolidated Statement of Changes in Stockholders' Equity for the year ending December 31, 2014 and the period from August 29, 2013 (Inception) to December 31, 2013	F-4
Consolidated Statement of Cash Flows for the year ending December 31, 2014 and the period from August 29, 2013 (Inception) to December 31, 2013	F-5
Notes to Consolidated Financial Statements	F-6



CERTIFIED PUBLIC ACCOUNTANTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and  
Stockholders of Next Graphite, Inc.

We have audited the accompanying consolidated balance sheets of Next Graphite, Inc. (the "Company") as of December 31, 2014 and 2013, and the related consolidated statement of operations, changes in stockholders' deficit, and cash flows for the year ended December 31, 2014 and for the period from August 29, 2013 (inception) to December 31, 2013. Next Graphite, Inc.'s management is responsible for these consolidated financial statements. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Next Graphite, Inc. as of December 31, 2014, and from August 29, 2013 (inception) through December 31, 2013, and the results of its consolidated operations and its cash flows for the year ended December 31, 2014 and for the period from August 29, 2013 (inception) to December 31, 2013, in conformity with accounting principles generally accepted in the United States of America.

The accompanying consolidated financial statements referred to above have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Company's present financial situation raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to this matter are also described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Anton & Chia, LLP

Newport Beach

March 31, 2015

**NEXT GRAPHITE, INC.**  
**CONSOLIDATED BALANCE SHEETS**

	<b>December 31, 2014</b>	<b>December 31, 2013</b>
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash	\$ 17,878	\$ 2,450
<b>Total current assets:</b>	17,878	2,450
Deposit	-	90,000
<b>Total assets</b>	<u>\$ 17,878</u>	<u>\$ 92,450</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 62,579	\$ 48,456
Accrued interest	1,251	-
Convertible note payable, net of debt discount of \$52,751	47,249	-
Fair value of derivative liability - beneficial conversion feature	70,334	-
<b>Total current liabilities</b>	<u>181,413</u>	<u>48,456</u>
<b>Total liabilities</b>	<u>181,413</u>	<u>48,456</u>
<b>Stockholders' equity (deficit):</b>		
Preferred stock authorized 25,000,000 shares, \$.0001 par value, no shares issued and outstanding at December 31, 2014 and December 31, 2013	-	-
Common stock authorized 100,000,000 shares, \$.0001 par value, 50,411,443 and 74,900,043 shares issued and outstanding at December 31, 2014 and December 31, 2013, respectively	5,041	7,490
Additional paid-in capital	4,046,916	2,565,327
Advance subscriptions	-	40,400
Accumulated deficit	(4,215,492)	(2,569,223)
<b>Total stockholders' equity (deficit)</b>	<u>(163,535)</u>	<u>43,994</u>
<b>Total liabilities and stockholders' equity (deficit)</b>	<u>\$ 17,878</u>	<u>\$ 92,450</u>

*The accompanying notes are an integral part of these consolidated financial statements.*

**NEXT GRAPHITE, INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**

	Year Ended December 31, 2014	August 29, 2013 (inception) to December 31, 2013
<b>NET SALES</b>	\$ -	\$ -
<b>OPERATING EXPENSES:</b>		
Organizational	-	390
Professional fees	1,085,146	182,720
Stock based compensation	227,740	2,369,991
Selling, general, and administrative	74,549	16,122
<b>Total Operating Expenses</b>	<u>1,387,435</u>	<u>2,569,223</u>
<b>Loss from operations</b>	<u>(1,387,435)</u>	<u>(2,569,223)</u>
<b>OTHER EXPENSES:</b>		
Impairment loss on goodwill and intangible asset	(240,000)	-
Interest expense	(18,834)	-
<b>Total Other Expenses</b>	<u>(258,834)</u>	<u>-</u>
<b>NET LOSS APPLICABLE TO COMMON SHARES</b>	<u>\$ (1,646,269)</u>	<u>\$ (2,569,223)</u>
<b>NET LOSS PER BASIC AND DILUTED SHARES</b>	<u>\$ (0.03)</u>	<u>\$ (0.04)</u>
<b>WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING</b>	<u>50,016,068</u>	<u>60,515,735</u>

*The accompanying notes are an integral part of these consolidated financial statements.*

**NEXT GRAPHITE, INC.**  
**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' DEFICIT**

	<b>Common Stock</b>		<b>Additional</b>	<b>Advance</b>	<b>Accumulated</b>	<b>Total</b>
	<b>Shares</b>	<b>Amount</b>	<b>Paid-in</b>	<b>Subscriptions</b>	<b>Deficit</b>	<b>Stockholders'</b>
			<b>Capital</b>	<b>from</b>		<b>Equity</b>
				<b>Investor</b>		<b>(Deficit)</b>
<b>Balance at August 29, 2013 (Inception)</b>	-	\$ -	\$ -	\$ -	\$ -	\$ -
Common shares issued to founders	8,980,047	898	(898)	-	-	-
Common Stock assumed in merger	50,700,000	5,070	(53,504)	-	-	(48,434)
Shares issued in option agreement	12,600,003	1,260	-	-	-	1,260
Common stock issued for cash	249,998	25	249,975	-	-	250,000
Issuance of common stock	2,369,991	237	2,369,754	-	-	2,369,991
Advance subscriptions from investor	-	-	-	40,400	-	40,400
Net loss - August 29, 2013 (inception) to December 31, 2013	-	-	-	-	(2,569,223)	(2,569,223)
<b>Balance at December 31, 2013</b>	<b>74,900,039</b>	<b>7,490</b>	<b>2,565,327</b>	<b>40,400</b>	<b>(2,569,223)</b>	<b>43,994</b>
Common stock issued for cash	1,251,404	125	1,251,275	-	-	1,251,400
Advance subscriptions from investor	-	-	-	(40,400)	-	(40,400)
Cancellation of common stock	(25,740,000)	(2,574)	2,574	-	-	-
Stock compensation expense	-	-	227,740	-	-	227,740
Net loss - 2014	-	-	-	-	(1,646,269)	(1,646,269)
<b>Balance at December 31, 2014</b>	<b>50,411,443</b>	<b>\$ 5,041</b>	<b>\$ 4,046,916</b>	<b>\$ -</b>	<b>\$ (4,215,492)</b>	<b>\$ (163,535)</b>

*The accompanying notes are an integral part of these consolidated financial statements.*

**NEXT GRAPHITE, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	August 29, 2013 (inception) to December 31, 2014	December 31, 2013
<b>Operating Activities:</b>		
Net loss	\$ (1,646,269)	\$ (2,569,223)
Adjustments to reconcile net loss to net cash used in operating activities:		
Common shares issued for services	-	2,369,991
Stock compensation	227,740	-
Impairment of goodwill and intangible assets	240,000	-
Interest expense - amortization of convertible note discount	18,834	-
<b>Changes in assets and liabilities:</b>		
Accounts payable and accrued liabilities	14,123	48,456
Net cash used in operating activities	<u>(1,145,572)</u>	<u>(150,776)</u>
<b>Investing Activities:</b>		
Common stock issued for purchase of acquiree	-	(72,700)
Purchase of interest in Gazania	(150,000)	(88,740)
Net cash used in investing activities	<u>(150,000)</u>	<u>(161,440)</u>
<b>Financing Activities:</b>		
Advanced subscriptions	(40,400)	40,400
Proceeds from issuance of common stock	1,251,400	250,000
Proceed from issuance of convertible note	100,000	-
Common stock issued in recapitalization	-	24,266
Net cash provided by financing activities	<u>1,311,000</u>	<u>314,666</u>
Net increase in cash	15,428	2,450
Cash, beginning of Year	<u>2,450</u>	<u>-</u>
Cash, end of Year	<u><u>\$ 17,878</u></u>	<u><u>\$ 2,450</u></u>
<b>Supplemental disclosures of cash flow information Cash paid for:</b>		
Interest	<u>\$ -</u>	<u>\$ -</u>
Income taxes	<u>\$ -</u>	<u>\$ -</u>
<b>Non-cash Financing Activities:</b>		
Common shares issued for services	\$ -	\$ 2,369,991
Common shares issued in recapitalization	\$ -	\$ 24,266
Common shares issued for purchase of acquiree	\$ -	\$ 3,300
Common shares issued purchase of interest in Gazania	\$ -	\$ 1,260
Common shares cancelled	<u>\$ 2,574</u>	<u>\$ -</u>

*The accompanying notes are an integral part of these consolidated financial statements.*

**NEXT GRAPHITE, INC.**  
**Notes to the Consolidated Financial Statements**  
**December 31, 2014 and 2013**

**NOTE 1 – ORGANIZATION**

Next Graphite, Inc. (the “Company”) was incorporated in Nevada on August 29, 2013 under the name Zewar Jewellery, Inc. and is a development-stage entity. The Company's current business plan is to engage in the mining business developing graphite properties located in Namibia. The Company is based in Carson City, Nevada.

On November 14, 2013, the Company consummated transactions pursuant to a Share Exchange Agreement (the “Share Exchange Agreement”) dated November 14, 2013 by and among the Company and the stockholders of African Graphite, Inc., a private Nevada corporation (“AGI” and the “AGI Stockholders”) whereby AGI Stockholders transferred 100% of the outstanding shares of common stock of AGI held by them, in exchange for an aggregate of 8,980,047 newly issued shares of the Company’s common stock, par value \$.0001 per share (“Common Stock”).

On November 14, 2013, AGI entered into a Stock Purchase Option Agreement (the “Option Agreement”) with NMC Corp., a corporation organized under the laws of the Province of Ontario, Canada (“NMC”), whereby NMC granted to AGI an option to purchase 90 ordinary shares, par value one Namibian dollar per share, of Gazania Investments Two Hundred and Forty Two (Proprietary) Limited, a corporation organized under the laws of the Republic of Namibia (“Gazania”), representing 90% of the issued and outstanding shares of Gazania, for \$240,000. NMC had entered into an option agreement dated March 29, 2013, as amended on November 4, 2013 (the “Centre Agreement”), with Centre for Geoscience Research CC (formerly known as “Industrial Minerals and Rock Research Centre CC”), a company organized under the laws of the Republic of Namibia (“Centre”), whereby Centre agreed to transfer to Gazania 100% undivided interest in the exclusive prospecting license No. 3895 known as AUKAM originally issued to Centre by the government of the Republic of Namibia on April 4, 2011 and renewed on April 4, 2013 (the “License”). The License grants the right to conduct prospecting operations, bulk sampling and pilot production in the license area called AUKAM located in southern Namibia in the Karas Region within the Betaine district. The license area covers about 49,127 hectares. The only mine in Namibia which has produced graphite is situated in the license area. The transfer of the License to Gazania was approved by the Ministry of Mines and Energy of the Republic of Namibia on February 25, 2014.

Under the Option Agreement, AGI was required to pay to NMC \$90,000 as an advance payment to be credited towards the purchase price of the Gazania shares. The Company made the advance payment on November 14, 2013. The balance of the purchase price in the amount of \$150,000 was paid by AGI upon exercise of the option that was completed on March 14, 2014. As a result, Gazania became a direct 90% owned subsidiary of AGI and an indirect subsidiary of the Company.

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Going Concern***

The accompanying financial statements have been prepared using the going concern basis of accounting, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business.

From its inception, the Company has suffered from continuous losses with an accumulated deficit of \$4,215,492 during the development stage as of December 31, 2014 and experienced negative cash flows from operations. The continuation of the Company as a going concern through December 31, 2014 is dependent upon the continued financial support from its stockholders. Management believes the Company is currently pursuing additional financing for its operations. However, there is no assurance that the Company will be successful in securing sufficient funds to sustain the operations.

These and other factors raise substantial doubt about the Company’s ability to continue as a going concern. These financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets and liabilities that may result in the Company not being able to continue as a going concern.

***Principles of Consolidation***

The consolidated financial statements include the accounts of Next Graphite, Inc. (the “Parent”), a wholly owned subsidiary, African Graphite, Inc., and Gazania Investments Two Hundred and Forty Two (Proprietary) Limited (“Gazania Investments”), a Namibian company. African Graphite, Inc. owns 90% of Gazania Investments and 10% is owned by Centre for Geosciences Research Close Corporation, a Namibian company. In the preparation of consolidated financial statements of the Company, intercompany transactions and balances are eliminated and net earnings are reduced by the portion of the net earnings of subsidiaries applicable to non-controlling interests.

As consolidated financial statements are based on the assumption that they represent the financial position and operating results of a single economic entity, the retained earnings or deficit of a subsidiary at the date of acquisition by the parent are excluded from consolidated retained earnings. When a subsidiary is consolidated, the consolidated financial statements include the subsidiary’s revenues, expenses, gains, and losses only from the date the subsidiary is initially consolidated, and the non-controlling interest is reported in the consolidated statement of financial position within equity, separately from the Parent’s equity.

***Non-controlling Interest in a Consolidated Subsidiary***

From March 14, 2014 (date of acquisition of Gazania Investments) to December 31, 2014, there was no net income attributable to non-controlling interest.





### ***Development Stage Company***

The Company is considered to be in the development stage as defined in ASC 915-10-05, "*Development Stage Entity*." The Company is devoting substantially all of its efforts to the execution of its business plan. The Company adopted ASU No. 2014-10, Development Stage Entities (Topic 915): Elimination of Certain Financial Reporting Requirements, Including an Amendment to Variable Interest Entities Guidance in Topic 810, Consolidation effective October 1, 2014.

### ***Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ materially from those estimates.

### ***Start-up Costs***

In accordance with ASC 720-15-20, "*Start-up Activities*," the Company expenses all costs incurred in connection with the start-up and organization of the Company.

### ***Debt Discount***

On October 2, 2014, the Company issued convertible note which had beneficial conversion feature. The Company recorded the beneficial conversion feature as a derivative liability and debt discount and is amortized over the life of the convertible note. The debt discount is recorded against the related convertible note outstanding. The amortization is recorded as interest expense. The amortization expense was \$18,834 and was recorded as interest expense for the year ended December 31, 2014.

### ***Common Stock Issued For Other Than Cash***

Services purchased and other transactions settled in the Company's common stock are recorded at the estimated fair value of the stock issued if that value is more readily determinable than the fair value of the consideration received.

### ***Income Taxes***

Provisions for income taxes are based on taxes payable or refundable and deferred taxes. Deferred taxes are provided on differences between the tax bases of assets and liabilities and their reported amounts in the financial statements and tax operating loss carry forwards. Deferred tax assets and liabilities are included in the financial statements at currently enacted income tax rates applicable to the period in which the deferred tax assets and liabilities are expected to be realized or settled. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes. Assets and liabilities are established for uncertain tax positions taken or positions expected to be taken in income tax returns when such positions are judged to not meet the "more-likely-than-not" threshold based on the technical merits of the positions. Estimated interest and penalties related to uncertain tax positions are included as a component of general and administrative expense.

### ***Basic and Diluted Loss per Common Share***

Basic loss per common share amounts are computed by dividing net loss by the weighted-average number of shares of common stock outstanding during each period. Diluted loss per share amounts are computed assuming the issuance of common stock for potentially dilutive common stock equivalents.

### ***Goodwill and Intangible Assets***

Goodwill and other intangible assets are accounted for in accordance with ASC 350, "Goodwill and Other Intangible Assets." Goodwill is tested for impairment at least annually and any related impairment losses are recognized in earnings when identified. Based on the impairment analysis, the Company recorded an impairment of \$240,000 for the year ended December 31, 2014.

### ***Long-lived Assets***

In accordance with ASC 360, "Property, Plant, and Equipment," the Company reviews for impairment of long-lived assets and certain identifiable intangibles whenever events or circumstances indicate that the carrying amount of assets may not be recoverable. The Company considers the carrying value of assets may not be recoverable based upon our review of the following events or changes in circumstances: the asset's ability to continue to generate income from operations and positive cash flow in future periods; loss of legal ownership or title to the assets; significant changes in our strategic business objectives and utilization of the asset; or significant negative industry or economic trends. An impairment loss would be recognized when estimated future cash flows expected to result from the use of the asset are less than its carrying amount.

The Company is not aware of any events or changes in circumstances during the year ended December 31, 2014 that would indicate that the long-lived assets are impaired other than goodwill and intangible assets which were impaired in the amount of \$240,000 for the year ended December 31, 2014.



### ***Fair Value of Financial Instruments***

The carrying amounts reported in the balance sheets for accounts payable, and related party payables approximate fair value because of the immediate or short-term maturity of these financial instruments. The carrying amounts reported for convertible notes payable approximate fair value based on the value of the common stock into which the notes are convertible. The carrying amounts reported for notes payable approximate fair value because the underlying instruments are at interest rates that approximate current market rates.

### ***Recent Accounting Pronouncements***

In August 2014, the Financial Accounting Standards Board ("FASB") issued a new standard on disclosure of uncertainties about an entity's ability to continue as a going concern. The new standard provides guidance on determining when and how reporting entities must disclose going concern uncertainties in their financial statements. The new standard requires management to perform interim and annual assessments of an entity's ability to continue as a going concern within one year of the date of issuance of the entity's financial statements. Additionally, an entity must provide certain disclosures if there is substantial doubt about the entity's ability to continue as a going concern. The new standard will be effective for fiscal years and interim periods within those fiscal years, beginning after December 15, 2016. Early adoption is permitted. The Company is in the process of evaluating the impact of adoption on the Company's financial statements.

In June 2014, the FASB issued a new standard on accounting for share-based payments. The new standard clarifies that entities should treat performance targets that can be met after the requisite service period of a share-based payment award as performance conditions that affect vesting. As such, the performance target should not be reflected in estimating the grant date fair value of the award. The new standard also clarifies that compensation cost should be recognized in the period in which it becomes probable that the performance target will be achieved and should represent the compensation cost attributable to the period for which the requisite service has already been rendered. The new standard will be effective for fiscal years and interim periods within those fiscal years, beginning after December 15, 2015. Early adoption is permitted. The Company is in the process of evaluating the impact of adoption on the Company's financial statements.

In May 2014, the FASB issued a new standard on recognizing revenue in contracts with customers. The new standard outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance. The new standard creates a five-step process to recognize revenue that requires entities to exercise judgment when considering contract terms and relevant facts and circumstances. The new standard also requires expanded disclosures surrounding revenue recognition. The new standard will be effective for fiscal years and interim periods within those fiscal years, beginning after December 15, 2016. The Company is in the process of evaluating the impact of adoption on the Company's financial statements.

Other recently issued accounting standards are not expected to have a material effect on the Company's financial statements.

### **NOTE 3 – FAIR VALUE MEASUREMENTS**

ASC 820 defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities required or permitted to be recorded at fair value, the Company considers the principal or most advantageous market in which it would transact and it considers assumptions that market participants would use when pricing the asset or liability. ASC 820 establishes a fair value hierarchy that requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. A financial instrument's categorization within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. SC 820 establishes three levels of inputs that may be used to measure fair value:

- Level 1 – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Company holds. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2 – Valuation based on quoted prices in markets that are not active for which all significant inputs are observable, either directly or indirectly.
- Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

Financial instruments include cash, accounts payable and accrued expenses and other current liabilities. The carrying amounts of cash, accounts payable and accrued expenses and other current liabilities approximate their fair value due to the short term maturities of these instruments.

The Company has Level 3 financial instrument, an embedded derivative liability (beneficial conversion feature) that is recorded at fair value on periodic basis. The embedded derivative is evaluated under the hierarchy of ASC 480-10, ASC Paragraph 815-25-1 and ASC Subparagraph 815-10-15-74 addressing embedded derivatives. The fair value of such Level 3 financial instrument is estimated using the Black-Scholes option pricing model. The foregoing Level 3 financial instrument has certain provisions which qualifies to be classified as a liability under ASC 815.

As of December 31, 2014, the following table represents the Company's fair value hierarchy for items that are required to be measured at fair value on a recurring basis:

Description	Level 1	Level 2	Level 3
Beneficial conversion feature liability	\$ -	\$ -	\$ 70,334

### **NOTE 4 – ACCOUNTS PAYABLE**

As of December 31, 2014, the Company's accounts payable was primarily made up of professional fees.

## NOTE 5 – CONVERTIBLE NOTE PAYABLE

On October 2, 2014, the Company issued a convertible note payable with an interest rate of 5.0% per annum in the amount of \$100,000. The outstanding balance and any accrued interest is due on December 31, 2015. Under the agreement, the note can be convertible at the holder's discretion into common shares of the Company's stock at a 25% discount to the price at the date of exercise.

The Company adopted the provisions of FASB ASC Topic 815, "Derivatives and Hedging" ("ASC 815") (previously EITF 07-5, "Determining Whether an Instrument (or an Embedded Feature) is Indexed to an Entity's Own Stock"), as the convertible note agreement contained certain provision that the convertible note failed to pass the "fixed for fixed" criteria of ASC815, the conversion feature of the convertible debt should have to be bifurcated and recorded separately until the conversion date.

Based on ASC 815, the Company determined that the convertible debt contained embedded derivatives and full-ratchet provision which the Company valued the embedded derivative using the Black-Scholes method. The following table represents fair value of embedded derivative movement from the date of issuance to December 31, 2014

<i>Description</i>	Fair Value at Date of Issuance	Changes in Fair Value 2014	Fair Value at December 31, 2014
Beneficial conversion feature liability	\$ 70,334	\$ -	\$ 70,334

As a result of initial recording of derivative liability of \$70,334 with proceeds of \$100,000 the Company recorded debt discount of \$70,334 at the date of issuance of convertible note payable.

The Company accretes debt discount of \$70,334 over the life of the convertible note which is 12 months. The Company recorded accretion of \$17,583 for the year ended December 31, 2014 which is recorded as interest expense.

Interest incurred for the year ended December 31, 2014 was \$1,251 (excluding debt discount accretion of \$17,583 which is also recorded as interest expense).

## NOTE 6 – PROVISION FOR INCOME TAXES

The Company recognizes the tax effects of transactions in the year in which such transactions enter into the determination of net income regardless of when reported for tax purposes. Deferred taxes are provided in the financial statements under FASB 740-10-65-1 to give effect to the temporary differences which may arise from differences in the bases of fixed assets, depreciation methods and allowances based on the income taxes expected to be payable in future years. Minimal development stage deferred tax assets arising as a result of net operating loss carry-forwards have been offset completely by a valuation allowance due to the uncertainty of their utilization in future periods.

The Company recognizes interest accrued relative to unrecognized tax benefits in interest expense and penalties in operating expense. During the period from August 28, 2013 (inception) to December 31, 2014 the Company recognized no income tax related interest and penalties. The Company had no accruals for income tax related interest and penalties at December 31, 2014.

## NOTE 7 – STOCKHOLDERS' DEFICIT

As of December 31, 2014, the Company had (i) 100,000,000 Common shares authorized with a par value of \$.0001 per share, of which 50,411,443 shares were issued and outstanding, and (ii) 25,000,000 shares of preferred stock, par value \$.0001 per share, authorized, none of which was issued and outstanding. 8,980,047 shares of Common Stock have been issued to founders, of which, 400,016 shares were issued to the President and director as part of their consulting agreements.

On November 14, 2013, the Company had the following transactions:

- The Company entered into and consummated transactions pursuant to a Subscription Agreement (the "Subscription Agreement") with certain accredited investors whereby the Company issued and sold to the investors for \$1.00 per share an aggregate of 249,998 shares of the Company's Common Stock for an aggregate purchase price of \$250,000.
- As share-based compensation to employees and non-employees, the Company issued 2,369,991 shares of common stock valued at \$2,369,991, based on the market price of the stock on the date of issuance.
- The Company consummated transactions pursuant to a Share Exchange Agreement dated November 14, 2013 (the "Share Exchange Agreement") by and among the Company and the stockholders of African Graphite, Inc., a Nevada Corporation ("AGI"), whereby the stockholders of AGI transferred 100% of the outstanding shares of common stock of AGI held by them, in exchange for an aggregate of 8,980,047 newly issued shares of the Company's common stock.
- The Company consummated transactions pursuant to a Share Exchange Agreement (the "Share Exchange Agreement") with Zewar Jewellery, Inc. dated November 14, 2013 by and among the Company and the stockholders of the Company whereby the Company's Stockholders transferred 100% of the outstanding shares of common stock of the Company held by them, in exchange for an aggregate of 8,980,047 newly issued shares of the Zewar Jewellery's common stock with a par value \$.0001 per share ("Common Stock").
- The Company issued 12,600,003 shares of Common Stock to NMC in connection with the option grant closing under the Option Agreement.



All shares presented in these financial statements and accompanying footnotes have been retroactively adjusted to reflect the increased number of shares resulting from the seven point eight-to-one forward stock split effective on December 16, 2013.

The Company had the following common stock issuance transactions from January 1, 2014 to December 31, 2014 pursuant to a Subscription Agreement with accredited investors:

Quarter	Date	# of Shares Sold	Per Share Price	Gross Proceeds
Q1 2014	February 3, 2014	271,400	\$ 1.00	\$ 271,400
Q1 2014	March 14, 2014 and March 20, 2014	550,000	\$ 1.00	\$ 550,000
Q1 2014	March 25, 2014	150,000	\$ 1.00	\$ 150,000
Q2 2014	April 29, 2014	50,000	\$ 1.00	\$ 50,000
Q2 2014	June 19, 2014	60,000	\$ 1.00	\$ 60,000
Q3 2014	August 28, 2014	170,000	\$ 1.00	\$ 170,000

On March 21, 2014, the Company cancelled 25,740,000 shares of common stock. The cancellation of the shares decreased the amount of common stock by \$2,574 and increased additional paid in capital by the same amount. The shares were held by African Graphite and were cancelled for internal company restructuring.

On March 14, 2014, AGI exercised its option under the Option Agreement and the Company paid to NMC the balance of the purchase price in the amount of \$150,000 outstanding under the Option Agreement.

#### NOTE 8 – COMMITMENTS AND CONTINGENCIES

On March 20, 2014, the Company entered into a consulting agreement with Wall Street Relations, Inc. (the “Consultant”). Under the agreement, the Consultant agreed to provide to the Company public relations, communications, advisory and consulting services. The term of the agreement is 12 months. For the services to be rendered under the agreement, the Company paid to the Consultant \$500,000 in cash. On June 20, 2014, the Company terminated the agreement because of the Consultant’s failure to perform its obligations under the agreement. The Company is currently pursuing its options to obtain reimbursement of the fee paid to the Consultant under the agreement. As a result, the Company recorded a write off of the prepayment of approximately \$320,000 for the three months ended September 30, 2014.

The Company is subject to various legal proceedings from time to time as part of its business. As of December 31, 2014, the Company was not currently party to any legal proceedings or threatened legal proceedings, the adverse outcome of which, individually or in the aggregate, it believes would have a material adverse effect on its business, consolidated financial condition and consolidated results of operations.

#### NOTE 9 – SUBSEQUENT EVENTS

ASC 855, “Subsequent Events. ASC 855 establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. During these periods, the Company did not have any material recognizable subsequent events required to be disclosed other than those disclosed in this note to the financial statements as of and for the year ended December 31, 2014 other than the following:

- Secured Convertible Note – On February 10, 2015, the Company sold and issued a secured convertible note in the principal amount of \$24,000 (the “2015 Note”) with a maturity date of July 31, 2015. The interest rate of the 2015 Note is 5% per annum and all or any outstanding amount of the 2015 Note shall be convertible one year from the date of this 2015 Note at the Holder’s discretion into the Company’s stock at a 25% discount to the market price of the Company’s Common Stock at the time of conversion. The foregoing descriptions of the 2015 Note are qualified in their entirety by reference to the provisions of the 2015 Note which is included as Exhibit 4.3 to this Report and are incorporated by reference herein.



SECURED CONVERTIBLE NOTE

\$100,000.00

October 2, 2014 (the "Issuance Date")

FOR VALUE RECEIVED Next Graphite, Inc., a Nevada corporation listed on OTC Markets as GPNE (the "Borrower"), hereby promises to pay to the order of Iron Grid Ltd., or registered assigns (the "Holder") the principal amount of One Hundred Thousand Dollars (\$100,000.00) together with interest (as set forth herein), on or prior to December 31, 2015 (the "Maturity Date"). The principal balance of this Note and accrued interest shall be payable pursuant to Paragraph 1.

1. Payments of Principal and Interest.

(a) Payment of Principal and Interest. The principal balance of this Note and any accrued interest shall be paid to the Holder hereof on the Maturity Date. The Borrower may prematurely pay or prepay any outstanding principal balance or accrued interest to the Holder. Any amount of principal on this Note outstanding shall bear interest at the rate of five percent (5%) per annum from the date thereof until the same is paid.

(b) Default Interest. Any amount of principal on this Note which is not paid when due shall bear interest at the rate of seven percent (7%) per annum from the date thereof until the same is paid ("Default Interest").

(c) General Payment Provisions. This Note shall be made in lawful money of the United States of America by check to such account as the Holder may from time to time designate by written notice to the Borrower in accordance with the provisions of this Note. Whenever any amount expressed to be due by the terms of this Note is due on any day which is not a Business Day (as defined below), the same shall instead be due on the next succeeding day which is a Business Day and, in the case of any interest payment date which is not the date on which this Note is paid in full, the extension of the due date thereof shall not be taken into account for purposes of determining the amount of interest due on such date. For purposes of this Note, "Business Day" shall mean any day other than a Saturday, Sunday or a day on which commercial banks in the State of Delaware are authorized or required by law or executive order to remain closed. Notwithstanding the foregoing, all or any part of any amounts owing under the Note shall be convertible at the Holder's discretion into common shares of Borrower's stock at a 25% discount to the price per share at conversion.

2. Security Interest. Borrower hereby grants Holder a continuing security interest in the assets of Borrower to secure all obligations and performance of Borrower's duties hereunder (collectively, the "Obligations"). Notwithstanding anything contained herein to the contrary, any rights granted to Holder pursuant to the security interest granted hereunder may only be enforced following prior written notice of a default of the Obligations to Borrower with a five (5) day opportunity for each party to cure such default.

3. Defaults and Remedies.

(a) Events of Default. An "Event of Default" is: (i) default for five (5) days in payment of interest or Default Interest on this Note; (ii) default in payment of the principal amount of this Note when due; (iii) failure by the Borrower for five (5) days after notice to it to comply with any other material provision of this Note.

(b) Remedies. If an Event of Default occurs and is continuing, the Holder of this Note may declare all of this Note, including any interest and Default Interest and other amounts due, to be due and payable immediately.

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4. Vote to Change the Terms of this Note. This Note and any provision hereof may only be amended by an instrument in writing signed by the Borrower and the Holder.

5. Lost or Stolen Note. Upon receipt by the Borrower of evidence satisfactory to the Borrower of the loss, theft, destruction or mutilation of this Note, and, in the case of loss, theft or destruction, of an indemnification undertaking by the Holder to the Borrower in a form reasonably acceptable to the Borrower and, in the case of mutilation, upon surrender and cancellation of the Notes, the Borrower shall execute and deliver a new Note of like tenor and date and in substantially the same form as this Note.

6. Payment of Collection, Enforcement and Other Costs. If: (i) this Note is placed in the hands of an attorney for collection or enforcement or is collected or enforced through any legal proceeding; or (ii) an attorney is retained to represent the Holder of this Note in any bankruptcy, reorganization, receivership or other proceedings affecting creditors' rights and involving a claim under this Note, then the Borrower shall pay to the Holder all reasonable attorneys' fees, costs and expenses incurred in connection therewith, in addition to all other amounts due hereunder.

7. Cancellation. After all principal and accrued interest at any time owed on this Note has been paid in full, this Note shall automatically be deemed canceled, shall be surrendered to the Borrower for cancellation and shall not be reissued.

8. Waiver of Notice. To the extent permitted by law, the Borrower hereby waives demand, notice, protest and all other demands and notices in connection with the delivery, acceptance, performance, default or enforcement of this Note.

9. Governing Law. This Note shall be construed and enforced in accordance with, and all questions concerning the construction, validity, interpretation and performance of this Note shall be governed by, the laws of the State of Nevada, without giving effect to provisions thereof regarding conflict of laws. **EACH PARTY HEREBY IRREVOCABLY WAIVES ANY RIGHT IT MAY HAVE, AND AGREES NOT TO REQUEST, A JURY TRIAL FOR THE ADJUDICATION OF ANY DISPUTE HEREUNDER.**

10. Remedies, Characterizations, Other Obligations, Breaches and Injunctive Relief. The remedies provided in this Note shall be cumulative and in addition to all other remedies available under this Note, at law or in equity (including a decree of specific performance and/or other injunctive relief), and no remedy contained herein shall be deemed a waiver of compliance with the provisions giving rise to such remedy and nothing herein shall limit a Holder's right to pursue actual damages for any failure by the Borrower to comply with the terms of this Note.

11. Specific Shall Not Limit General; Construction. No specific provision contained in this Note shall limit or modify any more general provision contained herein. This Note shall be deemed to be jointly drafted by the Borrower and all Holders and shall not be construed against any person as the drafter hereof.

12. Failure or Indulgence Not Waiver. No failure or delay on the part of this Note in the exercise of any power, right or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such power, right or privilege preclude other or further exercise thereof or of any other right, power or privilege.

**IN WITNESS WHEREOF**, the Borrower has caused this Note to be signed as of the Issuance Date.

By: /s/ Charles C. Bream III  
Charles C. Bream III  
President / CEO

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SECURED NOTE

\$24,000.00

February 10, 2015 (the "Issuance Date")

FOR VALUE RECEIVED Next Graphite, Inc. (the "Borrower"), hereby promises to pay to the order of Iron Grid Ltd., or registered assigns (the "Holder") the principal amount of Twenty-Four Thousand Dollars (\$24,000.00) together with interest (as set forth herein), on or prior to July 31, 2015 (the "Maturity Date"). The principal balance of this Note and accrued interest shall be payable pursuant to Paragraph 1.

1. Payments of Principal and Interest.

(a) Payment of Principal and Interest. The principal balance of this Note and any accrued interest shall be paid to the Holder hereof on the Maturity Date. The Borrower may prematurely pay or prepay any outstanding principal balance or accrued interest to the Holder. Any amount of principal on this Note outstanding shall bear interest at the rate of five percent (5%) per annum from the date thereof until the same is paid.

(b) Default Interest. Any amount of principal on this Note which is not paid when due shall bear interest at the rate of seven percent (7%) per annum from the date thereof until the same is paid ("Default Interest").

(c) General Payment Provisions. This Note shall be made in lawful money of the United States of America by check to such account as the Holder may from time to time designate by written notice to the Borrower in accordance with the provisions of this Note. Whenever any amount expressed to be due by the terms of this Note is due on any day which is not a Business Day (as defined below), the same shall instead be due on the next succeeding day which is a Business Day and, in the case of any interest payment date which is not the date on which this Note is paid in full, the extension of the due date thereof shall not be taken into account for purposes of determining the amount of interest due on such date. For purposes of this Note, "Business Day" shall mean any day other than a Saturday, Sunday or a day on which commercial banks in the State of Delaware are authorized or required by law or executive order to remain closed.

2. Security Interest. Borrower hereby grants Holder a continuing security interest in the assets of Borrower to secure all obligations and performance of Borrower's duties hereunder (collectively, the "Obligations"). Notwithstanding anything contained herein to the contrary, any rights granted to Holder pursuant to the security interest granted hereunder may only be enforced following prior written notice of a default of the Obligations to Borrower with a five (5) day opportunity for each party to cure such default.

3. Defaults and Remedies.

(a) Events of Default. An "Event of Default" is: (i) default for five (5) days in payment of interest or Default Interest on this Note; (ii) default in payment of the principal amount of this Note when due; (iii) failure by the Borrower for five (5) days after notice to it to comply with any other material provision of this Note.

(b) Remedies. If an Event of Default occurs and is continuing, the Holder of this Note may declare all of this Note, including any interest and Default Interest and other amounts due, to be due and payable immediately.

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4. Vote to Change the Terms of this Note. This Note and any provision hereof may only be amended by an instrument in writing signed by the Borrower and the Holder.

5. Lost or Stolen Note. Upon receipt by the Borrower of evidence satisfactory to the Borrower of the loss, theft, destruction or mutilation of this Note, and, in the case of loss, theft or destruction, of an indemnification undertaking by the Holder to the Borrower in a form reasonably acceptable to the Borrower and, in the case of mutilation, upon surrender and cancellation of the Notes, the Borrower shall execute and deliver a new Note of like tenor and date and in substantially the same form as this Note.

6. Payment of Collection, Enforcement and Other Costs. If: (i) this Note is placed in the hands of an attorney for collection or enforcement or is collected or enforced through any legal proceeding; or (ii) an attorney is retained to represent the Holder of this Note in any bankruptcy, reorganization, receivership or other proceedings affecting creditors' rights and involving a claim under this Note, then the Borrower shall pay to the Holder all reasonable attorneys' fees, costs and expenses incurred in connection therewith, in addition to all other amounts due hereunder.

7. Cancellation. After all principal and accrued interest at any time owed on this Note has been paid in full, this Note shall automatically be deemed canceled, shall be surrendered to the Borrower for cancellation and shall not be reissued.

8. Waiver of Notice. To the extent permitted by law, the Borrower hereby waives demand, notice, protest and all other demands and notices in connection with the delivery, acceptance, performance, default or enforcement of this Note.

9. Governing Law. This Note shall be construed and enforced in accordance with, and all questions concerning the construction, validity, interpretation and performance of this Note shall be governed by, the laws of the State of Nevada, without giving effect to provisions thereof regarding conflict of laws. **EACH PARTY HEREBY IRREVOCABLY WAIVES ANY RIGHT IT MAY HAVE, AND AGREES NOT TO REQUEST, A JURY TRIAL FOR THE ADJUDICATION OF ANY DISPUTE HEREUNDER.**

10. Remedies, Characterizations, Other Obligations, Breaches and Injunctive Relief. The remedies provided in this Note shall be cumulative and in addition to all other remedies available under this Note, at law or in equity (including a decree of specific performance and/or other injunctive relief), and no remedy contained herein shall be deemed a waiver of compliance with the provisions giving rise to such remedy and nothing herein shall limit a Holder's right to pursue actual damages for any failure by the Borrower to comply with the terms of this Note.

11. Specific Shall Not Limit General; Construction. No specific provision contained in this Note shall limit or modify any more general provision contained herein. This Note shall be deemed to be jointly drafted by the Borrower and all Holders and shall not be construed against any person as the drafter hereof.

12. Failure or Indulgence Not Waiver. No failure or delay on the part of this Note in the exercise of any power, right or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such power, right or privilege preclude other or further exercise thereof or of any other right, power or privilege.

**IN WITNESS WHEREOF**, the Borrower has caused this Note to be signed as of the Issuance Date.

By: /s/ Charles C. Bream

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## Next Graphite

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Aukam Deposit



Dr. Ian M Flint  
Element 12  
February 18, 2014

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## Summary

The cost summary of the Aukam project is summarized in Table 1. Working capital includes equipment costs, installation costs, and operations costs for a period of six months.

**Table 1: Aukam cost summary**

Area	Capital costs	Working Capital	Per Tonne	Employees
Processing	\$ 600,000	\$ 1,160,000	\$ 237	35
Site	\$ 390,000	\$ 450,000	\$ 48	3
Mining	\$ 40,000	\$ 80,000	\$ 32	5
Transport			\$ 170	
Total	\$ 1,030,000	\$ 1,690,000	\$ 487	

This report only considers the surface waste dumps from prior mining. At a rate of 2,500 to 5,000 tonnes per year mining could be done by a small dozer/backhoe and truck for a cost of about \$30,000 plus an additional \$5,000 per month using two employees. Transportation of product has been assumed to be \$170 per tonne delivered to the closest port.

The revenue projections for Aukam are shown in Table 2 for three scenarios: low, probable and high revenues. These are meant to cover the possible average value generated per tonne of graphite including products that may not have a market.

**Table 2: Low, probable and high mine profit projections. These figures do not include corporate, any expatriate, travel, or royalty costs.**

Item	Low	Probable	High
Revenue	650	850	1080
Operation costs	487	487	487
Marketing	130	170	216
Total costs	617	657	703
Difference	33	193	377
2500 tpy	\$ 82,500	\$ 482,500	\$ 942,500

## Aukam Summary

Aukam is a deposit first identified by Element 12 in 2011 as a past producer with a very good potential of re-starting within a short time frame. The deposit is located in the far south of Namibia just north of South Africa as shown by the Next Graphite (NG) symbol.

This mine has produced 25,000 tonnes during 30+ years of operation before the mine was abandoned during the Namibian conflicts of 1974. There are an estimated 180,000 tonnes of graphite bearing rocks in three surface stockpile grading approximately 40%. There is, also, an estimated 4 million tonnes of reserve of high-grade graphite from hydrothermal source.

Namibia is a country of ~2.5 million people with one of the highest per capita GDPs in Sub-Saharan Africa. Although an independent nation since 1990, it has close ties to South Africa and Europe. Mining's contribution to Namibia's gross domestic product - 10.4% in 2009, 8.5% in 2010, 9.5% in 2011 and 11.5% in 2012 - makes it one of the largest economic sectors of the country. Namibian government and ministries encourage private sector mining development and cooperation with international partners and foreign direct investment.

- Aukam is the only historical graphite producer in Namibia
- Located on Aukam Farm 104, Bethanien Distric, 55 kilometers SW of Goageb near the South African border.
- Located within 200 km of the active port in Luderitz
- Connected by road and road to both Angola and South Africa
- Situated on an eastern slope of a range of hills rising 150 meters above the surrounding valleys.
- Visible graphite production zone strikes east-west, and measures approximately 1000 ft L x 500 ft W x 300 ft D
- Three parallel lodes have been mined. Veins, lenses and pockets of high grade rock, several centimeters wide, dip 70° to 90° to the south
- Fine-flaky to lump-type graphite dominates
- Area is largely unexplored and prospective for a larger graphite ore body
- Nine major vein lodes on the site, all which have characteristics of being well-mineralized
- An average sample graded 49.2% high-grade graphite content
- 80% average recovery was achieved with limited liberation of the ore in flotation tests
- All three tailings have visible graphitic content of lump, crystalline medium to large flake graphite
- 84 samples of bulk-screened graphite recorded 41.58% graphite
- Unscreened samples recorded 35% graphite content
- Mining costs of the three bulk waste dumps in minimal, probably on the order of \$30 a tonne.
- A wide distribution of graphite crystal sizes including approximately 15% of the +300 micrometer jumbo flakes.
- Test work indicates that a grade in excess of 97% can be achieved at recoveries in the range of 98-99% using a three stage flotation system with regrind.

## **Introduction**

## **Background**

This focus of this report is the processing of Next Graphite's Aukam deposit in Namibia located in the Bethanien District, Karas Region, Namibia under Exclusive Prospecting License (EPL) 3895 that is currently held through a Namibian subsidiary by Next Graphite. This report includes a summary of the Aukam property based on prior work done by this author and others associated with Next Graphite (Next), Element 12 International (E12) and African Graphite – USA (AF-USA). The background and geology section is, by-in-large, directly copied from earlier work by Arno Brand of Element 12. The test work and processing sections are from earlier work by Dr. Ian Flint, also of Element 12.

## **Assumptions**

A 0.6 to 1.25 tonne per hour mill feed tonnage producing a maximum of 0.25 – 0.5 tonne per hour is assumed. The material is assumed to consist only of the waste material from prior mining that is already on the surface. No analysis has been done to prove that this is an optimum rate economically. No mine life is reported in this analysis and mining is not reviewed. This data is then augmented, in this report, with the results of company processing activities to the end of 2014.

## **NI 43-101 non-compliant**

This report does not conform to the standards specified in Canadian Securities Administrators' National Instrument 43-101. The resources quantified in this report are highly conceptual and by no means compliant with NI 43-101. There is little information on the extent mineralization, physical properties, and continuity of the grade. These tonnages and grades must only be used internally and are not for distribution to clients or investors.

## **Location and Ownership**

AGI, which has since become Next Graphite, entered into an option agreement on the Aukam Graphite property on the 15<sup>th</sup> of December 2013. The formerly abandoned mine site is located about 169 km SEE from Luderitz Bay, a small town with port and, rail facilities on the Atlantic coast. Access to the Aukam project is by driving 156 km East on the B4 Highway from Luderitz Bay towards Keetmanshoop, turning south onto the D446 district road heading southeast, after driving 49.6 km on this road turn right onto the D727, the deposit is located on an outcrop to the southwest of the road about 3 km from the turn off.

The "Aukam project", exclusive prospecting license (EPL) 3895 makes up a total of 49,127 hectares (491.27 km<sup>2</sup>) and includes several historical small scale workings for tin, beryllium, fluorite, tantalum, and graphite. The property is named after the Aukam Farm and easily searchable on Google Earth in the Karas District of Namibia.

## **Accessibility**

Access to the property farm gate is via a 52.6 km graded gravel road (D446 and D727) from the main tar road (B4 Highway). This road is accessible to conventional cars. From the farm gate to the foot of the range that hosts the deposit (another 1km) is only accessible by four-wheel drive gravel track that is relatively slow but essentially all-weather. The mine site workings are on a rugged slope and there is only limited access by a bulldozed road. Access to the upper adits and open pit (Figure 1) is only by foot.

## Climate

The Aukam Graphite deposit is located in an unusual area of southern Namibia with both summer and winter rainfall. In the austral summer, day-time temperature peak in the mid 40° Celsius, while in winter temperatures can go as low as freezing. Rainfall in winter is generally light drizzle with occasional harder falls and sometimes flurries. In summer, the rainfall is associated with occasional thunderstorms and is of short duration, but can be of very high intensity. All of the streams within the area are ephemeral and can flow very strongly after summer rainfall. Average annual rainfall is 50-150 mm.

The impact of this diverse climate is that an enclosed process building optional but recommended to prevent damage to equipment if the temperature falls below zero. It would also be a comfort factor for operational and maintenance staff.

## Infrastructure

The infrastructure in the area is good with access to the site possible throughout the year. The Aukam Graphite deposit is relatively close to a main tar road and well graded so the only construction required would be a ±2 km long access road to site. There is a national power grid that passes right by the property. A link would likely be required should the project develop. Water is available in large amounts from underground Aquifers (there is an old pump station at the foot of the mountain which was used previously to supply operations with water. This does not seem to be in a working condition and would require a new borehole to be drilled for water access. The water pump can either be powered through a generator or a wind mill). The nearest rail link is located next to the main highway (some 70 km from site). Suitable areas for tailings dams and flotation plants are available dependent on eventual plant design. The nearest town; Aus, is some 87 km away by road.

A small list of auxiliary costs have to be incorporated into the costs of the site have listed in Table 1. These costs are ball park figures only as they are not based on Namibian costs, nor on drill depths, terrain conditions, or other unknown factors. Thus, they could be include significant errors.

**Table 3: Estimated site auxiliary costs**

Item	Cost
Roads – 2 km, gravel assumed	\$ 40,000
100 KVA substation and site wiring	\$ 20,000
Drill hole well and recycle water system	\$ 60,000
Housing and employee facilities	\$ 100,000
Ambulance and emergency facilities	\$ 60,000
Graphite storage and load out facilities	\$ 80,000
Communications system	\$ 10,000
Tailings impoundment facilities	\$ 20,000
Included auxiliary costs	\$ 390,000

## History

The Aukam graphite deposit was both open-pit and underground mined from 1940 and 1974 as shown in Figure 1. The historic production from this mine is shown in Table 1. The minable resource remaining is unknown. Schneider and Genis write that the best quality graphite came from the central lode. Underground workings are accessible at four levels where several thousand tonnes of graphite were recovered. In total about 25,000 tonnes of graphite was produced at this site from roughly 300,000 tonnes of rock when waste and development is considered.



**Figure 1: Open pit at the top of the mountain and several access tunnels and tailings ponds from operations lower down.**

**Table 4: Production at the Aukam Graphite mine (Source: Ministry of Mines and Energy Namibia)**

Year	Production	Year	Production	Year	Production	Year	Production
1940	64	1955	917	1947	1640	1969	386
1941	172	1956	227	1948	1627	1970	336
1942	182	1964	251	1949	2265	1971	494
1943	1978	1965	359	1950	1380	1972	440
1944	1974	1966	363	1951	2627	1973	368
1945	1319	1967	436	1954	104	1974	137
1946	1193	1968	398				

## Geological Setting

The Aukam graphite deposit is exposed in an erosional window incised through the hard layers of sedimentary rocks that mantle southern Namibia. The older hosting rocks, known as the Namaqualand Complex, are assemblage of gneisses, marbles, schists, quartzites, amphibolites with nested intrusive rocks including granite and gabbros. This suite of rocks indicates that the entire complex was once deeply buried. Intrusive events of charnockites has been dated between 1300 and 900 million years ago (Kroner and Blignault, 1976). Steep dipping shear zones are common and some are dated by Joubert (1974) around 1200 million years ago.

A prominent flat-lying and resistant sediment layer overlies the erosional unconformity at the top of the Namaqualand Complex. The specific formation has yet to be confirmed; however, it is likely to be the lowest most member of the Nama Group (Dabis Formation). The late Proterozoic stratigraphic correlations in southwestern Africa (using data assembled from various authors by Germs [1995]). Section C in the Figure 2 is close to Aukam Farm and suggests the regional capping stone is the resistant Kaigas tillite. Tillites of Gariep Complex date from the unique period of global glaciations known as the Cryogenian.

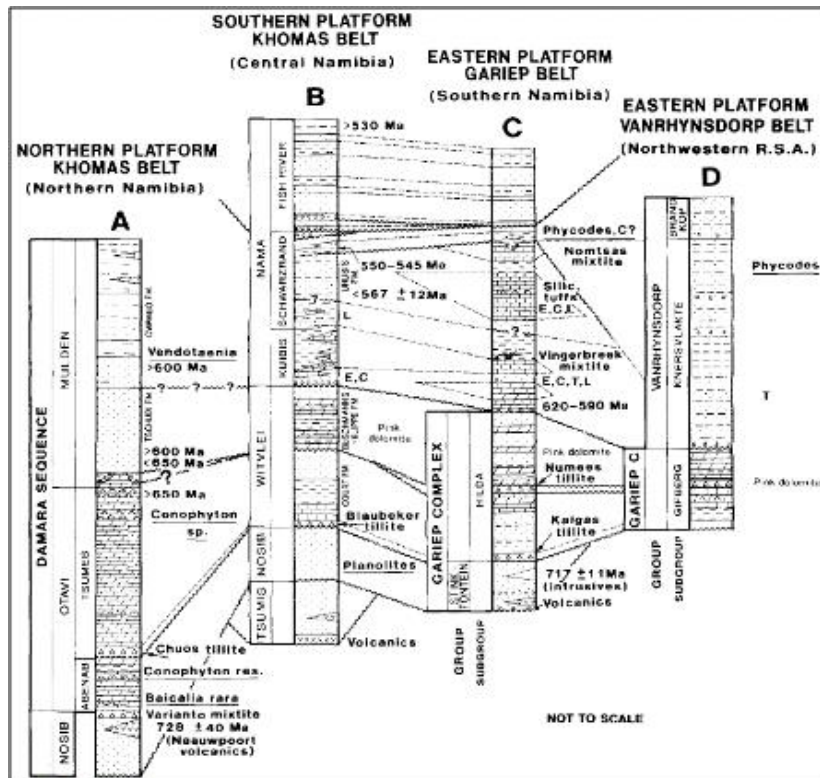


Figure 2: Stratigraphic section of the greater Aukam area(Germs [1995]).

Other writers on the local geology place the Dabis Formation above the unconformity. If so the resistant capstone would be the Kanies member as illustrated in Figure 3.

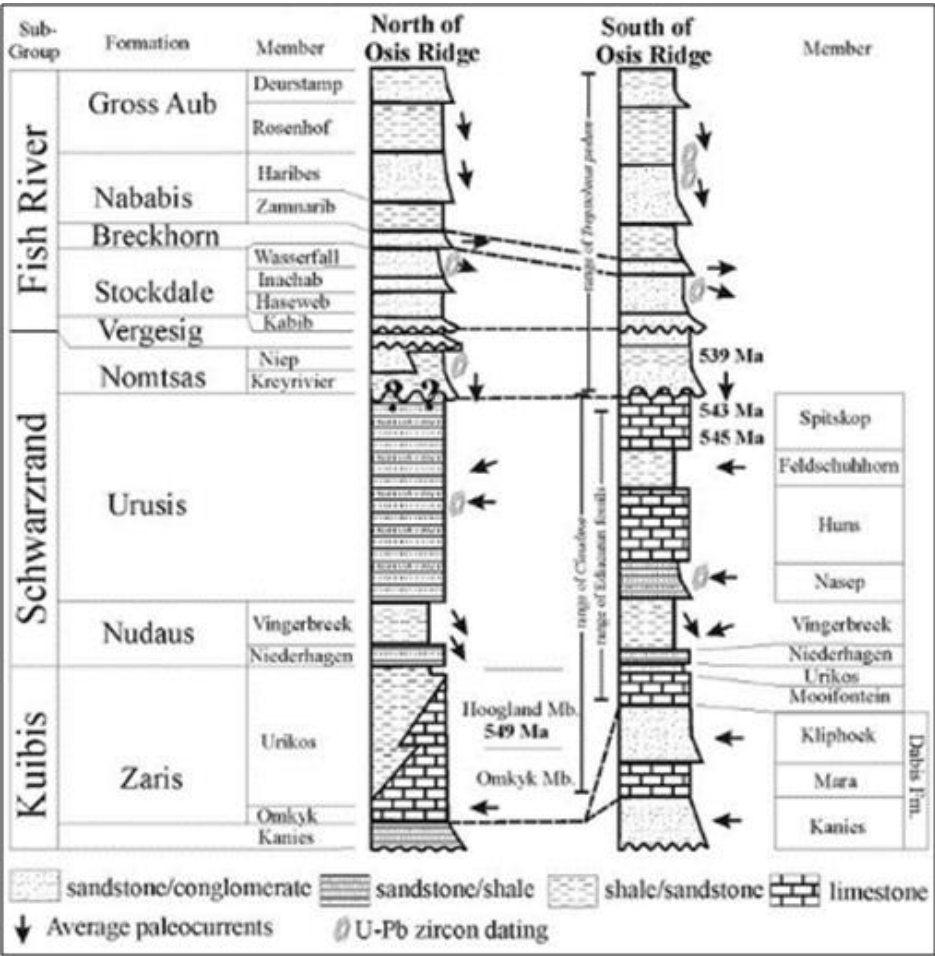


Figure 3: Stratigraphic section of the Dabis formation

Figure 4 is useful in that its shows that carbonates layers appear directly on the the Namaqualand Complex as one moves north (to the left) approaching the Oss Ridge. This change is observed in the cliffs on the north side of the Aukam window.

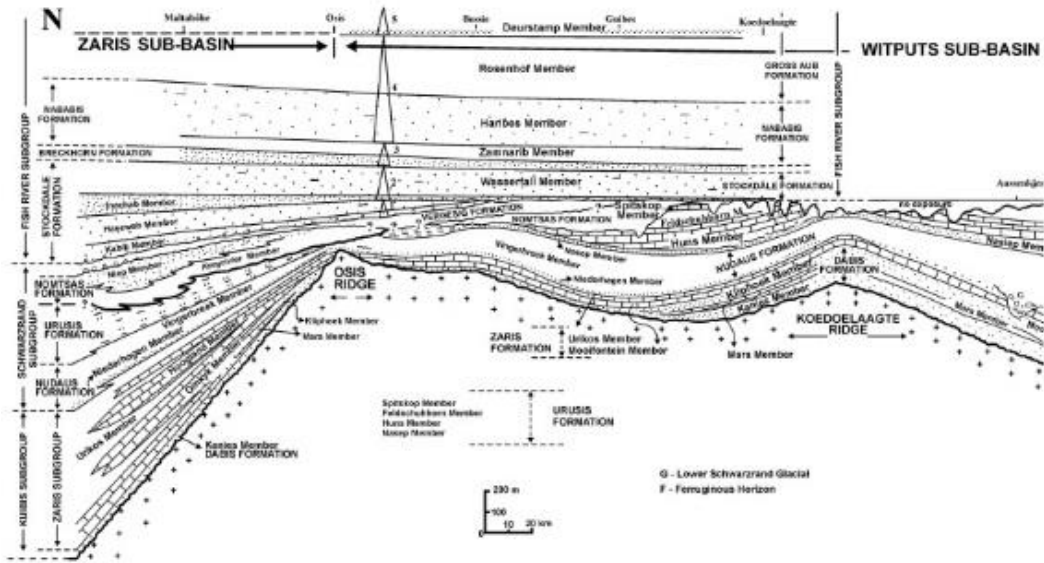


Figure 4: Stratigraphic section: Zaris basin

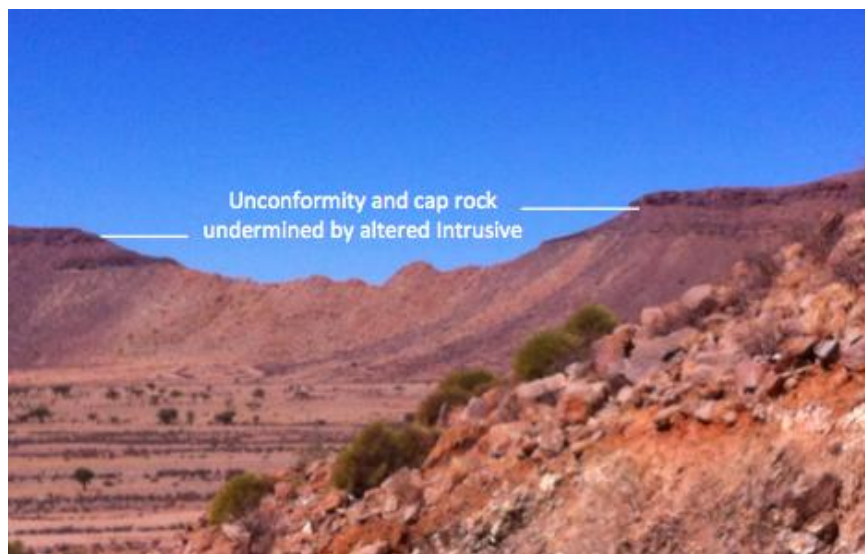
Hydrothermal alteration is common to some rocks in the window as is pegmatite veining. Both are evidence of hot water flowing through the rock. The graphite occurs at one such site where over-pressured hot waters evidently carrying carbon dioxide and maybe methane mineralized carbon into a zone of broken rock. This hosting “shear zone” is exposed for 350 m and is about 10 m wide.

The sheared host rock at Aukam is Proterozoic granite that was hydrothermally altered to kaolinite (Reimer, 1984). The paper speculates on a biogenic origin however it also cites Mueller (1971) opinion that veins from an unspecified location in Namibia sounding like Aukam was an “inorganic derivation of the hydrocarbons”.

Schneider and Genis [2001] have published a brief description of the graphite deposit:

*“The zone comprises three parallel lodes. Veins, lenses and pockets of ore, several centimeters wide, dip 70 to 90 degrees to the south. The graphite, which is of the fine-flakey to lumpy type, usually contains malachite specs, while sulphur occurs along cracks. The graphite veins are flanked by a pale-green, highly epidotized and kaolinized granite which is soft and highly decomposed.”*

The grayish rock and lineaments in the Aukam shear zone are clearly visible in satellite imagery. An inspection of the satellite data has yet to find a similar structure, although there are multiple locations demonstrating alteration that need to be investigated for similar alteration haloes (Figure 5).



**Figure 5: Unconformity, overlying Nama Group, altered intrusive and basement Namaqua Complex**



## Mineralization

### Introduction

Historical literature makes mention that the Graphite ore consists of lump and crystalline flake graphite containing carbonates including malachite and pyrite. Another author,<sup>[1]</sup> has mentioned that the Graphite hosted by the deposit is amorphous but there but visual and test result of the size class distribution indicate that it is vein and flake crystal types of graphite. Other mineralization is also present on site including tin and fluorite.

### Trenching, sampling and measuring of tailings heaps

In prior mining a total of about 300 000 tonnes of rock was removed to recover 25 000 tonnes of graphite. The mining process appears to have been very selective in that only the graphite of sufficient quality to sell without processing was removed from site. The remainders of this mining are three major tailings heaps (Figure 12) that contain both lumpy and crystalline graphitic material. These heaps occur at the foot of the three drifts formerly used to access the high-grade graphite vein lodes. Each of these heaps were trenched at one meter intervals going up slope. Graphite fines seem to be prominent in all three heaps. Samples were collected at one-meter interval along the trench from the base of each heap. The lower heap is the major of the three and contains about  $\pm 100\,000$  tonnes of material (Figure 7). The mid and upper heaps are visibly smaller and contain about  $\pm 40\,000$  tonnes each. In total it is estimated that the three heaps combined contain about 180 000 tonnes of material graphite bearing rock (Table 2). Samples tests indicate an average of approximately 40-50% graphite. No assumptions are made in this report as to the representative nature of these samples.



Figure 6: Trenching of lower stockpile heap.



Figure 7: The three major stockpiles after trenching

Table 5: Summary of graphite waste heaps

Waste heap	Size (tonnes)	Grade (estimated)	Contained Graphite
1	100 000	40%	40 000
2	40 000	40%	16 000
3	40 000	40%	16 000
Total	180 000		72 000

## Sampling and measuring of veins in the pit

### Introduction

There are nine visible veins that outcrop on the side walls of the open pit at the top of the mountain. The veins measure between 20 cm several meters in width with a 70°-80° dip. Generally the veins strike in a northeasterly direction, 55 degrees (Figure 8). The pit was operated from 1940 – 1952 and yielded a total on the order of 17 386 tonnes of graphite material. Most of the graphite bearing ore within this pit has been mined. The outcropping veins are easily accessible for mining and could potentially yield as much as 1000t of graphite before having to start excavating the floor of the pit. This floor is filled with debris from a collapsed overhang above the southwestern wall (hanging wall) of the pit. If a drilling program indicates significant intersections of ore in the far reaches of the pit the overhang and hanging wall will have to be cut back in order to ensure a safe mining environment.

### Incline at base of eastern wall of the open pit

An incline was cut diagonally into the base of the eastern wall of the pit accessing a meter wide high-grade graphitic vein dipping at a seventy degree angle to the south. The access to the incline has been netted to shelter it from debris falling in from the pit. The incline is overlain by debris from the pit and inaccessible (Figure 8 and Figure 9).



**Figure 8: Incline in the eastern wall of the main pit with prominent veins cropping out overhead.**



**Figure 9: Close up view of Incline overlain by debris from pit.**

It was not possible at the time of the site visit to investigate the geological merit of veins exposed within the Incline. The Outcropping vein above the incline was sampled across the face and sent to an accredited laboratory for analysis. If the analysis results indicate the presence of graphite, a drill program will be designed to drill the vein and a bulk sample will have to be taken, for the purpose verifying the extent and continuity of the mineralization. The outcropping vein is relatively easily accessible for mining purposes. In order to mine this vein lode the entire overhanging block hosting the graphitic material will have to be collapsed. The rock can then manually broken down into smaller manageable pieces that could be sized to fit through a processing plant for further liberation and concentration of the graphitic material. There are several other less prominent veins that could potentially be mined in a similar fashion, these veins have been sampled and analysis will reveal whether they are graphite bearing. (Figure 10)

## Upper Adit

The entrance to the adit is situated downslope from the open pit. Access to the upper adit is restricted as debris from the tailings heap (directly above the access tunnel) has in filled the access point almost entirely making it impossible and unsafe to enter for purpose of geological observation (Figure 11). The access tunnel was cut into an out cropping shear zone which is believed to have mobilized fluids from deeper down carrying and precipitated out the graphite and several other associated minerals. The shear zone could potentially be graphite bearing but rather than the lumpy kind, which was originally mined from the main vein lodes, would be of the crystalline flake type which might require a higher degree of processing expertise to recover the graphite. The shear zone was sampled across the face where it crops out above the access tunnel.



**Figure 10: Open pit Aukam Graphite mine**



**Figure 11: Upper adit and shear zone**

## Lower adit, shear zone and surface vein

The lower access adit cuts across three major vein lodes extending as far as 120 meters into the mountain. The entrance to the access adit lies at an elevation of 1267 meters above sea level cutting into a similar shear zone as, (but less prominent, measuring about two meters wide and dipping South), the one visible in the hanging wall of the entrance of the upper access adit. The two shear zones run parallel to one another both striking in a general northeasterly direction. The shear zone in the lower adit has a visibly lower graphitic content than the former; the veins are inter bedded with fine crystalline flake graphitic material. Investigating the extent of the shear is a lower priority exploration target at this point but could potentially be investigated at a later stage.



### Weathered vein, lower access adit

A heavily weathered graphite vein is seen striking perpendicular to the shear zone on the western face of the clear cut leading into the entrance of the lower access adit. The vein measures about 1.6 m wide and appears to be well mineralized. A sample was collected across the weathered face (Figure 12 and Figure 13) and sent to an accredited facility where it will be analyzed during the next work phase to indicate the graphitic content contained within the sample. Further in phase two, the vein should be followed along strike, drilled and characterized more diligently to infer its graphitic content.

The first work face is roughly 70 meters into the lower access adit. The stoped area measures twelve meters long, four meters wide and an average of roughly two meters high (Figure 14). About 250 metric tonnes of rock was mined from the open stope (assuming a density of  $2.7 \text{ g/cm}^3$ ). There are several veins visible in the walls of the stoped area.



Figure 12: Shear zone lower access adit

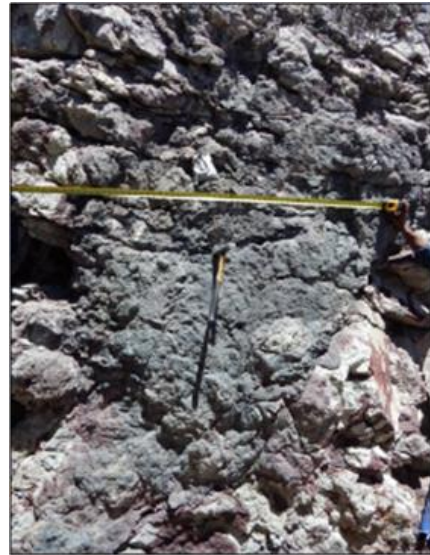


Figure 13: Exposed vein entrance lower access adit



Figure 14: Vein load 1 work face, lower access adit

The lower access adit was the final work phase of the former operations. If the mining operations ever recommenced it is most likely to assume operations would continue from this work level downward. Tested samples indicate that a feed grade of 40% could easily be averaged through a selective mining method. The vein loads vary in size and measures between 2-9 m across.

### Abandoned workings and vein structure

The mine was formerly worked as an underground stope operation. In the lower workings, an underground access adit and a perpendicular drift accessed five parallel graphitic vein loads. The first vein load occurs some 72 meters from the entrance of the access adit, a second 75 m drift was cut in a north westerly strike direction, in order to access vein loads 3, 4 and 5. Vein load 2 occurs immediately to the left of Vein load 1 in a southeasterly strike direction. That general layout of the previously mined vein along with the existing adits and drifts is shown in Figure 15.

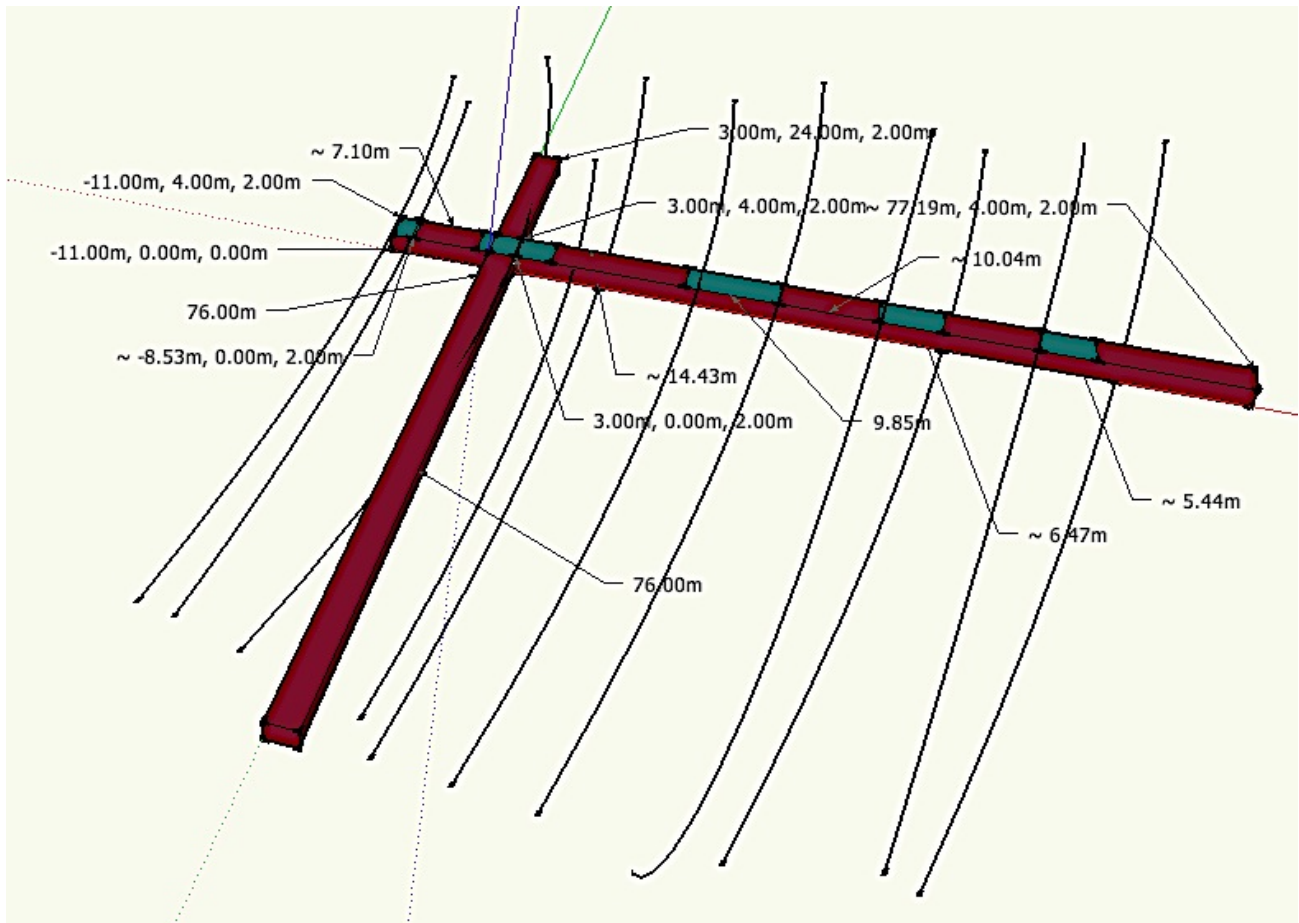


Figure 15: 3D model of lower access adit and drift. The grey blocks show the location of the major vein loads and the curved lines the general shear direction.

## Grades

The results of samples taken of the exposed veins and possibly the waste dumps are shown in Table 3. No distinction are made as there where these samples originated within the sampling program. Generally, these samples ranged from 35-50% with a few reporting higher grades.

**Table 6: Phase one exploration program: analysis results. Note: this work was not supervised by the author and depends on third party reporting.**

Sample	Al2O3	CaO	Cu2O	Fe2O3	K2O	MgO	Na2O	SiO2	ZnO	PbO	Volatiles	Carbon	Total
UNITS	%	%	%	%	%	%	%	%	%	%	%	%	%
Rock Mix 1	11.85	0.14	0.03	2.06	4.07	0.20	0.18	32.09	0.00	0.00	1.30	43.03	94.94
Rock Mix 2	10.32	0.14	0.02	2.85	3.48	0.17	0.11	22.03	0.00	0.00	0.59	55.07	94.77
Rock Mix 3	10.75	0.14	0.02	9.64	4.40	0.13	0.13	19.72	0.00	0.00	0.87	48.67	94.48
Rock Mix 4	6.05	0.14	0.02	2.44	1.99	0.08	0.04	15.08	0.00	0.00	0.57	68.85	95.26
Rock Mix 5	10.00	0.14	0.01	3.29	3.73	0.18	0.08	26.74	0.00	0.00	0.68	48.49	93.35
Rock Mix 6	15.48	0.14	0.22	2.92	5.35	0.30	0.08	31.66	0.01	0.00	1.33	41.45	98.93
Rock Mix 7	10.54	0.14	0.02	1.73	3.16	0.18	0.07	34.01	0.00	0.00	0.27	42.80	92.92
Rock Mix 8	12.49	1.26	0.09	4.82	3.66	0.55	0.13	19.25	0.01	0.00	1.23	58.40	101.91
Rock Mix 9	12.17	0.14	0.02	3.52	4.14	0.22	0.08	35.51	0.00	0.00	1.02	41.21	98.03
Rock Mix 10	9.16	0.70	0.03	3.09	2.46	0.27	0.05	33.16	0.01	0.00	1.16	48.34	98.43

## Processing – Test Work

### Conclusions

- (1) Equipment
  - a. The kinetics of flotation indicate that less than 120 seconds, in total, is needed as a residence time in the primary stage, and a similar time will be required in the secondary stage.
  - b. A grind size of 500 micrometers is sufficient for the primary size reduction circuit
  - c. Flotation will be carry capacity limited meaning that a short, wide, column will be required.
  - d. It is suggested that the primary circuit be composed of a rougher and scavenger so that reagent addition can be staged
  - e. The primary flotation concentrate should be reground to approximately 212 micrometers
- (2) The majority of the graphite occurs in aggregates of graphite crystals that have a purity after flotation. Some of the larger flakes or aggregates have been bent at the 500 micrometer upper size and most of the graphite occurs as aggregates rather than individual flakes. As such, the particle size distribution can be adjusted by grinding to the size of the individual graphite flakes. The individual graphite flake particle size distribution has yet to be determined however it will be somewhat smaller than the 100 micrometer d50 size indicated in these tests. This is characteristic of vein graphite.
- (3) Potential recovery is somewhat greater than 95% with greater than 99% being achieved at the primary float stage. Actual recovery will be a function of grade and may be operated at less than 99%. This recovery is based on material that has been tested and does not include any graphite lost due to selective mining,
- (4) The lower limit of potential grade has been estimated at 97% based on a three stage flotation and 212 micrometer maximum size.
- (5) Procedures for the secondary tests have been determined and these tests are currently ongoing.
- (6) Significant retardation of flotation occurs due to minerals attached to the surface of the graphite. It is likely that a chemical leaching stage will be required to achieve grades of higher than about 85%. This leach may be before the float circuit or between the primary and secondary flotation stages.
- (7) There is some evidence of native sulphur. The mineral will float with the graphite. Area that contain native sulphur should be avoided by selective mining.

Note: All of these characterizations are likely of the poorer grade material left from prior mining. As such, they may not be representative of the material found in-situ within unmined veins. Flotation at sizes above 212 micrometers was poor probably as a result of precipitate particles coating the graphite. These particles may limit the ultimate grade of the graphite unless specific chemical treatment is used.

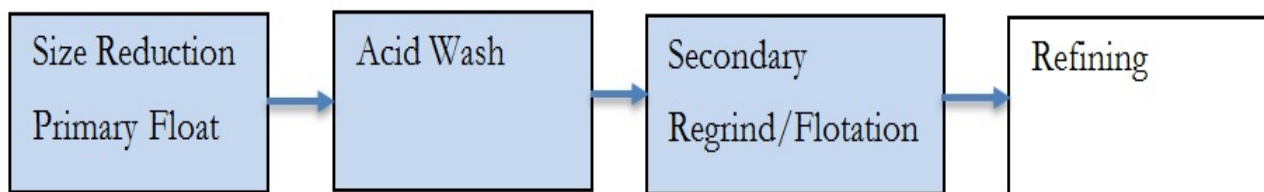
## Purpose

The purpose of these step I was three-fold:

- (1) To determine the equipment required for the processing with the goal of producing graphite grading over 99% by way of determining the engineering data for both circuit design and scale-up of the primary and secondary stages
- (2) To determine the morphology of the graphite
- (3) To estimate potential graphite recovery
- (4) To estimate a lower limit of the potential grade
- (5) To determine the procedures to test phase II.

## Scope

Next Graphite is currently progressing on a test work program whose results will be used to finalize the design of separation systems to create graphite that has been optimized for the creation for high expansion factor and exfoliation applications. This is a three step process that includes size reduction and primary flotation for recovery, multiple cleaner stages of flotation for grade and, potentially, refining as shown in Figure 16. This report does not detail the refining circuit.



**Figure 16: Three step test work for the creation of graphene pre-cursor graphite**

The only material tested at this stage was only large lumps of weathered material from the waste dumps of Aukam old workings although geology indicates that the upper zones of the graphite vein(s) are similarly weathered.

## Methodology

The sample material was reduced in size sequentially using a jaw crusher and a cone crusher at SGS – Lakefield. Microscope pictures were then taken of each size class. Relatively undamaged size classes were then floated in single rougher stage and the froth was collected over timed intervals. Reagents were added to maintain bubble size and the collection of graphite.



## Size Reduction

The purpose of the size reduction in these tests was not the production of liberated graphite but the production of graphite aggregates of suitable size for the next stage of size reduction while minimizing damage to the crystals. The following were concluded from this test work:

- (1) As anticipated, visual observation of the crushed product confirmed at the graphite – graphite liberation has not occurred within these tests and that majority of the sample was of an appropriate size distribution of Step II testing.
- (2) Due to the unliberated nature of these products the size class distributions presented represent that of the graphite particles but not of the graphite crystals.
- (3) At a grind size of 1 mm poor flotation resulted. This size was chosen as, worldwide, other vein graphite does become liberated at this point. It is suspected that this phenomena is the result of fine particles of non-graphite on the weathered surfaces and the presence of non-liberated graphite on the surface of silica particles.
- (4) At a grind size of 0.5 mm essentially 100% recovery was achieved at moderate grades of 70-76%. This probably indicates that the fresh surface of graphite generated in the grind where not covered with non-graphitic material. Inspection of the microphotographs of each size class indicates that small graphite particles are still found within silica particles at this grind.

Laser assay particle size distributions performed by Gecko depict a variable particle size per unit volume with 80% passing 200 $\mu\text{m}$  and approximately 100 $\mu\text{m} \geq 40\%$  showing the most particle number size per unit volume. Two examples of this work are shown in Figure 17 and Figure 18.

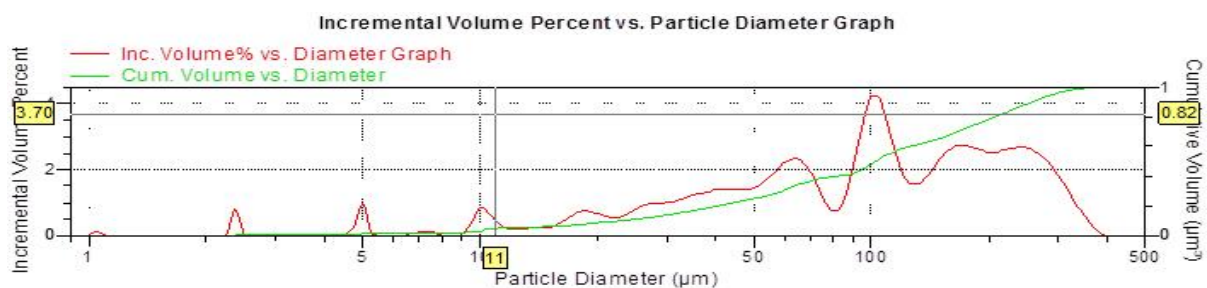


Figure 17: RM1 test for graphite particle size distribution: Note, this work was not supervised by the author and depends on third party reporting.

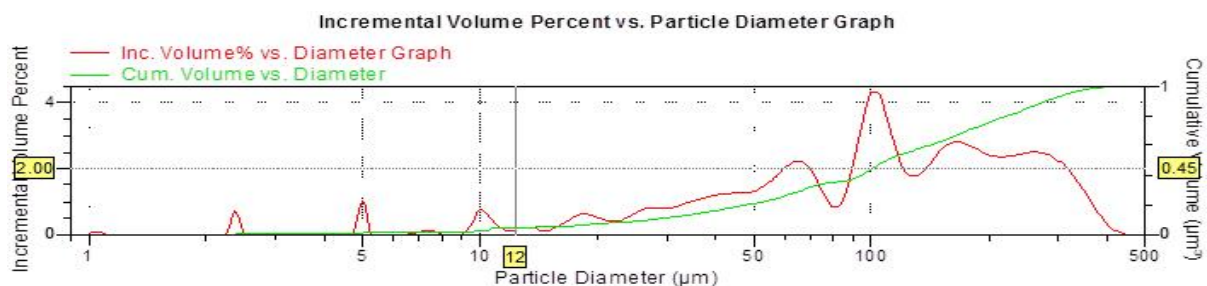


Figure 18: RM2 test for graphite particle size distribution. Note, this work was not supervised by the author and depends on third party reporting.

The SGS-Lakefield generated particle size distribution that resulted is shown in Table 4 and and compared with the Gecko numbers in Figure 19

Table 7: Initial sample particle size distribution after cone crushing (SGS – Lakefield sieve analysis)

Size (µm)	Cumulative Passing
350	100%
225	80%
150	60%
80	40%
35	20%

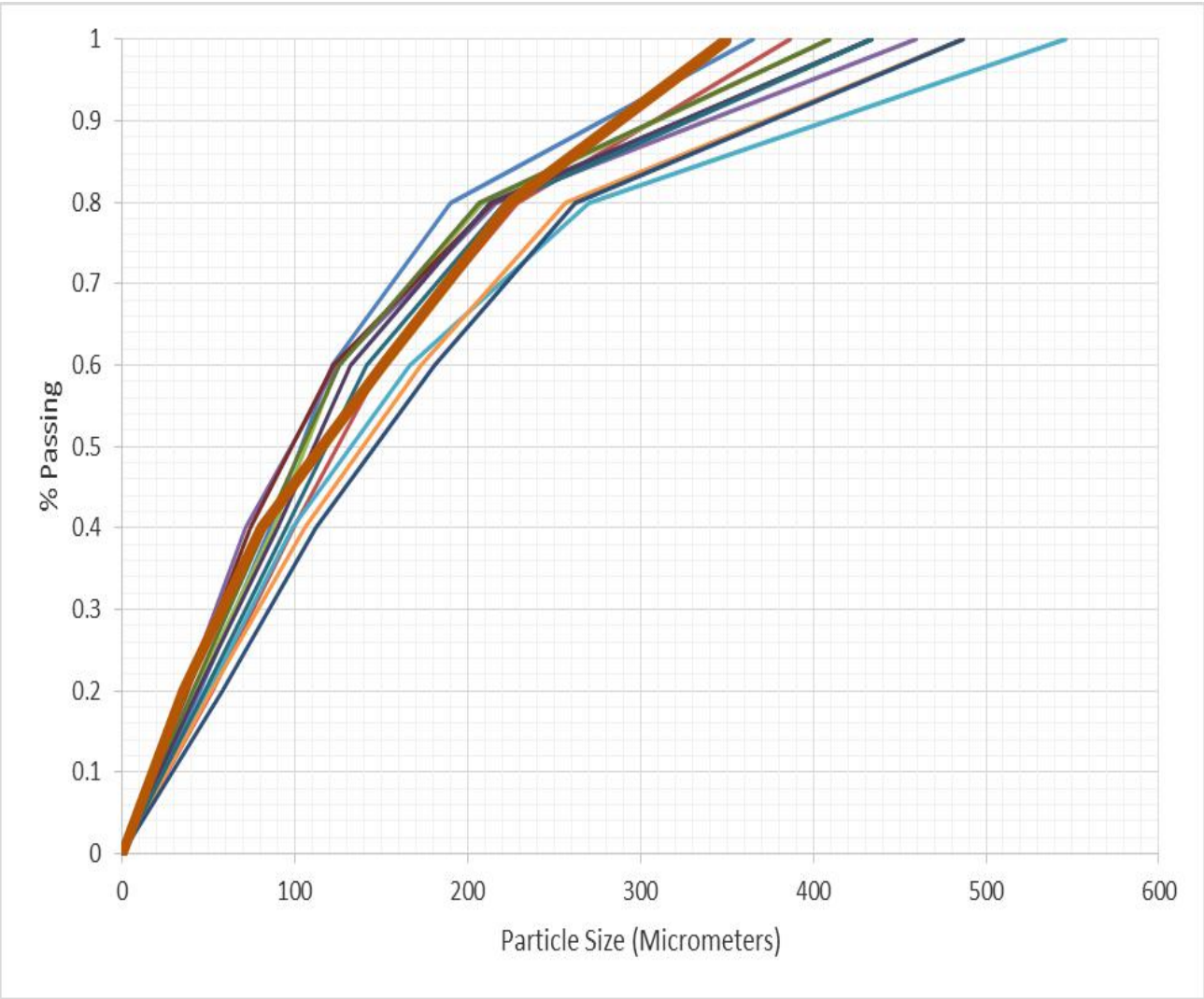


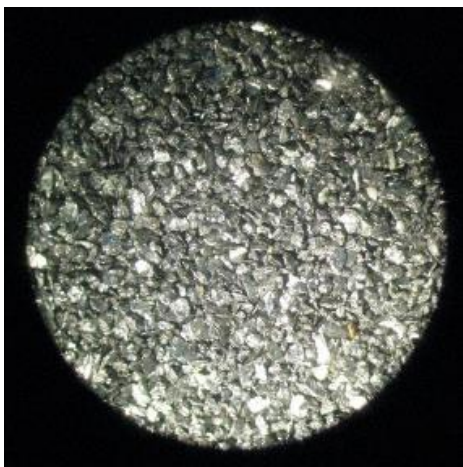
Figure 19: Test work grind particle size distribution. Thick line represents grind of SGS rougher tests (2014). Other lines represent prior particle size tests performed by Gecko (2014). Note, all sizes under 20% passing are estimated values.

When determining particle size distribution of graphite two errors are usually present. These are the following:

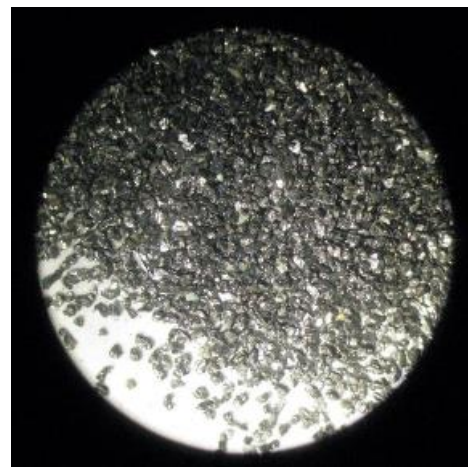
- (1) The graphite crystals are not liberated from each other. Graphite commonly grows in closely associated crystals. When graphite – graphite liberation is incomplete the indicated particle size is larger than individual graphite crystals. This is characteristic of under grinding of the graphite.
- (2) The graphite crystals have been bend or folded. This is typical of over grinding of the graphite and presents as a size distribution shifted to smaller sizes.

Visual inspection of these samples indicates that neither graphite / graphite nor graphite / non-graphite liberation was complete at any of the size classes inspected. However, it also shows that the larger graphite particles had already attained a rounded morphology. These two signs indicate that both (1) and (2) type errors were present.

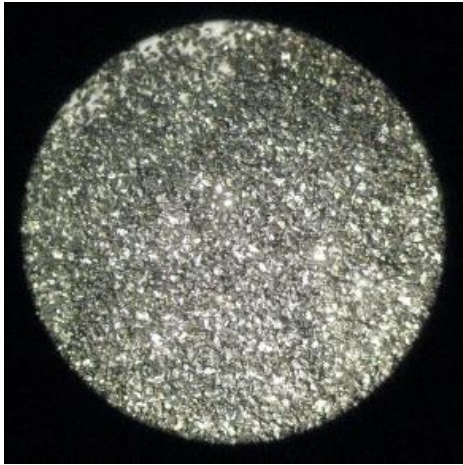
Figure 20 through Figure 23 are the photographs are the particles retained on the 50 (297  $\mu\text{m}$ ), 80 (177  $\mu\text{m}$ ) and 150 (100  $\mu\text{m}$ ) mesh screens that and material passing the 150 ( $< 100 \mu\text{m}$ ) mesh screen. On the #50 screen most of the graphite still occurs as chunks or aggregates of graphite. Some of the particles appear to be flakes. At this stage it cannot be proven if these are individual flakes or aggregate sheets. The number of flakes or flake like aggregates decreases with the decrease in the particle size; however, both shapes of aggregates occur at all four size fractions inspected.



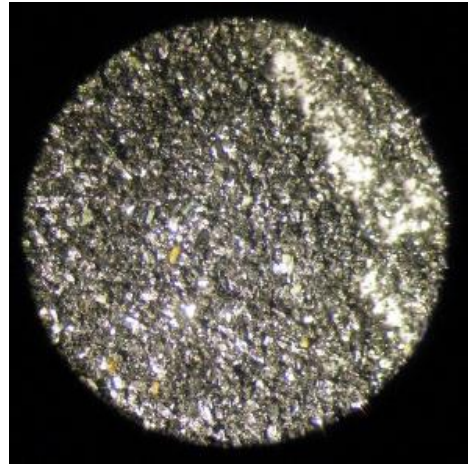
**Figure 20: +50 Mesh (all particles larger than 297  $\mu\text{m}$ ) graphite, post cone crushing (SGS-Lakefield) Note: this is a flotation laboratory microscope picture that is typically used to visually determine progress and is not of sufficient quality to determine sizes, liberation or estimate grades. This picture has been reduced to black and white from it colour original.**



**Figure 21: +80 Mesh graphite, post cone crushing (SGS-Lakefield) Note: this is a flotation laboratory microscope picture that is typically used to visually determine progress and is not of sufficient quality to determine sizes, liberation or estimate grades. This picture has been reduced to black and white from it colour original.**



**Figure 22: +150 Mesh graphite, post cone crushing (SGS-Lakefield);** Note: this is a flotation laboratory microscope picture that is typically used to visually determine progress and is not of sufficient quality to determine sizes, liberation or estimate grades.



**Figure 23: -150 Mesh graphite, post cone crushing (SGS-Lakefield);** Note: this is a flotation laboratory microscope picture that is typically used to visually determine progress and is not of sufficient quality to determine sizes, liberation or estimate grades.

## Flotation

- The graphite grade of the 212 micrometer grind, initial cleaner tests indicated that  $97\% \pm 2.6\%$  is possible for the Aukam sourced graphite. These must be considered initial tests are cleaner tests with re-grind has yet to be performed. Note: these tests were conducted after an acid wash of the surfaces was conducted.
- The high recovery at 99.3% over a 190 second residence time wherein 97.5% is recovered in 70 seconds, indicates very fast kinetics. As such, flotation will probably be carrying capacity limited and froth crowded could be used.
- The flotation circuit could be composed of four stage separation in a closed circuit: primary grinding, primary flotation for recovery, followed by a regrind and a secondary flotation. As staged addition of collector was required the primary float will probably be composed of a rougher followed by a scavenger each with approximately a 50-70 second residence time. The secondary float will probably be composed of a cleaner and cleaner scavenger.

Three series of flotation tests have been conducted. The first test, that used a top size of 1.0 mm as this size is suitable for some other vein graphite separations. However, this proved unsuccessful in terms of recovery. A second test was conducted at a top size of 0.5 mm which resulted in recoveries of over 99% of the graphite with a grade increase to between approximately 70-77% graphite in the primary flotation stage. Note, this test was done without acid leach. Thus, for the primary flotation, with respect to recovery, the size of the particles should be reduced to approximately 0.5 mm or somewhat larger. A time release test was performed to determine the flotation kinetics of each size class. This indicates that flotation is very rapid and that under 120 seconds is required for the rougher retention time. Sufficient data was achieved from these tests to design the primary circuit. Kinetics of the secondary float are typically similar so that this information can also be used to size the secondary circuit.

An additional series of tests was conducted using a 212 micrometer top grind size, and acid washed prior to flotation, in order to estimate the lower boundary of the final grade after three stages of flotation. This resulted in a grade of approximately 97%. These tests will be repeated using the 0.5 mm initial grind size followed by regrind to determine if grades of greater than 97% can probably be achieved after a secondary flotation as grades greater than 97% are considered a premium product and command significantly higher market values.

The head (feed) assay for this material was determined to be 53.4% graphite. This is higher than the 35-40% average of the waste dump wider sampling. Also, it must be cautioned that assays of this type are only accurate to within approximately 2.6% absolute; thus this assays should be read as  $53.4\% \pm 2.6\%$  carbon. Organic carbon content was not determined as the geothermal origin of the material usually precludes the natural presence of this type of carbon.

These tests indicate that a grade of 97% can be achieved at a 212 micrometer grind and almost 100% recovery. However, for grades higher than this a larger initial grind should be performed so that the graphite doesn't encapsulate upon folding gangue particles. Initial tests indicate that this size should be on the order of a 500 micrometer top size. A regrind can then be used to reduce the particle size further to achieve a higher grades.

The primary flotation tests were run in order to achieve recovery targets and to obtain flotation kinetics results so that the primary flotation circuit could be designed. These tests are run at as large a size as possible considering the liberation of the graphite. These tests were not run to achieve grades as this is the function of the secondary tests that are currently being conducted. The conditions of the first flotation tests (1 mm grind size) are summarized in Table 5 through Table 7.

**Table 8: Condition, -#18 Aukam rougher flotation. (SGS-Lakefield 4L cell, 1,800 RPM.**

Stage	Fuel Oil	MIBC	Cond	Froth (s)
Rougher 1	5	10	1	15
Rougher 2	0	10	1	15
	5	10	1	30
Rougher 3	5	10	1	60
Rougher 4	5	10	1	60
Rougher 5	5	10	1	120
Rougher 6	25	60	6	300

**Table 9: Mass Balance, -#18 Aukam rougher flotation. Individual timed samples**

Product	Weight		Assays, %	% Distr.
	G	%	C(t)	C(t)
Rougher 1	99.7	10.1	79.1	14.0
Rougher 2	92.4	9.4	81.1	13.3
Rougher 3	158.6	16.1	76.2	21.4
Rougher 4	55.0	5.6	83.8	8.2
Rougher 5	38.3	3.9	79.9	5.4
Rougher 6	40.6	4.1	73.6	5.3
Rougher Tails	501.8	50.9	36.5	32.5
Head ( calc. )	986.4	100.0	57.2	100.0
Head (direct)			52.8	

**Table 10: Mass Balance, -#18 Aukam rougher flotation. Cumulative timed samples**

Combined Products	Weight		Assays, %	% Distr.
	G	%	C(t)	C(t)
Rougher 1	99.7	10.1	79.1	14.0
Rougher 1 +2	192.1	19.5	80.1	27.3
Rougher 1-3	350.7	35.6	78.3	48.7
Rougher 1-4	405.7	41.1	79.1	56.8
Rougher 1-5	444.0	45.0	79.1	62.3
Rougher 1-6	484.6	49.1	78.7	67.5

This size was chosen as it approximates the size at which most of the gangue minerals and graphite become liberated. The poor recovery of the graphite was probably indicative of surface coating of the graphite by weathering products as very few new surfaces are created in the grinding process at this size. In these case the coating effect can be overcome by the creation of new surfaces (regrinding) or by an acid wash (in the case of carbonates). In order to improve the recovery the second set of tests were performed at a 500 micrometer upper size using the conditions outlined in Table 5. These results are shown in Table 8.

**Table 11: Conditions of < 0.5 mm grind release flotation test (test #2) using a 4L flotation cell at 1,800 rpm**

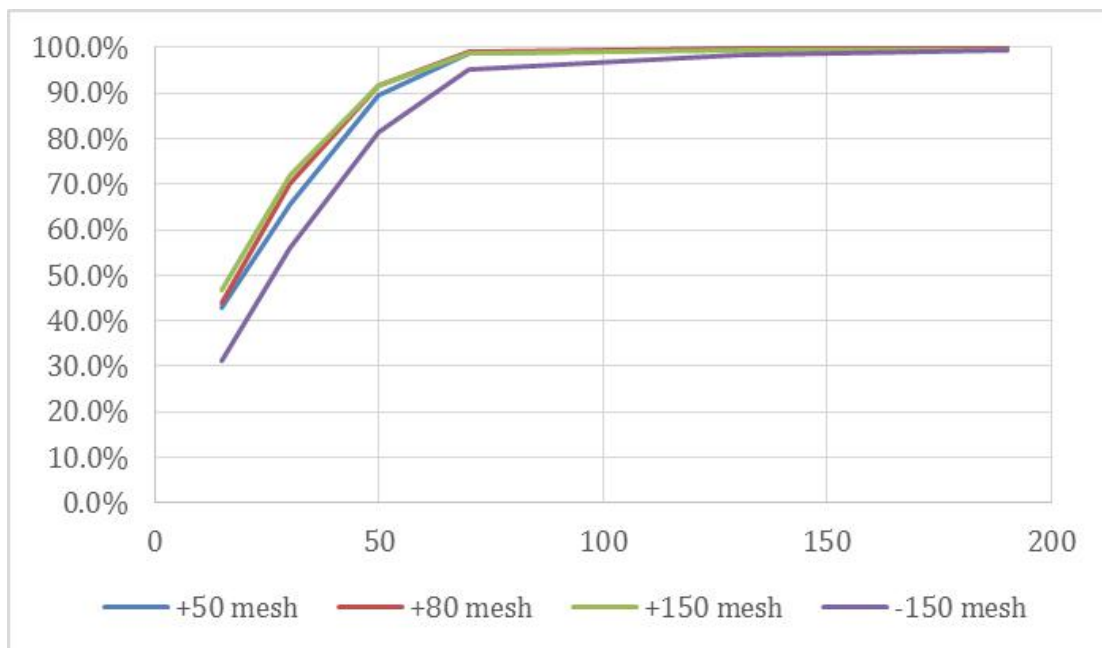
Stage	Reagents (g/t)		Time (min)		
	Fuel Oil	MIBC	Grind	Cond.	Froth (s)
Rougher 1	20	10		1	15
Rougher 2	10	10		1	15
Rougher 3	10	10		1	20
Rougher 4	10	10		1	20
Rougher 5	10	10		1	60
Rougher 6	10	10		1	60
Total	70	60	0	6	190

The graphite recovery, with time that resulted from the time release test is shown in Table 9 for the #50 (297 µm), +80 (177 µm), +150 (100 µm) and passing or -150 (smaller than 100 µm) at the time intervals of the test.

**Table 12: Graphite recovery with time and particle size**

Recovery (%)	15 (s)	30 (s)	50 (s)	70 (s)	130 (s)	190 (s)	Tails
+50 mesh	42.8%	65.5%	89.5%	98.8%	99.9%	100.0%	0.0%
+80 mesh	43.8%	70.2%	91.8%	99.1%	99.8%	100.0%	0.0%
+150 mesh	46.6%	71.8%	91.6%	98.7%	99.6%	99.6%	0.4%
-150 mesh	31.3%	55.9%	81.4%	95.0%	98.5%	99.5%	0.5%

These numbers are graphed in Figure 24. This rate of flotation indicates that almost 100% of the graphite floats within a two minute residence time.

**Figure 24: Recovery of graphite as a function of time for four particle size classes.**

The associated grades are not critical in the rougher stage as these tests were conducted to determine if waste rock could be removed prior to acid wash in order to reduce costs.

For the sake of completeness, the grade with time response of this flotation was shown in Table 10.



**Table 13: Primary time – release test grade response. Note: these are the probably grades after the primary flotation stage and are not indicative of final circuit performance.**

Graphite Grades (%)	Feed	15	30	50	70	130	190
+50 mesh	64.3%	75.4%	75.6%	73.1%	70.9%	70.2%	69.3%
+80 mesh	57.7%	75.1%	74.8%	72.0%	70.2%	69.2%	68.3%
+150 mesh	50.0%	76.6%	76.2%	74.1%	72.1%	71.2%	69.7%
-150 mesh	52.7%	75.9%	76.5%	75.5%	74.4%	73.5%	72.2%

The grade information will be used once the secondary flotation tests results are available to calculate the probable recycle between the different flotation stages.



## Processing Circuit

### Summary

Other deposits of this nature have purified product to an excess of 99% graphite based on flotation followed by chemical refining. The physical separation circuit will probably be composed of crushing to approximately 0.5 cm in size followed by grinding to a size no smaller than the largest size of the graphite crystals. This size has yet to be determined but is likely to be on the order of 0.5 mm. This material will be floated at appropriate pH to reject iron and copper sulphides. The primary float product will then be acid washed to improve grades followed by a secondary float. A series of re-grinds and additional flotation may be required as the 97% grade was achieved using four stages of flotation.

The total estimated cost of the processing plant is approximately 600,000 USD for a plant that could process between 0.25 and 0.5 tonnes per hour. The processing facility could be operational in as little as 18 weeks without considering delays such as the delivery of external infrastructure and proper permitting and licenses.

These costs could be decreased to approximately \$400,000 if water recycle from the tailings is not required, if the throughput is fixed at 0.25 tonne per hour, or if the flotation system is reduced from four stages to two and the building is reduced to a concrete pad.

The infrastructure, only on the site, would take about 4 weeks to prepare. The processing facility would take another 6 weeks for equipment shipping and 4 weeks for installation followed by another four weeks of operator training before it could be operational. Assuming no outside delays the shortest time for the processing plant to become operational is approximately 18 weeks.

**These numbers do not include time for the appropriate permitting and external infrastructure such as delivery of water and electricity to the site which could be significantly larger than the costs of the processing plant.**

The location of the processing plant should be determined on an economic basis considering the various infrastructure and transportation costs, housing, and access to replacement parts and maintenance.

### Introduction

The initial NEXT Graphite circuit has been designed using the following criteria:

- 2,000 – 4,000 tpa production (0.25 - 0.5 tph) running 24 hours a day.
- No infrastructure is included outside the processing building.
- That an enclosed building is not required. This may mean that extended periods of below freezing temperatures will require a mill shut down to prevent damage to pipes, pumps, valves and equipment.
- Only graphite size reduction (one stage), flotation (4 stages) and acid wash are included. The circuit does not include regrinds or hot caustic leaching. The circuit, also, does not include a sulphur removal circuit.

The following assumptions are made in this design:

- Maximum run-of-mine size of 10 cm
- That graphite – waste liberation occurs at particle sizes somewhat larger than 0.5 mm
- That much of the graphite is coated with malachite or other carbonate but not with silicates or alumino-silicates.
- That the common usual graphite maximum particle is somewhat smaller than 0.5 mm
- The majority of the carbonates are found only in small quantities or are otherwise removed in the primary flotation.
- That the contaminate silicates, alumino-silicates, metal oxides and metal sulphides are found on the surface and not within the graphite crystals

The circuit has been divided into three sections:

- Crushing and grinding – operated 4 hours a day
- Flotation, dewatering and water recycle – operates 24 hours a day
- Acid wash

All sections are designed to be built in, or transported by, portable freight box cars to be shipped to site.

### Test Work Implications

Flotation grades of greater than about 85% where not possible without an acid leach. This could be due to either carbonates coating the surface of the graphite or otherwise closely associated with the graphite. This means that an acid wash will be required after the rougher circuit. Carbonates at this point represent 0.3 to 1.3% of the ore (as oxides) or 2,100 (52.5 moles/tonne) to 9,600 g (240 moles/tonne) of Ca per tonne (with error due to oxidation mass changes). Assuming a pre-flotation leach, this will require between 2000 g and 8000 g of HCl per tonne in consumption plus an additional 7000 g to 14000 g that is potentially consumed by the iron sulphides present. As not all acid can be recovered and enough is required to suspend the particles it is also likely that 20-30% additional acid will be lost in the process. This will require a total consumption of acid on the order to 11 to 26 kg per tonne when applied to the waste dump feed with a carbon content of 35-40%. These consumptions are summarized in Table 11.

**Table 14: HCl (100% equivalent) consumption approximations**

Stream	Neutralization	Losses	Total
Feed	9 – 22 kg/tonne	2.25-5.5	11.25-27.5 kg/tonne
1 <sup>ST</sup> Cleaner Conc	2.25 – 5.5	2.25 – 5.5	4.5 – 11 kg/tonne

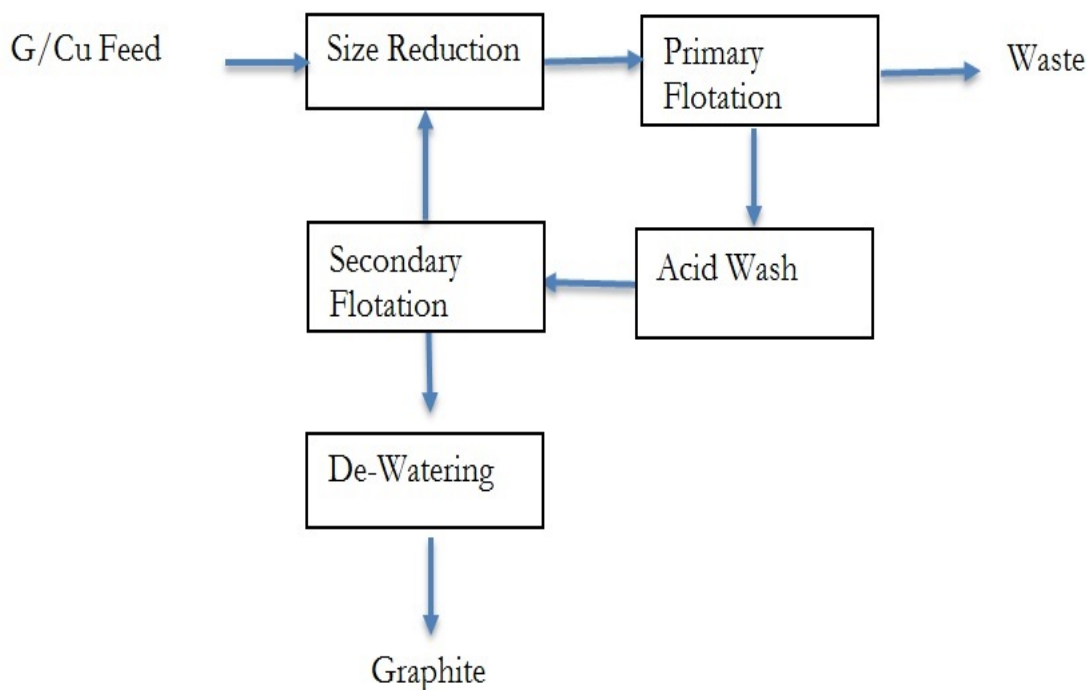
As the pH must be increased to about 10 to reject any sulphides in the 2<sup>nd</sup> cleaner that non-recycled acid must be neutralized with NaOH. A one-one weight ratio (not exact) is used to neutralize plus an additional amount to increase the pH. Thus, almost an equivalent amount of NaOH will be required.

If this is applied after flotation consumption can be reduced to about 25% of the base values (2.25 – 5.5 kg/tonne) plus the non-recoverable material for

Note: the use of this type of acid wash may preclude using this graphite in some high end applications that restrict the chloride content of the graphite; such as premium nuclear graphite.

### Overall Circuit

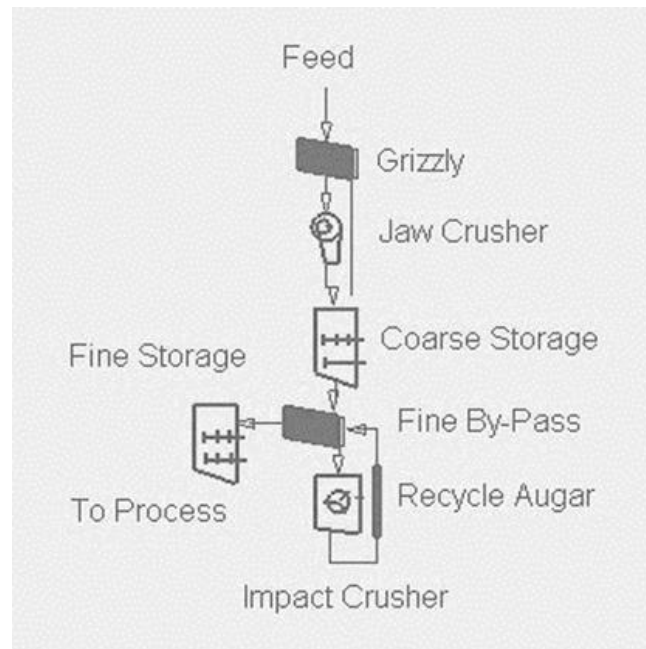
The generalized process circuit is shown in Figure 25. In this circuit the waste dump mined material is fed to a size reduction circuit that takes lumps as large as 10 cm and converts it to material all less than 0.5 mm in size. This material is then floated to form a graphite and waste stream. The graphite is then de-water and dried. The products from this circuit are waste (silicates, clays, calcite and others) and graphite.



**Figure 25: Overall process circuit blocks showing each major element of the processing system**

## Size Reduction Circuit

The crushing and grinding circuit is designed assuming that the natural contours of the hill can be used to move the run-of-mine material from one stage of size reduction to another. The exception being wherever recycle is required. The circuit is configured as shown in Figure 26.



**Figure 26: Initial crushing circuit**

In this circuit, the run-of-mine material cross a grizzly, that is a screen designed to keep chunks of rock that are too large for the initial jaw crusher out of the process. The oversize material must be broken by hand and passed, again, through the jaw crusher. The grizzly itself is a plain metal rod mesh that is commonly available. It is often called a coarse “crusher screen” or crusher guard. The size of this guard is usually about a meter and a half on each side of a square and is often mount close to or immediately above the first crusher.

As an option, a second screen can be placed under the grizzly to direct any particles already smaller than 0.3 cm directly to the impact crusher.

The material passing the grizzly flow by gravity into the primary jaw crusher.

The size of the jaw crusher is based on the input size of the material and, usually, not the flow rate. Thus, the rock size of the mined material should be as small as possible. In this case, it is assumed that the largest chunk of rock from the waste dumps is no larger than 10 cm in both length and width (open side set). If possible, the jaw crusher should be sized to produce particles that are no larger than 0.3 cm (closed side set). If this is not the case more than one impact crusher may be required.

The coarse ore storage is used to buffer the capacities of the jaw crusher and the vertical impact crusher. This can be any storage facility. In this case, probably a smooth concrete pad. The graphite is still large enough not to be seriously impacted by the wind so it can be an outside mound or stockpile. Consideration should eventually be made of a cover the keeps both the wind and rain off. It can be gravity fed to a gate and into a chute that leads to the impact crusher(s). This pile should have at least a day capacity, or about 10 tonnes of material (4-5 m<sup>3</sup> depending on particle size). The size of this area would depend on the contours it is built on.

A chute leads from the coarse ore storage to the coarse screen. This is a vibratory screen thus should be secured in a similar way to the jaw crusher. This device allows particles smaller than the eventual product of the impact crusher to by-pass this device. Currently, this is assumed to be 0.4 mm.

The impact crusher is operated as a closed circuit wherein the product passes through the same 0.4 mm screen. Both the crusher feed and product pass this screen. Material held on the screen pass through the crusher over and over while the material passing the screen is goes to the next element of the circuit. It may be possible to remove some of the harder silicates from this screen. The same supports as the jaw crusher are required of this crusher.

The coarse product, that is larger than about 0.3 cm, is fed into a vertical impact crusher that reduces the size to approximately 0.4 mm. Like the jaw crusher, it must be anchored and placed on a secure base. This equipment is likely to cost on the order of \$9,000 and is available from China on relatively short notice.

The fine ore storage must be covered as the graphite is now fine enough to be entrained in moderate winds. This can be a proper storage silo or an enclosed pile. Material is fed to the flotation circuit from this pile in the same manner as the coarse storage: usually on the side of the hill by a gate controlling flow into a chute.

A list of the major equipment in the crushing circuit is summarized in Table 12.

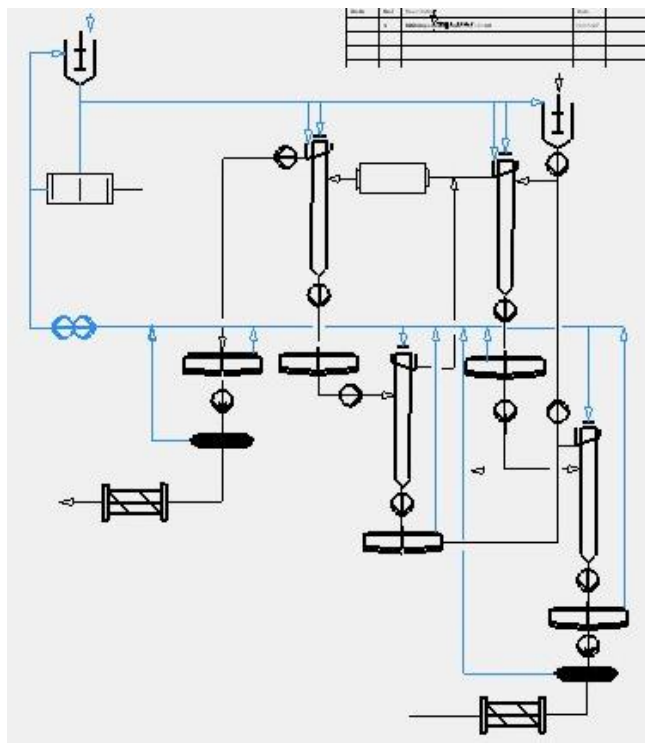
**Table 15: Crushing circuit equipment and approximate costs**

Equipment	Description	Cost	Source
Grizzly	Metal rod screen and mounting on angle iron	\$ 500	Local
Chute	Angled smooth passage from grizzly to jaw crusher	\$ 500	Local
Jaw Crusher	10 cm to 0.3 cm size reduction	\$ 8,000	China
Coarse Storage	Concrete holding area for graphite storage	\$ 5,000	Local
Chute	Angled smooth passage from stockpile to impact	\$ 1000	Local
Coarse screen	0.4 mm vibrating screen	\$ 6,000	China
Impact crusher	Vertical impact crusher, 0.3 cm to 0.4 mm	\$ 9,000	China
Hydraulics		\$ 5,000	
Total		\$ 35,000	

Note: augers or conveyors have not be included. Solids flow would be by manual labor or by gravity chutes.

## Flotation and dewatering

This circuit shows both primary and secondary flotation. The separations are performed in the flotation and dewatering circuits that is shown in Figure 27. In this circuit diagram the blue lines represent water and the black slurry or solids. The feed solids are added to the pulpers (upper right). The percent solids is maintained at approximately 20% solids throughout the circuit; initially by the pulping system then by strategically placed settling tanks. Three flotation columns are used in a rougher – rougher scavenger, and cleaner, with an optional cleaner – scavenger configurations. A jet mill is used as a regrind mill between the roughers and cleaners. Two belt vacuum filters are used and two driers.



**Figure 27: flotation, dewatering and water systems**

Note the circuit does not show the sorting and bagging facilities. This is composed of a vibrating multilevel screen (\$5,000) various chutes and storage bins (\$15,000) and a bagging system for shipment.

The estimated cost of each item is shown in Table 13. These prices will have to be quoted properly close to purchasing time.

**Table 16: Approximate pricing of the Next processing flotation plant**

Tanks	2000L + mixer	2	\$	1,500	\$	3,000
Float head tanks	500L + mixer	1	\$	1,300	\$	1,000
Slurry Pump	600-750 GPH	10	\$	1,000	\$	10,000
Flotation column	0.30 m by 5 m	3	\$	35,000	\$	105,000
Settling tanks	10,000L	3	\$	1,000	\$	3,000
Solids filters	1tph	2	\$	12,000	\$	24,000
Positive D pumps	200 GPH	2	\$	2,500	\$	5,000
Driers	1 tph	2	\$	5,000	\$	10,000
Jet Mill (20% solids)	750 GPH	1	\$	20,000	\$	20,000
Water storage	10000L	1	\$	1,000	\$	1,000
Water filter	2,000 L	1	\$	5,000	\$	5,000
Hydraulics					\$	13,000
Total					\$	200,000

### Acid Leach Circuit

The acid leach circuit is composed of an acid storage and preparation area and equipment, a leaching tank that gives about a twenty minute residence time, a dewatering settler, a neutralization and repulping vessel and assorted pumps. These costs are summarized in Table 14

**Table 17: Approximate costs of major equipment of the acid wash circuit**

Tanks	2000L + mixer	2	\$	3,000	\$	6,000
Acid storage	100L	1	\$	1,000	\$	1,000
Metering pump	< 1 GPH	1	\$	1,000	\$	1,000
pH meter		2	\$	1,000	\$	2,000
Controller		2	\$	500	\$	1,000
Slurry Pump	600-750 GPH	2	\$	1,000	\$	2,000
Settling tanks	10,000L	1	\$	2,000	\$	2,000
	500L plus mixer	1	\$	2,000	\$	2,000
Repulper			\$	2,000	\$	2,000
Hydraulics			\$	3,000	\$	3,000
Total					\$	20,000

The summary of all individual subcircuit costs are summarized in Table 15 as approximately \$600,000. This estimate contains a 20% contingency factor as the design is based on limited test work meaning that circuit change may be required soon after production.

**Table 18: Total estimated process plant costs**

Building	12 m x 16 m	\$ 60,000
Crushing/grinding		\$ 35,000
Flotation/Dewatering		\$ 200,000
Acid Leach		\$ 20,000
Sorting and shipping		\$ 20,000
Hydraulics power		\$ 45,000
Subtotal		\$ 380,000
Infrastructure		\$ 20,000
Shipping		\$ 80,000
Contingency		\$ 120,000
Total		<u>\$ 600,000</u>

### Operating Costs

The operating costs, based on electrical consumption (\$0.06/kWhr) and reagents is estimated to fall between \$20 and \$30 per feed tonne with variations in grade and depending on the acid consumptions (\$60 per tonne of graphite)

This does not include personnel costs. Single shift personnel required will be one plant manager (\$40,000), one metallurgist (\$30,000) and one clerical staff (\$15,000). Multiple shift personnel will be four operators (\$20,000), two laborers (\$15,000), one electrician (\$25,000) and one mill wright (\$25,000) per shift for a total of \$85,000 + \$160,000 per shift. Assuming four shifts (2 weeks on and 2 weeks off) the personnel costs will be about \$725,000 per year or \$60,400 per month. Once operation is achieved with is a cost of \$145 per tonne (based on 0.25 tonnes per hour of graphite)

It is anticipated that equipment repair will result in approximately 10% of the capital cost per year, or about \$60,000; for a per tonne cost of \$12 per tonne.

The total processing plant operating costs are estimated to be between \$217 and \$237 per tonne of graphite.

### Working Capital

A total of \$600,000 will be required for the equipment, and additional 20% will be required for installation, and probably another 20% of spare parts as replacing equipment in the southern desert of Namibia would require considerable time if parts are to be ordered upon failure. Thus, about \$840,000 should be set aside for this purpose. The commissioning time used to get the plant working as it should is likely be on the order of two months. There after it may be 2-4 months before sales can be achieved. Thus, two months of employee costs (\$120,800) plus four months of operations (\$200,000) should be on hand. Thus the total capital needed prior to cash flow is likely to be on the order of \$1,160,000. Note: this assumes that marketing goes well and sales can be made.



## Marketing

### Processed Product

Graphite sales are dependent upon the relationship between producer and seller.

Graphite Production is analyzed based on the number of tonnes of graphite bearing rock processed. In this example a head grade of 40% is used along with a recovery of 90%. These numbers are reasonable as there is always some dilution of the mine product with wall rock. Recovery could be as high as 95% however 90% is used to err on the side of caution. The processed product grade has assumed to be 97% - 99% although a large fraction of +99% is certainly possible.

**Table 19: Current particle size distribution with assumed recoveries (90%) grade of mined material (40%) used to predict the total amount of graphite produced under 2 500, 5 000 and 10 000 tpa scenarios.**

Size (µm)	%	2500 tpa	5000 tpa	10000 tpa
300	0.15	135	270	540
177	0.2	180	360	720
100	0.25	225	450	900
35	0.2	180	360	720
-35	0.2	180	360	720
Total		900	1800	3600

Four scenarios are presented for each of the 94-97%, 97-99%, 99-99.9% and greater than 99.9% graphite product grades (Table 14 to Table 17). These four are the following:

- High is the upper price anticipated for long term high reliability suppliers
- Low is the lowest price anticipated for long term high reliability suppliers
- The Discounted price assumes 80% of the high price when dealing with a carbon trader on a long term basis
- The low discounted price assumes 60% on the low prices assuming a worst case scenario.

**Table 20: Case I: 94-97% product grade.**

Size (µm)	General Price		Discounted Price	
	High	Low	High (High)	Low (Low)
300	\$ 1,500	\$ 1,000	\$ 1,200	\$ 600
177	\$ 1,200	\$ 900	\$ 960	\$ 720
100	\$ 900	\$ 600	\$ 720	\$ 360
35	\$ 700		\$ 560	
-35				
Average	\$ 785	\$ 480	\$ 628	\$ 456
Total (2.5 ktpa)	\$ 0.707	\$ 0.432	\$ 0.556	3600

**Table 21: Case II: 97-99% Product grades**

Size (µm)	General Price		Discounted Price	
	High	Low	High (High)	Low (Low)
300	\$ 2,000	\$ 1,500	\$ 1,600	\$ 900
177	\$ 1,600	\$ 1,000	\$ 1,280	\$ 600
100	\$ 1,200	\$ 800	\$ 960	\$ 480
35	\$ 800	\$ 600	\$ 640	\$ 360
-35				
Average	\$ 1,080	\$ 745	\$ 864	\$ 447
Total (2.5 ktpa)	\$ 0.972	\$ 0.671	\$ 0.778	\$ 0.402

**Table 22: Case III: 99-99.9% Production grades**

Size (µm)	General Price		Discounted Price	
	High	Low	High (High)	Low (Low)
300	\$ 3,000	\$ 1,800	\$ 2,400	\$ 1,080
177	\$ 2,400	\$ 1,600	\$ 1,920	\$ 960
100	\$ 1,800	\$ 1,200	\$ 1,440	\$ 720
35	\$ 1,200	\$ 800	\$ 960	\$ 640
-35	\$ 1,000	\$ 400	\$ 800	\$ 240
Average	\$ 1,820	\$ 1,130	\$ 1,456	\$ 704
Total (2.5 ktpa)	\$ 1,638	\$ 1.017	\$ 1.310	\$ 0.634

**Table 23: Case IV: +99.9% Product grades**

Size (µm)	General Price		Discounted Price	
	High	Low	High (High)	Low (Low)
300	\$ 8,000	\$ 3,000	\$ 6,400	\$ 1,800
177	\$ 4,000	\$ 2,000	\$ 3,200	\$ 1,600
100	\$ 2,000	\$ 1,500	\$ 1,600	\$ 900
35	\$ 8,000	\$ 1,000	\$ 6,400	\$ 600
-35	\$ 8,000	\$ 3,000	\$ 6,400	\$ 1,800
Average	\$ 5,700	\$ 2,025	\$ 4,560	\$ 1,215
Total (2.5 ktpa)	\$ 5,130	\$ 1,823	\$ 4,104	\$ 1,094

The price obtained, be it high or low, or discounted depends on the experience and efforts of the marketing team, long term cooperation with clients, an established claim of reliability, and the graphite characteristics including grade, crystal morphology and the levels of application specific requirements.

It is possible that additional grades can be achieved using chemical refinery methods. However, this has yet to be tested. It is unlikely that the graphite can be used for graphene or

#### Cash Flow

Test work suggests that the 97-99% grade is achievable. It is unlikely that a higher grade will be achieved without a refinery stage. Thus, not considering the first couple of months were mistakes will be made, a per tonne revenue of about \$650 should be achieved in year one, \$850 in year two and finally moving to \$1,080 per tonne in years three onward.

Operating costs are assumed to be \$237 per tonne for processing, mining (\$20 per tonne assumed) and marketing (20% of revenues). Corporate overhead costs which are beyond the scope of this study

These numbers are approximate based on a low feed grade that limits production to 2,500 tonnes per year. Higher grade feed can double this through put to about 5,000. As such, this should be considered a low estimate.

#### Risks

#### Technical

- Test work performed on the material has not been aimed at the removal of certain contaminate minerals. Thus, the presence of mica and sulphur in particular have not been assessed. Both an have considerable impact on the process plant performance
- This is a complex ore that could require considerable flexibility in the processing that has not been tested

- The highly variable carbonate content may indicate that zones within the stockpile may be not economic
- Water resources could be scarce resulting in processing with elevated hardness or fine suspended particles which may reduce the overall maximum grade of the product.
- The process plant, as currently suggested, would be located a long drive from centers where replacement parts could be obtained. This risks plant shut down over lack of small parts.
- There is no method of on-stream analysis to determine graphite grade, in real time, during production.

### **Personnel**

- While mining and processing personnel may be available there is not a history of graphite mining in the area. This means that experienced personnel may not be possible to find. This could result in substandard performance over a considerable length of time
- The isolated location may make the retention of skilled workers problematic. It might be worthwhile considering an in/out system where in employees work 12 hour shifts for two weeks then have two weeks off.

### **Timelines**

Timelines are based on best estimates internationally and may not be indicative of the pace at which things can get done in Namibia.

### **Marketing**

The marketing of graphite takes considerable time, effort and talent. This might not be available to the company or may be prohibitively expensive when compared to the small production rates. In addition, most clients will require certain tonnages that might not be met by small production making marketing that much more difficult

## CERTIFICATION

I, Charles C. Bream III, Chief Executive Officer, Chief Financial Officer and Treasurer of Next Graphite, Inc., formerly known as Zewar Jewellery, Inc. (the "registrant"), certify that:

1. I have reviewed this annual report on Form 10-K of the registrant for the year ended December 31, 2014;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 31, 2015

/s/ Charles C. Bream III

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Charles C. Bream III  
Chief Executive Officer, Chief Financial Officer,  
Treasurer and Director (principal executive officer,  
principal financial officer and principal accounting  
officer)

**CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

The undersigned hereby certifies, in his capacity as an officer of Next Graphite, Inc. (the "Company"), for the purposes of 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of his knowledge:

(1) The Annual Report of the Company on Form 10-K for the fiscal year ended December 31, 2014 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 31, 2015

/s/ Charles C. Bream III

Charles C. Bream III

Chief Executive Officer, Chief Financial Officer,  
Treasurer and Director (principal executive officer,  
principal financial officer and principal accounting  
officer)

A signed original of this written statement required by Section 906 has been provided to Next Graphite, Inc. and will be retained by Next Graphite, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.