ALABAMA GRAPHITE CORP.
MANAGEMENT DISCUSSION AND ANALYSIS

For the Three Months Ended November 30, 2017 and 2016

This management's discussion and analysis ("**MD&A**", prepared as of January 26, 2018, relates to the financial condition and operating results of Alabama Graphite Corp. ("**AGC**" or the "**Company**") together with its subsidiaries as at and for the three months ended November 30, 2017. The MD&A should be read in conjunction with the unaudited condensed consolidated financial statements and notes attached thereto for the three months ended November 30, 2017.

The unaudited, interim condensed consolidated financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("**IFRS**") issued by the International Accounting Standards Board ("**IASB**") and interpretations of the International Financial Reporting Interpretations Committee ("**IFRIC**"). Specifically, they have been prepared in accordance with International Accounting Standards ("**IAS**") 34 "Interim Financial Reporting".

This financial report does not include all of the information required of a full annual financial report and is intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. It is therefore recommended that this financial report be read in conjunction with the audited consolidated financial statements of the Company for the year ended August 31, 2017.

All amounts included in the MD&A are in Canadian dollars, unless otherwise specified. Additional information, including the Company's press releases, has been filed electronically through the System for Electronic Document Analysis and Retrieval ("**SEDAR**") and is available online under the Company's profile at www.sedar.com. For further information and updates on the Company, please visit www.alabamagraphite.com.

QUALIFIED PERSONS' CONSENT

Gareth P. Hatch, PhD, CEng, FIMMM, FIET, Interim Chief Executive Officer and Director of Alabama Graphite Corp., is a Qualified Person as defined by National Instrument 43-101 ("**NI 43-101**") guidelines, and has reviewed and approved the scientific and technical disclosure in this MD&A.

Jesse R. Edmondson, P.G., Project Geologist of Alabama Graphite Corp., is a Qualified Person as defined by N.I. 43-101 guidelines, and has reviewed and approved the geology and mineral resource estimation disclosure in this MD&A.

FORWARD-LOOKING INFORMATION

This MD&A contains "forward-looking information" which may include, but is not limited to, statements with respect to targeted milestones to achieve development of the Company's projects, successfully obtaining project financing, the future financial or operating performance of the Company and its projects, the future price and supply of and demand for graphite, the estimation of mineral reserves and resources, the realization of mineral reserves and resources estimates, the timing and amount of estimated future production, costs of production, capital, operating and exploration expenditures, costs and timing of the development of new and existing deposits, costs and timing of future exploration, requirements for additional capital, management's belief that the Company will have sufficient funds to meet its obligations and planned expenditures for the ensuing twelve months, government regulation of mining operations, environmental risks, reclamation expenses, the success of mining operations, permitting, economic return estimates and potential upside. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "does not anticipate" or "believes" or variations (including negative variations) of such words and phrases, or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Readers should not place undue reliance on forward-looking statements.

Certain statements contained in the following MD&A constitute "forward-looking information" within the meaning of applicable Canadian securities legislation, including predictions, projections and forecasts. Forward-looking information include, but are not limited to, statements that address activities, events or developments that the Company expects or anticipates will or may occur in the future, including such things as future business strategy, competitive strengths, goals, expansion, growth of the Company's business, operations, plans with respect to exploration, the timing and success of exploration activities generally, permitting time lines, government regulation of exploration and mining operations, environmental risks, title disputes or claims, limitations on insurance coverage, and timing and results of future resource estimates or future economic studies.

Forward-looking information is based on a number of material factors and assumptions, including the result of drilling and exploration activities, that contracted parties provide goods and/or services on the agreed timeframes, that equipment necessary for exploration is available as scheduled and does not incur unforeseen break downs, that no labour shortages or delays are incurred, that plant and equipment function as specified, that no unusual geological or technical problems occur, and that laboratory and other related services are available and perform as contracted. Forward-looking information involves known and unknown risks, future events, conditions, uncertainties and other factors which may cause the actual results, performance or achievements to be materially different from any future results, prediction, projection, forecast, performance or achievements expressed or implied by the forward-looking information. Such factors include, among others, the interpretation and actual results of current exploration activities; changes in project parameters as plans continue to be refined; future prices of graphite; possible variations in grade or recovery rates; failure of equipment or processes to operate as anticipated; the failure of contracted parties to perform; labour disputes and other risks of the mining industry; delays in obtaining governmental approvals or financing or in the completion of exploration, as well as those factors disclosed in the company's publicly filed documents. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking information, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information. Accordingly, readers should not place undue reliance on forward-looking information.

The forward-looking information contained in the following MD&A represents the expectations of the Company as of the date of the MD&A and, accordingly, is subject to change after such date. Except as required under applicable securities legislation, the Company undertakes no obligation to publicly update or revise forward-looking information.

DESCRIPTION OF BUSINESS AND OVERVIEW

Alabama Graphite Corp. is currently primarily engaged in exploration and evaluation of its 100%-owned Coosa graphite property, located in Alabama, USA and associated secondary processing to produce value-added graphite products, such as coated spherical purified graphite ("**CSPG**"). The Company's secondary-processing, battery-ready research and development efforts are intended to find and discover ways to potentially produce downstream value-added graphite products, which involves further purification, micronization and, in the case of anode material for Li-ion batteries, shaping and coating efforts and capabilities. There has been no determination whether the Company's exploration and evaluation assets contain mineral reserves and resources that are economically viable. There is no assurance that the Company will eventually be able to commercially produce and sell any downstream, value-added graphite products from the Coosa graphite project or otherwise. The Company has a disclosure of its Mineral Resource Estimate and Preliminary Economic Assessment for the Coosa Project in Coosa County, Alabama, USA, filed on SEDAR on October 13, 2015 and November 27, 2015 respectively.

The Company was incorporated under the *Business Corporations Act* (British Columbia) on April 13, 2006. On August 28, 2012, the Company changed its name to Alabama Graphite Corp. The Company's common shares are currently listed for trading on the TSX Venture Exchange ("**TSXV**") (symbol "**CSPG**") and also trade on the OTCQB (symbol "**CSPGF**"). The Company is a reporting issuer in British Columbia, Alberta and Ontario.

PROPERTY DESCRIPTIONS & EXPLORATION WORK

<u>CHESTNUT CREEK PROPERTY, CHILTON COUNTY, ALABAMA, USA</u>
(PROPERTY ONE OF TWO WHICH COMPRISE THE BAMA MINE PROJECT)

On August 5, 2014, the Company acquired a 100% right to explore, develop and mine the Chestnut Creek Property located in Chilton County, Alabama for a period of 10 years' renewable every five years thereafter for a maximum of 70 years. The Chestnut Creek Property comprises of approximately 1,160 acres located about 4 miles west of the Coosa County line and approximately 25 miles from the Company's Coosa Graphite Project. Please refer to the notes to the financial statements under "Exploration and Evaluation Assets" for costs and terms of the acquisition agreement.

<u>BAMA PROPERTY, CHILTON COUNTY, ALABAMA, USA</u>
(PROPERTY TWO OF TWO WHICH COMPRISE THE BAMA MINE PROJECT)

On September 1, 2014, the Company entered into a mining lease agreement whereby the Company acquired a 100% right to explore, develop and mine the Bama Property located in Chilton County, Alabama for a period of 10 years, renewable every five years thereafter for a maximum of 70 years. The Bama Property is comprised of approximately 200 acres located about 4 miles west of the Coosa County line. Please refer to the notes to the financial statements under "Exploration and Evaluation Assets" for costs and terms of the acquisition agreement.

On September 18, 2014, the Company announced that it had entered into a mineral lease on a land package that includes the prior producing Bama flake graphite mine in Chilton County, Alabama, USA. The mineral lease comprises 200 acres. The Company also signed a mineral exploration lease on several parcels comprising 1,160 acres adjacent to the Bama Mine called the Chestnut Creek Property. With the addition of these properties in Chilton County, the Company has a significant foothold within the Alabama Graphite Belt with two advanced-stage projects. The Company considers The Chestnut Creek and Bama properties to be a single project, referred to as the Bama Mine.

The prior producing Bama Mine was the southern-most graphite mine in Alabama and the only one in Chilton County. It was one of the larger graphite mines and included an electrostatic separator in the mill building. As with the other graphite mines in Alabama, the Bama Mine shut down prior to the end of World War II, but not before a substantial volume of ore was extracted from the existing pit. In the late 1940s the US Bureau of Mines sampled all the known occurrences of graphite in Alabama and the published results showed the Bama Mine to be unique. A sample taken from the pit wall not only registered the highest percentage of graphite (7.85% Cg), but also contained 17% jumbo flake (Pallister & Thoenen, 1948).

The Company has conducted airborne Time Domain Electromagnetic (TDEM), magnetic and radiometric surveys over the area of interest in Chilton County. A 5-kg sample from the existing pit wall was collected for both graphitic carbon analyses and metallurgical testing.

The 5-kg composite sample was taken from the upper 50 ft of the existing Bama Mine pit wall. The following table presents the size flake distribution and concentrate purities of the sample. The sample's low sulphur content at 0.02% is noteworthy (see press release dated September 24, 2014).

Flake Size	Weight %	**Assays %C(t)**
+ 48 mesh (Jumbo)	17.8	98.5
+ 65 mesh (Large)	25.2	96.8
+80 mesh (Large)	11.7	96.4
+100 mesh	10.4	96.3

As with the Company's Coosa Graphite Property, the Bama Mine Property contains a thick oxidized zone where weathering has both removed sulphide minerals and significantly reduced the hardness of the graphitic schist host.

On October 1, 2014, the Company announced that it began surface exploration at its Bama Property and it had conducted detailed channel sampling. Of the six samples taken in total, four were taken from the existing pit wall of the prior producing Bama Mine and showed grades ranging from 2.81% to 5.24% Cg. In addition, KLM Geosciences concurrently performed a ground-based GEM2 geophysical survey.

The Company has received the results of preliminary channel samples taken at the Bama Property. The majority of these samples were taken either across the historic workings within the Bama Mine pit or along roads around the mine. In all cases, multiple samples were taken to arrive at the composite sample width. Because no corrections were made for the dip of the compositional layering in the graphitic schists, they should be regarded as apparent rather than true widths. Samples CH-01, CH-02, CH-09 and CH-10 all came from locations along the existing pit wall and show grades ranging from 2.81% to 5.24% Cg. The other 2 samples (CH-06 & CH-08) were from outcrops surrounding the existing pit. These samples were analyzed by Activation Laboratories Ltd. ("**Actlabs**") in Ancaster, Ontario. Complete channel sample results are included in the table below:

Channel Number	Width	% Cg
CH-01	15'	3.91%
CH-02	10'	5.24%
CH-06	20'	2.94%
CH-08	25'	3.01%
CH-09	10'	4.62%
CH-10	30'	2.81%

On October 9, 2014, the Company announced that it had completed ground geophysical surveys at the Bama Property. The surveys were conducted by KLM Geoscience using a GEM2 device. An additional 80.7 kilometers were run at the Bama Property.

On November 18, 2014, the Company announced metallurgical results from three new composite samples taken from the upper 50 feet of the pit walls at the Bama Property. Using only simple floatation (without optimization, chemical or thermal treatment) sample V1 showed a head grade of 4.06% C(t) with 49.4 in the large and jumbo flake +80 mesh size fraction (of which 14.5% is jumbo, +48 mesh), sample V2 had a head grade of 3.48% with 46.10% +80 mesh (of which 15.4% is +48 mesh) and V3 had a head grade of 3.58% C(t) and 30.2% in the +80-mesh category (of which 7.6% is +48 mesh). The total range of purities started from a low of 93.8%% C(t) to a high of 97.9% C(t) across all three samples. Complete results, including full results from the original sample, can be found on the SEDAR website released on September 24, 2014 from the exploratory cleaning batch.

Of note, the purities remained high even for the smaller flake sizes suggesting that the high purity could be maintained throughout the deposit using simple, less expensive, environmentally friendly, non-acidic processes. Most graphite operations either stockpile or sell at extremely low prices their small to medium flake because these flake sizes typically do not have high purities without expensive, chemical and heat treatment. The relatively high purity of the small to medium flake graphite at the Bama deposit suggests that this material may be marketable.

The composite samples were taken from the existing pit wall from three different locations than that of the original sample reported from the Bama Property on September 24, 2014. SGS Labs in Lakefield, Ontario, conducted analyses of the samples. SGS used 2 kg of feed material per sample for their analysis. Grinding, flotation and sieving analysis confirms preliminary results, which showed that the graphitic schists at the Bama Property are notable both for their high proportion of large flakes and their purity.

In November 2014, the Company received the required permits from the Alabama Department of Environmental Management ("**ADEM**") to begin exploration. The Company initiated a trenching program at the site in January of 2015 followed by drilling to delineate the extent of the graphitic mineralization at the Bama Property.

On January 16, 2015, the Company entered into an agreement with Harper Lumber LLC ("**Harper Lumber**") whereby the Company acquired the right to conduct exploration within nine acres of certain properties situated in Chilton County during the period from January 16, 2015 to April 24, 2015. In consideration, the Company agreed, among other conditions, to pay Harper Lumber $20,000 in cash. In connection with this agreement, the Company started an exploration program in the Bama Mine Property within the Chilton County commencing from January 19, 2015.

On April 7, 2015, the Company announced that it has received final assay results from a trenching program conducted at its Bama Mine Project in early 2015. The results identified new targets in close proximity to the historic Bama Mine with a number of sections averaging over 3% Cg. The purpose of the trenching was both to further evaluate areas adjacent to the historic mine as well as to test new areas where airborne geophysical anomalies and/or surface channel sampling has identified prospective targets. Bulk samples were also collected for future metallurgical testing.

Trenching was performed by a contractor using an excavator with all sampling and logging conducted by the Company's personnel. Assay work was conducted by Actlabs. Samples were collected on five-foot intervals with the majority of the trenches cut perpendicular to the strike of foliation. In keeping with the Company's environmental commitment, trenches are backfilled and reclaimed after sampling. Please refer to the news release dated April 7, 2015 for results of trenches.

The Company wishes to emphasize that all of the results presented are from soft, oxidized material which differentiates the Alabama graphite deposits relative to other flake graphite occurrences in North America. The Bama Mine is of significant interest as both historical records and our own metallurgical testing indicates a very high proportion of coarse flake graphite. The Company's test results suggest that there is the potential to develop another resource in close proximity to the former mine.

On May 26, 2015, the Company also announced preliminary metallurgical results from trench samples taken from the Bama Project. Preliminary results are presented in the table below:

Sample	BT-1	BT-3
Location	Bama North	Bama West
Grade	3.25% Cg	3.11% Cg
+80 mesh	37.1%	37.7%

The above results show that the Company continues to find large graphite flakes with soft oxidized material from surface trenching.

COOSA PROPERTY, COOSA COUNTY, ALABAMA, USA

In August and November 2012, the Company acquired a 100% interest in the Coosa Property consisting of 41,964.38 acres (16,982.38 hectares) and located in Coosa County, Alabama, 50 miles ("**mi**") (80 kilometers) ("**km**") south-southeast of Birmingham. Please refer to the notes to the financial statements under "Exploration and Evaluation Assets" for costs and terms of the acquisition agreement.

The Coosa Graphite Project is located in the western part of Coosa County, State of Alabama, USA. The property covers parts of townships T. 21 N., T. 22 N., T. 23 N. and T. 24 N. and ranges R. 16 E., R. 17 E., R. 18 E. and R. 19 E. The western boundary is approximately the Coosa River. The center of the drill grid is at 32°54'30"N, 86°24'00" W. The property covers approximately 10 miles (16 kilometers) of strike length of graphitic schists, which includes several bands of graphitic schist in a zone up to 6 miles (9.6km) wide.

The project is 50 mi (80 km) south-southeast of Birmingham (which has a population of approximately 1.1 million in the Birmingham-Hoover metropolitan area, per the 2010 US Census). Access to the project is by driving southeast from Birmingham-Shuttlesworth International Airport on U.S. Highway 280 for approximately 52 mi (84 km) to Sylacauga (which has a population of approximately 12,750, per the 2010 US Census) which is the closest small city with hotels and services. The Company has its field office and core store here. Sylacauga's nickname is the "Marble City" as it is known for its fine white marble bedrock (specifically, calcium carbonate). This was discovered shortly after settlers moved into the area and has been quarried ever since. The marble industry was the first recorded industry in the Sylacauga area and is home to the world's largest marble quarry — owned and operated by Imerys Carbonates LLC, a private company and a wholly owned subsidiary of Imerys S.A. — which operates 24 hours a day, 365 days a year. From Sylacauga, it is approximately 24 mi (39 km) by road to the Company's Coosa Graphite Project. The driving time from Birmingham to the project is approximately 90 to 120 minutes, and from Sylacauga to the property it is 45 to 60 minutes.

The property is close to centers of population which could supply the workforce and logistical needs of a graphite mine. The area within 10 mi (16 km) of the property is very sparsely populated, so a mine would directly affect very few people. Mining has been a traditional industry in the area.

There is no infrastructure in the immediate area of the property, other than a network of well-maintained logging access roads. An electrical transmission line occurs approximately 1 mi (1.6 km) west of the drill grid. Water is abundant in small streams and in Lake Mitchell, a large impoundment on the Coosa River at the western edge of the property.

Preliminary Economic Assessment

In summary, exploration works to date have defined a graphitic schist band with a strike length of 5,980 feet ("**ft**") (1,822.7 meters) ("**m**") with a true width of 1,200 ft. (365.8 m). Graphitic material is present in two types of schist, quartz-graphite schist ("**QGS**") and intermediate QGS to quartz muscovite-biotite-graphite-schist (INT), that generally have grades > 1% Cg. The graphitic rich band is overlain and underlain by quartz-biotite-graphite-schist ("**QMBGS**"). This usually has grade <1% Cg, but with locally higher grades. The graphitic schist band has not been fully tested along strike and remains open in both directions.

On September 15, 2015, the Company announced the construction of a pilot plant at SGS Mineral Services of Lakefield, Ontario with a 200-ton bulk sample of material from the Coosa Graphite Project.

On October 13, 2015, the Company announced the completion of an updated Mineral Resource Estimate for the Coosa Graphite Project. The updated mineral resource estimate is based on both the 2012 and 2014-15 exploration and drilling programs, consisting of a total of 109 drill holes totaling 25,905 ft of drilling (including 40 new holes totaling 5,665.5 ft), plus 11 new trenches totaling 3,425 ft of sampling. The estimate was prepared by Metal Mining Consultants Inc. ("**Metal Mining**") of Highlands Ranch, Colorado, who also prepared an initial mineral resource estimate for the Coosa Graphite Project in 2013.

The Company has filed its Preliminary Economic Assessment ("**PEA**") technical report, dated November 27, 2015, entitled, *"Alabama Graphite Corp. Coosa Graphite Project, Alabama, USA Preliminary Economic Assessment"* under the Company's SEDAR profile at www.sedar.com and on its website at www.alabamagraphite.com.

On November 30, 2015, the Company announced the results of a positive PEA for the Coosa Graphite Project. The PEA technical report was prepared pursuant to Canadian Securities Administrators' NI 43-101 by the independent engineering firm AGP Mining Consultants Inc. ("**AGP**") of Barrie, Ontario — in conjunction with Metal Mining; co-authors of the PEA and authors of the Coosa Graphite Project's updated Mineral Resource Estimate technical report — and demonstrates that the Coosa Graphite Project has strong economics and excellent potential to become a near-term producer of high-value, ultra-high-purity, specialty natural flake graphite products for the burgeoning American green-energy markets. The technical report concluded that the PEA is positive and recommends the Coosa Graphite Project be advanced to the feasibility stage of development.

The Company's PEA diverges from most others in the flake graphite development space in that it addresses both primary and secondary processing to produce specialty, ultra-high-purity graphite products (finished products), as opposed to sole primary processing to make traditional graphite concentrates (unfinished products; an industrial mineral). The Company does not intend to sell any graphite concentrate. This is a significant point of differentiation between the Company and most other flake graphite development companies. Recent known flake graphite development companies' PEAs and Feasibility Studies have been based solely or primarily on the production of significant quantities of primary processed, run-of-mine ("**ROM**") graphite concentrates of various purities and flakes sizes. AGC intends to divert 100% of its planned primary processed graphite to secondary processing to produce specialty graphite, specifically, Coated Spherical Purified Graphite ("**CSPG**") for use in secondary (rechargeable) lithium-ion ("**Li-ion**") batteries and Purified Micronized Graphite ("**PMG**") for use in primary (non-rechargeable) lithium batteries, lead-acid batteries, alkaline batteries, polymer, plastic and rubber composites, powder metallurgy, energy materials, and friction materials, among other applications. Note, PMG is a byproduct of the Company's CSPG manufacturing process. As a result, the Company's PEA incorporates mining and primary ROM processing capital and operating expenditures, as well as secondary processing, specialty battery-ready graphite capital and operating expenditures.

Highlights of the Coosa Graphite Project's PEA are summarized below:

Note: All dollar amounts are based in U.S. currency unless otherwise noted:

- The PEA confirms Coosa as a project with low capital intensity and attractive potential returns;

- PEA is based on Coosa producing two finished (final) specialty, secondary-processed graphite products — a coated spherical graphite product ("**CSPG**") and a purified micronized flake graphite product ("**PMG**"). The PEA is not modeled on producing a final run-of-mine ("**ROM**") graphite concentrate product typical of other conventional flake graphite projects;

- Initial Capital Expenditure ("**CAPEX**") of $43.2 million, with a payback period of 1.9 years (pre-tax) and 2 years (post-tax) from commencement of commercial production;

- Base-case pre-tax Net Present Value ("**NPV**") of $444 million, post-tax NPV $320 million (8% discount); pre-tax NPV of $329 million, post-tax NPV of $236 million (10% discount);

- Pre-tax Internal Rate of Return ("**IRR**") of 52.2%; post-tax IRR of 45.7%;

- Base-case pre-tax annual cash flow of $67.5 million; post-tax annual cash flow of $49.7 million;

- Life of Mine Gross Revenue (less royalty) of $2.4 billion;

- Life of Mine Operating Expenses ("**OPEX**") of $533 million;

- Life of Mine plan of 27 years based on mining ~10% of Mineral Resource Estimate; mining is occurring within the Oxide Zone (the PEA is based on milling 15.2 million tons — 12.6 million tons @ 2.85% Cg of the Indicated Resource and 2.6 million tons @ 2.95% Cg of Inferred Resource — of the Coosa Graphite Project's 78.5 million-ton Indicated and 79.4 million-ton Inferred Mineral Resource Estimate);

- Surface mining operation; low Waste-to-Ore stripping ratio of 0.11:1;

- Primary and secondary processing plants to produce 5,500 tons (5,000 tonnes) of specialty high-purity graphite products annually, ramping up to 16,500 tons (15,000 tonnes) annually in year 7; subsequent capital expenditures to be funded through free cash flow;

- PEA is based on selling two specialty, high-value high-purity graphite products — CSPG (75% of planned production) and PMG (25% of planned production);

- Selling price for CSPG at $8,165 per ton ($9,000 per tonne) and PMG at $1,814 per ton ($2,000 per tonne) for a blended selling price of $6,577 per ton ($7,250 per tonne);

- Life of Mine average cash operating costs of $1,410 per ton ($1,555 per tonne) for final product of CSPG and PMG.

A significant portion of the Coosa Graphite Project is characterized by graphite-bearing material that is oxidized and has been weathered into extremely soft rock. The Coosa property has infrastructure in place, is within close proximity to major highways, rail, power and water, and is approximately three hours (by truck or train) to the Port of Mobile, the Alabama State Port Authority's deep-seawater port and the ninth largest port by tonnage in the United States (source: U.S. Army Corps of Engineers/USACE). The state of Alabama's hospitable climate allows for year-round mining operations.

Coosa Graphite Project Mineral Resource Estimate @ 1.0% Cg Cutoff (effective date: October 13, 2015)			
Resource Category	**Tonnage (Tons)**	**Graphitic Carbon (Cg %)**	**Contained Graphite (Tons)**
Indicated	78,488,000	2.39	1,876,000
Inferred	79,433,000	2.56	2,034,000
**Note: Inferred Mineral Resources represent material that is considered too speculative to be included in economic evaluations. Additional trenching and/or drilling will be required to convert Inferred Mineral Resources to Measured or Indicated Mineral Resources. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability. There is no guarantee that all or any part of the Mineral Resource will be converted into a Mineral Reserve.*			

The Company's strategy is to exclusively target the oxide portion of the Coosa Graphite Project's mineral resource and, subsequently, to divert 100% of primary graphite production to secondary-processed, specialty high-purity graphite utilizing the Company's proprietary low-temperature purification process. This was highlighted in the Company's September 29, 2015 news release announcing the Company's preliminary graphite purification trials. Those trials achieved 99.99% Cg purity — across all flake sizes from Coosa Graphite Project graphite concentrate — at one of North America's premier, independent metallurgical laboratories.

The PEA proposes a 27-year, open-pit mine with a mill and primary processing plant located onsite at the Coosa Graphite Project. A purification plant for secondary processing to produce specialty graphite products is to be located in the vicinity of Rockford, Alabama (approximately 19 miles south from the Coosa Graphite Project mine site with access via County Roads 29 and 22). Access to natural gas in this location is key for the Company's purification plant furnaces. The Company intends to locate primary and secondary processing plants within close proximity of each other in order to generate a potentially strong annual cash flow and a high rate of return.

The PEA indicates that the Coosa Graphite Project has excellent potential to become a low-cost U.S. source of ultra-high-purity specialty graphite products — without the use of dangerous and environmentally harmful hydrofluoric acid (as is commonly used in Chinese graphite production). The principal high-value specialty graphite product the Company intends to produce — CSPG for Li-ion batteries — has significant, enduring future forecasted demand; however, consumers are increasingly holding manufacturers accountable for where they source their critical input materials and, as importantly, how said input materials are produced. Environmental considerations are now more critical than ever when sourcing critical input materials for green-energy-based applications, such as Li-ion batteries.

Financial and Operational Highlights

The Coosa Graphite Project's PEA is not based on producing a final ROM graphite concentrate product, nor has the PEA been modeled on the Coosa Graphite Project being developed as a conventional flake graphite product. Instead, the PEA is based on Coosa producing two finished (final) secondary-processed, specialty graphite products: (1) a Coated Spherical Purified Graphite or CSPG product and (2) a Purified Micronized Graphite or PMG product.

For the first five years of operation, production is scheduled to be 5,500 tons (5,000 tonnes) of finished specialty graphite products, expanding capacity to 16,500 tons (15,000 tonnes) of finished specialty graphite products in year seven. The capital costs associated with increasing production capacity (11,000 tons or 10,000 tonnes) are planned to be paid for via the Company's free cash flow.

Capital Costs

Initial capital expenditures for mining operation and both primary and secondary processing plants for the first five years of production are estimated to be $43.2 million. Subsequent capital expenditures for production expansion — commencing in year five onward — are estimated to be $84.4 million, representing a grand total of $127.6 million in capital expenditures for the 27-year LOM, and would be funded through free cash flow.

Project Economics

Category	Unit	Pre-Tax (USD)	Post-Tax (USD)
CSPG (15 microns) >99.95% Carbon	$/tonne	$9,000	$9,000
PMG (5 microns >80%) >98% Carbon	$/tonne	$2,000	$2,000
CSPG Annual Production	tonnes	9,500	9,500
PMG Annual Production	tonnes	3,200	3,200
NPV (0%)	$ Million	$1,779	$1,299
NPV (8%)	$ Million	$444	$320
NPV (10%)	$ Million	$329	$236
NPV (12%)	$ Million	$247	$176
IRR%	%	52.2%	45.7%
Payback Period	Years	1.9	2.0
Net Revenue (less royalty)	$ Million	$2,439.5	$2,439.5
Total Operating Cost	$ Million	$532.8	$532.8
Total Capital Cost	$ Million	$127.6	$127.6
Pre-Tax Cash Flow	$ Million	$1,779.0	n/a
Post-Tax Cash Flow	$ Million	n/a	$1,298.7

Operating Costs (Life of Mine)

As the Coosa Graphite Project's PEA is modeled on producing two finished (final) specialty, secondary-processed graphite products - a coated spherical graphite product (CSPG) and a purified micronized flake graphite (PMG) product — the operating costs per ton (and per tonne) for the 27-year life of mine ("**LOM**") are blended and presented below. Operating costs per ton (and per tonne) include mining, milling and floatation, general and administrative expenses, filter cake transport, and purification.

	Cost Per Ton	**Cost Per Tonne**
Mine, Process and Admin Cost	$1,410	$1,555
**Note: All dollar amounts are based in U.S. currency*		

Selling Prices

Product	**Percentage of Annual Production**	**Selling Price**
>99.95% Cg CSPG (15μ)	75%	$8,165 per ton ($9,000 per tonne)
>98% Cg PMG (5μ)	25%	$1,814 per ton ($2,000 per tonne)
**Note: All dollar amounts are based in U.S. currency*		
Pricing Assumptions: According to UK-based Benchmark Mineral Intelligence, widely regarded as one of the world's leading independent sources on battery input materials' prices, sales and demand forecasts, selling prices for coated spherical graphite (CSPG) for Li-ion batteries range from USD$7,000 to USD$12,000 per tonne. For the Company's CSPG product, the Company has utilized a conservative USD$9,000 per tonne selling price in the Coosa Graphite Project PEA. Selling prices for purified micronized flake graphite (PMG) range from USD$1,800 to USD$2,800 per tonne. For the Company's PMG product, the Company has utilized a conservative USD$2,000 per tonne selling price in the Coosa Graphite Project PEA.		

Notes to Preliminary Economic Assessment

1. *Canadian Institute of Mining, Metallurgy and Petroleum ("**CIM**") Definition Standards for Mineral Resources and Mineral Reserves were followed for Mineral Resources*
2. *Mineral Resources are estimated at a cut-off grade of 1% Cg*
3. *Numbers may not add due to rounding*
4. *"Cg" is defined as "graphitic carbon"*
5. *All dollar amounts are based in U.S. currency unless otherwise noted*

Cautionary Note to the Preliminary Economic Assessment

This PEA is considered by the Company to meet the requirements of a Preliminary Economic Assessment as defined in NI 43-101. The economic analysis contained in the technical report is based, in part, on Inferred Resources (as defined in NI 43-101) and is preliminary in nature. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability. There is no guarantee that all or any part of the Mineral Resource will be converted into a Mineral Reserve. Inferred Resources are considered too geologically speculative to have mining and economic considerations applied to them and to be categorized as Mineral Reserves (as defined in NI 43-101). Additional trenching and/or drilling will be required to convert Inferred Mineral Resources to Measured or Indicated Mineral Resources. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability. There is no certainty that the reserve's development, production and economic forecasts on which the PEA is based will be realized.

Qualified Persons

Independent engineering firms **AGP Mining Consultants Inc.** and **Metal Mining Consultants Inc.** completed the Coosa Graphite Project Preliminary Economic Assessment technical report and are independent of the Company under NI 43-101 guidelines. The information in this MD&A relating to the mining and metallurgy portions of the 2015 Coosa Graphite Project Preliminary Economic Assessment is based upon the information prepared by AGP Mining Consultants Inc.'s **Gordon Zurowski, P.Eng.**, an independent Qualified Person as defined by National Instrument 43-101 guidelines, and **Andy Holloway, P.Eng.**, an independent Qualified Person as defined by NI 43-101 guidelines. The information pertaining to the geology and mineral resource estimation portions of the PEA is based upon information prepared by **Scott E. Wilson, C.P.G.** from Metal Mining Consultants Inc., an independent Qualified Person as defined by NI 43-101 guidelines.

COMPANY DISCLOSURES FOR THE QUARTER ENDING NOVEMBER 30, 2017

ALABAMA GRAPHITE RECEIVES UNSOLICITED INDICATIVE PROPOSAL FOR ACQUISITION; BOARD OF DIRECTORS APPOINTS SPECIAL COMMITTEE

On September 20, 2017, the Company announced that its Board of Directors appointed a special, independent committee (the "Special Committee"), led by and comprised of Dr. Gareth P. Hatch, CEng, FIMMM, FIET — an independent Director of the Company — to carefully review and consider an unsolicited, non-binding proposal that was received from a US-based, arm's length, public, micro-cap, pre-revenue, junior mining development company (the "Interested Party") relating to a potential offer for all of the issued and outstanding common shares in the capital of the Company. Pursuant to the terms of a confidentiality agreement and the Interested Party's separate request, the Company is withholding the name of the Interested Party. According to publicly available records, the Interested Party has less than USD$7 million in unrestricted cash and a market capitalization of approximately USD$35 million.

The Interested Party's indicative offer was conditional and non-binding. Pursuant to this offer, it was proposed that the shareholders of Alabama Graphite would receive no cash and would receive, in exchange for each common share of the Company (the "AGC Shares"), one-tenth (0.10) of one (1) common share of the Interested Party. In other words, under the terms of the proposal, ten (10) AGC Shares would be exchanged for one (1) common share of the Interested Party. If implemented, the shareholders of Alabama Graphite would become minority shareholders of the Interested Party.

The Special Committee, with the assistance of advisors and the full cooperation and support of the Company's staff including the rest of the Board of Directors, will carefully review and consider the proposal by the Interested Party. While being respectful and prudent in regard to the Company's financial resources, the Special Committee will, among other things: investigate the merit of the proposal; determine whether the offer fairly values the Company on an en bloc basis; investigate whether the all-stock consideration being offered is speculative in nature; consider whether it is reasonable to expect that the offer could be materially improved through negotiation; determine whether the Company is instead ready for an auction process or whether the Company's present circumstances and timing would only result in an opportunistic, strong-armed and/or coercive offer as compared to what could reasonably be expected to be achieved once some additional progress and milestones are accomplished. In doing so, the Special Committee and the Board of Directors are determined to make decisions and take actions that are in the best interests of the Company taking into account the interests of the Company's securities holders and other significant stakeholders.

Alabama Graphite did not initiate, nor has it encouraged any change of control conversations with the Interested Party. In addition, to the Company's knowledge, no shareholder of the Company has agreed to a lock-up or support agreement with the Interested Party. There is no assurance that the Interested Party will actually proceed with making a formal offer and there is no assurance at this time that the Special Committee and/or the Board of Directors would support any such offer. There is also no assurance that the Special Committee will recommend that an auction process be commenced, and it is quite possible that the Board of Directors will eventually determine that it is in the best interests of the Company at this time to continue to pursue its goals and business plans with no concurrent supplementary search for a change of control transaction in the near term.

The above-referenced disclosure is related to the Company's subsequent disclosure, dated December 13, 2017, regarding Westwater Resources, Inc.

ALABAMA GRAPHITE RECEIVES POSITIVE EVALUATION RESULTS FOR ULTRA-PMG™ PRODUCT FROM RSR TECHNOLOGIES; IMPROVED DYNAMIC CHARGE ACCEPTANCE (DCA) BY 194%

On September 21, 2017, the Company announced positive evaluation results for its downstream high-purity, natural flake Purified Micronized Graphite ("PMG") product — marketed under the tradename ULTRA-PMG™ — from Dallas, Texas-based RSR Technologies Inc. ("RSRT"). RSRT is a leading research and development company focused on advancing lead-acid battery technologies. AGC's ULTRA-PMG™ was used as a leady-oxide additive for lead-acid batteries and was tested in 48 battery cells built by RSRT.

The most critical evaluation metric in RSRT's analysis was battery-cell testing, which included micro-hybrid test ("MHT"), dynamic charge acceptance ("DCA"), Capacity (C20 and C), and breakdown analysis. When AGC's ULTRA-PMG™ was added to RSRT's control, there was an improvement in capacity of 7%, from 87 to 93 mAh/mg. MHT improved 63% (from 8,000 to 13,000 cycles), and DCA increased more than 194% (from

0.17 to 0.50 A/Ah) with the addition of ULTRA-PMG™. When ULTRA-PMG™ was added to RSRT's SUPERSOFT-HYCYCLE™ formulation — RSRT's top-of-the-line leady-oxide active material product — there was negligible improvement in capacity; however, the already significant MHT test results improved 5%, from 42,000 cycles to 44,000 cycles. DCA increased 64% (from 0.55 to 0.90 A/Ah). ULTRA-PMG™ prolonged cycle life approximately 4.5 times longer when compared to conventional leady oxide. RSRT's MHT cycling test typically takes 45 days to complete; however, due to ULTRA-PMG's significant cycle life increase, testing data took more than 200 days to acquire.

Dr. Matthew Raiford, RSRT's Process Engineer, and supervisor of the evaluation, commented, "Alabama Graphite's ULTRA-PMG™ product outperformed all other standard commercially available carbon products we have tested, including carbon black. There are barely any impurities, and of the impurities none of them are even a remote concern for gassing in lead-acid batteries. This was the purest graphite product we have ever studied and analyzed — by a significant margin."

AGC conveyed samples of various particle sizes of its ULTRA-PMG™ to RSRT for characterization and evaluation. The first series of analytic testing determined elemental concentrations of impurities using inductively coupled plasma optical emission spectrometry ("**ICP-OES**"), which confirmed the ultra-high purity of AGC's graphite. The AGC ULTRA-PMG™ samples were introduced during the paste-making process, and studies were conducted at each phase. The battery testing and performance summaries for the battery cells, including MHT, DCA and Capacity, can be seen in Table 1 below. RSRT's positive test results demonstrate when AGC's ULTRA-PMG™ is added to either a typical standard lead paste (control) or to RSRT's proprietary SUPER-SOFT HYCYCLE™ formulation, *all* performance metrics improve.

TABLE 1: Performance Summary for Battery Cells Built with and without AGC's ULTRA-PMG™

Product	Capacity mAh/mg	Micro-Hybrid Test Cycle Life	Dynamic Charge Acceptance (A/Ah)	17.5% Depth of Discharge (DoD)
Control	87	8,000	0.17 (2V)	1,000 (2V)
Control +3.8 µm AGC ULTRA-PMG™	**93**	**13,000**	**0.50 (2V)**	**1,000 (2V)**
RSRT SUPERSOFT-HYCYCLE™	114	42,000	0.55 (2V)	1,900 (2V)
RSRT SUPERSOFT-HYCYCLE™ +3.8 µm AGC ULTRA-PMG™	**115**	**44,000**	**0.90 (2V)**	**1,900 (2V)**
Test Method	*Battery Council International (BCI)*	*European Standard (EN) EN-50432-6*	*European Standard (EN) EN-50432-7*	*Battery Council International (BCI)*

*Note: **mAh/mg** = milliampere hour (mAh) per milligram (mg); **A/Ah** = amperes (A) per ampere hour (Ah) of battery capacity.*

Micro-Hybrid Test *or MHT evaluates the ability of a battery to provide the power to restart an engine after frequent stop phases, recovering state of charge ("SoC") and aging effects due to shallow load pulses.*
Dynamic Charge Acceptance *or DCA is the ability of a battery to accept instantaneous energy during charging. The higher the DCA of a battery, the more the energy recovered and stored.*
Depth of Discharge *or DoD is used to describe how deeply the battery is discharged. If a battery is 100% fully charged, the DoD of the battery is 0%. If a battery has delivered 17.5% of its energy (meaning, 82.50% energy reserved), the DoD of the battery is 17.5%. If a battery is 100% empty, the DoD of the battery is 100%. DoD always can be treated as how much energy that the battery delivered.*

ALABAMA GRAPHITE ANNOUNCES LETTER OF INTENT (LOI) TO SUPPLY BATTERY-READY GRAPHITE PRODUCTS TO U.S. LEAD-ACID BATTERY MANUFACTURER

On October 10, 2017, the Company announced it had executed a Letter of Intent ("**LOI**") with an established United States-based lead-acid battery manufacturer (the "**Buyer**") to supply high-purity, natural flake premium Purified Micronized Graphite ("**PMG**") product — marketed under the tradename ULTRA-PMG™ — and Delaminated Expanded Graphite ("**DEXDG**") conductivity enhancement materials for applications in the negative electrodes of advanced lead-acid battery systems. The identity of the Buyer, who has been in business for more than 50 years, is being withheld for reasons of commercial confidentiality. The Buyer became interested in engaging with AGC after reviewing the Company's September 21, 2017 announcement, entitled, '*Alabama Graphite Receives Positive Evaluation Results for ULTRA-PMG™ product from RSR Technologies; Improved Dynamic Charge Acceptance (DCA) by 194%*'. For more information on AGC's DEXDG, please refer to the March 28, 2017 announcement, entitled, '*Independent Test Results: Alabama Graphite Corp. Succeeds in Producing High-Performance Conductivity-Enhancement Graphite for Lithium-ion Batteries*'. A material evaluation/qualification program utilizing AGC's battery-ready graphite products in the Buyer's lead-acid batteries is currently underway. The testing involves:

i. Expander* composition reformulation;
ii. Electrode/battery fabrication;
iii. Short-term cycling at varying Depth of Discharge ("DOD"); and
iv. Long-term cycling at varying DOD.

** Note: Expanders are an essential component of the negative plates of lead-acid batteries and increase the surface area and stabilize the structure of the negative active material.*

The LOI calls for AGC to supply an estimated 10 tonnes per year of both ULTRA-PMG™ and premium, proprietary DEXDG conductivity enhancement materials to the Buyer, commencing in 2018 for the Buyer's forthcoming proprietary pilot line of fast-charge automotive and stationary batteries. The Buyer will be ramping up to full-scale production of this particular battery line in 2020 and expects to require larger quantities of AGC's graphite products. The specific terms of the LOI, including pricing and renewal rights, are confidential for competitive reasons. The Company intends to advance the LOI into a formalized offtake/supply agreement in the coming months.

ALABAMA GRAPHITE PROVIDES CORPORATE UPDATE

On October 16, 2017, the Company provided an update on its operational and business activities.

COMPANY DISCLOSURES SUBSEQUENT TO THE QUARTER ENDING NOVEMBER 30, 2017

WESTWATER RESOURCES, INC. TO ACQUIRE ALABAMA GRAPHITE CORP.

On December 13, 2017, the Company announced that it has entered into a definitive agreement (the "**Arrangement Agreement**") with Westwater Resources, Inc. ("**Westwater**") (NASDAQ:WWR) pursuant to which Westwater will acquire all of the issued and outstanding securities of Alabama Graphite (the "**Acquisition**").

Both Westwater and Alabama Graphite are mineral exploration and development companies with advancing American green-energy minerals and materials projects. Westwater is an explorer and developer of mineral resources that are materials essential to 21st Century clean energy production. Westwater holds dominant mineral rights positions in the Western United States and the Republic of Turkey for both lithium and uranium deposits, as well as licensed production facilities for uranium in Texas. Alabama Graphite is focused on the exploration and development of its flagship Coosa Graphite Project in Coosa County, Alabama — the most advanced flake graphite project in the contiguous United States of America — and its Bama Mine Project in Chilton County, Alabama. The Coosa Graphite Project represents the largest Indicated Mineral Resource[1] of flake graphite in the United States of America. Alabama Graphite is also an aspiring battery materials production company. Alabama Graphite's intent is to commence small-scale mining and primary processing operations in Alabama and, subsequently, divert 100% of primary production to secondary processing, specialty-graphite production (namely, Coated Spherical Purified Graphite or 'CSPG' and Purified Micronized Graphite or 'PMG') for use in lithium-ion and other battery markets.

[1] *Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability.*

Management and the Board of Directors of both Westwater and Alabama Graphite and the Special Committee of the Alabama Graphite Board of Directors are unanimously in support of the proposed business combination.

"The timing of this transaction could not be better," added Jean Depatie, Chairman of Alabama Graphite. *"Alabama Graphite's Coosa Graphite Project is at the feasibility-study stage and Westwater, having excellent management and financial resourcefulness, has the experience and ability to advance our projects and enhance shareholder value at a pace, and in a manner, we would not have been able to achieve on our own. Furthermore, this transaction provides Alabama Graphite with much needed interim financing that protects our shareholders from equity dilution and going-concern risk."*

HIGHLIGHTS OF THE ACQUISITION

The Boards of Directors of Westwater and Alabama Graphite consider the Acquisition to be a compelling and fair transaction, which is expected to provide significant strategic and financial benefits to the shareholders of both companies.

Key benefits of the Acquisition include:

- The combination of Westwater's in-house technical abilities and operational expertise in the production of a wide range of commodities with the mineral resources controlled by Alabama Graphite near Sylacauga, Alabama provides strategic corporate experience and a stronger balance sheet for a fast-track route to expected low-cost, specialized graphite intended to supply the existing and growing battery markets;
- Provides the shareholders of both companies with exposure to an extensive project portfolio consisting of near and mid-term resources to support the fast-growing transportation battery market through the near-term Coosa Graphite Project and the mid-term Westwater lithium exploration properties in Nevada and Utah, as well as long-term leverage to the expected rise in the uranium price with Westwater's uranium property portfolio;
- Greatly improved access to and greater appeal for global equity capital markets through Westwater's current listing on the NASDAQ; and
- Establishment of a strong platform to continue developing a leading energy materials, exploration, and development business through both organic growth and/or further corporate transactions.

TERMS OF THE ACQUISITION

Westwater and Alabama Graphite plan to complete the Acquisition by way of a court-approved Plan of Arrangement pursuant to the *Business Corporations Act* (British Columbia), whereby each issued and outstanding Alabama Graphite common share will be purchased by Westwater, and the holder thereof will receive 0.08 of one Westwater common share (the "Exchange Ratio"), which represents a value of approximately CAD$0.117 per Alabama Graphite common share based upon the closing price of Westwater's common shares on NASDAQ on December 11, 2017. The share Exchange Ratio represents a discount of approximately 2.3% to the closing price of Alabama Graphite's common shares on the TSX Venture Exchange on December 11, 2017. Westwater has also agreed to provide Alabama Graphite with a secured loan of up to USD$2 million to remedy Alabama Graphite's current working capital deficit, to pay outstanding payables, and to fund its essential operations until the close of the Acquisition, which is targeted for April 2018.

Holders of Alabama Graphite common share purchase warrants and stock options shall receive replacement warrants or options issued by Westwater. Pursuant to the terms of the Acquisition, management, staff, and directors of Alabama Graphite have agreed to surrender 8,741,000 stock options and 4,883,337 warrants so that Westwater is not required to issue replacement securities for these Alabama Graphite securities.

Currently, Alabama Graphite has 145,315,187 common shares issued and outstanding, and Westwater has 27,640,324 common shares outstanding. Upon the closing of the Acquisition as currently proposed, Westwater will have 39,265,539 issued and outstanding common shares, of which approximately 70% will be held by Westwater's current shareholders and approximately 30% will be held by Alabama Graphite shareholders.

The Arrangement Agreement also provides for, among other things, a non-solicitation covenant on the part of Alabama Graphite, subject to customary "fiduciary out" provisions that entitle Alabama Graphite to consider and accept a superior proposal, a right in favor of Westwater to match any superior proposal and an entitlement for expense reimbursement upon termination for Westwater of up to USD$1.5 million, under certain circumstances.

All of Alabama Graphite's Directors and Officers have executed voting and support agreements indicating their support for the Acquisition and their intention to vote to approve the Acquisition at Alabama Graphite's upcoming shareholders' meeting.

The Acquisition is subject to all requisite regulatory approvals, court approval, obtaining all security holder approvals required by applicable laws and such other conditions as are customary in transactions of this nature. Alabama Graphite will be seeking shareholder approval of the proposed Acquisition, in a meeting to be held on or before March 30, 2018. Westwater will be seeking shareholder approval of the proposed Acquisition, in a meeting to be held on or before March 30, 2018. The Acquisition is also subject to the approval of the Supreme Court of British Columbia.

SECURED LOAN AGREEMENT

In order to fund Alabama Graphite's current working capital deficit, to pay outstanding accounts payable, and provide sufficient cash resources to enable the Corporation to carry on its business until the closing of the Acquisition, concurrent with the execution of the Arrangement Agreement, Alabama Graphite and Westwater also agreed to the terms of a secured loan from Westwater to Alabama Graphite for up to USD$2 million (the "**Secured Loan**"). The Secured Loan will carry a 3% interest rate and is convertible into common shares of Alabama Graphite at Westwater's election using a conversion price to be determined following the announcement of the Acquisition. The Secured Loan remains subject to TSX Venture Exchange review and approval.

Should the Arrangement Agreement become terminated, the Secured Loan will become repayable on June 30, 2018; however, it would become repayable immediately if Alabama Graphite withdraws its support for the Acquisition and recommends a competing transaction.

The secured loan issued by Alabama Graphite to Westwater and, if converted, the underlying common shares of Alabama Graphite convertible from the Secured Loan, are subject to a restricted period of four months and one day, which will end on April 14, 2018, in accordance with National Instrument 45-102 – *Resale of Securities*.

BENEFITS TO ALABAMA GRAPHITE SHAREHOLDERS

During the past several years, Alabama Graphite has always been able to operate and develop its business without the financial support of any revenues from its operations. It has been able to continually do this due to Alabama Graphite's ability to procure new funds for itself, primarily from the equity capital markets. During the Fall of 2017, Alabama Graphite considered a variety of funding sources and alternate funding techniques and also considered a traditional discounted equity private placement. Alabama Graphite recognized that the capital required for its sustainability and especially for its desired growth and project development plans, while considered feasible if pursued determinedly, would likely result in significantly discounted and dilutive financing solutions that would not be consistent with maximizing shareholder value. Accordingly, one of the important considerations of Alabama Graphite's Special Committee and its Board of Directors in regard to pursuing and approving the transaction with Westwater was to obtain the non-dilutive interim loan financing and join forces with an impressive company with, among other strengths, superior financial resourcefulness. Pursuant to the Acquisition, Westwater will add Alabama Graphite's graphite assets to Westwater's portfolio of green-energy mineral projects in order to develop these important 21st Century assets and unlock value for shareholders at a pace that Alabama Graphite would not likely have been able to do on its own. Alabama Graphite's Board of Directors is unanimously pleased with Alabama Graphite's much-improved prospects for the enhancement of shareholder value over both the near and long terms.

Alabama Graphite shareholders will derive many benefits from the Acquisition, including:

- An expected immediate improvement in upside equity valuation potential as compared to other alternatives that were considered;
- An expected significant increase in daily share trading liquidity;
- Leverage the skills and know-how of Westwater's experienced mining and operations teams;
- Benefits of a higher profile through Westwater's NASDAQ listing in the U.S.;
- Benefits from both diversification and product synergies related to Westwater's lithium and uranium project portfolios; and
- Improved short-term and long-term funding capabilities and resourcefulness.

As part of the transition period prior to the expected upcoming completion of the Acquisition, Alabama Graphite's President and CEO, Donald Baxter, has agreed to resign from his officer and director positions with Alabama Graphite with immediate effect. Alabama Graphite's Board of Directors appreciates Mr. Baxter's efforts and contributions. Dr. Gareth Hatch, a Director of Alabama Graphite, has been appointed as its interim CEO. Executive Vice President and Corporate Secretary Tyler Dinwoodie has been appointed as Alabama Graphite's President and will assist Dr. Hatch with duties and responsibilities during the transition period. Alabama Graphite's Audit Committee is now comprised of Jean Depatie, Daniel Goffaux, and Dr. Hatch.

BENEFITS TO WESTWATER SHAREHOLDERS

Westwater's shareholders will also realize many benefits from the Acquisition, including:

- Exposure to a new green-energy commodity, which is in high demand as transportation batteries increase production;
- The post-merger management team will work to further optimize the project, working in conjunction with Alabama Graphite's customary product development laboratories in the US and Canada; and
- The potential for Westwater to be re-categorized as a mining producer sooner than may otherwise have been the case by relying on its uranium and lithium production timeline expectations alone.

The Board of Directors of Westwater unanimously recommends Westwater shareholders approve the issue of all consideration securities to Alabama Graphite security holders.

BENEFITS FOR BOTH ALABAMA GRAPHITE AND WESTWATER SHAREHOLDERS

In addition to the strong benefits expected for each group of shareholders, there are a number of benefits that both companies' shareholders may enjoy, including:

- More extensive portfolio of projects, ranging from potential near-term production assets (Coosa) to grassroots exploration opportunities, which better equip the post-merger company to respond to changing commodity market conditions;
- Geographical concentration – the United States, as preferentially sourced graphite and other battery materials from domestic sources and companies. The post-merger company will be headquartered in Centennial, Colorado, a suburb of Denver;
- Expected increase in attractiveness to both retail and institutional investors;
- Expected increase in trading liquidity and coverage by green-energy sector analysts;
- Establishment of a stronger platform from which the combined business may pursue future growth opportunities; and
- Cost savings due to the elimination of duplicative head office and management expenses.

ADVISERS

Roth Capital Partners, LLC has provided an opinion to the Westwater Board of Directors that the Exchange Ratio is fair, from a financial point of view to the Westwater shareholders. As well, Echelon Wealth Partners Inc. has provided a fairness opinion to the Special Committee of the Alabama Graphite Board of Directors, indicating that the consideration to be received by Alabama Graphite shareholders is fair, from a financial point of view to Alabama Graphite shareholders. Westwater is represented by Hogan Lovells LLP in Denver, Stikeman Elliott LLP in Toronto and Balch & Bingham LLP in Alabama. Alabama Graphite is represented by Miller Thomson LLP in Toronto, Dorsey & Whitney LLP in Toronto and Minneapolis, and Dominick Feld Hyde, P.C. in Alabama.

ALABAMA GRAPHITE ANNOUNCES REPORTING OF FINANCIAL RESULTS FOR FISCAL 2017 AND PROVIDES UPDATE

On January 8, 2018, the Company announced that it has reported its financial results for the fiscal year ended August 31, 2017. The Corporation's complete annual audited Financial Statements and Management Discussion and Analysis for the year ended August 31, 2017 are available on the Canadian Securities Administrators' ("**CSA**") System for Electronic Document Analysis and Retrieval ("**SEDAR**") on www.sedar.com or on the Alabama Graphite website at www.alabamagraphite.com. The audit of Alabama Graphite's financial statements was completed by the Corporation's independent auditors, Toronto-based UHY McGovern Hurley LLP.

The past fiscal year was a pivotal one for Alabama Graphite, as the Corporation announced on December 13, 2017 that it has entered into a definitive agreement (the "**Arrangement Agreement**") with Colorado, USA-based Westwater Resources, Inc. ("**Westwater**") (NASDAQ:WWR) pursuant to which Westwater will acquire all of the issued and outstanding securities of Alabama Graphite (the "**Acquisition**"). Management and the Board of Directors of both Westwater and Alabama Graphite, as well as the Special Committee of Alabama Graphite's Board of Directors, are unanimously in support of the Acquisition, which remains subject to all requisite regulatory approvals, court approval, obtaining all security holder approvals required by applicable laws and such other conditions as are customary in transactions of this nature.

HIGHLIGHTS OF THE ACQUISITION

The Boards of Directors of Westwater and Alabama Graphite consider the Acquisition to be a compelling and fair transaction, which is expected to provide significant strategic and financial benefits to the shareholders of both companies.

Key benefits of the Acquisition include:

- The combination of Westwater's in-house technical abilities and operational expertise in the production of a wide range of commodities with the mineral resources controlled by Alabama Graphite near Sylacauga, Alabama provides strategic corporate experience and stronger balance for a fast-track route to expected low-cost, specialized graphite intended to supply the existing and growing battery markets;
- Provides the shareholders of both companies with exposure to an extensive project portfolio consisting of near and mid-term resources to support the fast-growing transportation battery market through the near-term Coosa Graphite Project and the mid-term Westwater lithium exploration properties in Nevada and Utah, as well as long-term leverage to the expected rise in the uranium price with Westwater's uranium property portfolio;
- Greatly improved access to and greater appeal for global equity capital markets through Westwater's current listing on the NASDAQ; and
- Establishment of a strong platform to continue developing a leading energy materials, exploration and development business through both organic growth and/or further corporate transactions. For more information on Westwater, please visit www.westwaterresources.net.

Alabama Graphite shareholders will derive many benefits from the Acquisition, including:

- Leverage the skills and know-how of Westwater's experienced mining and operations teams;
- Benefits of a higher US profile through Westwater's NASDAQ listing;
- Benefits of being an American company, advancing the only natural flake graphite project in the contiguous USA;
- Benefits from both diversification and product synergies related to Westwater's lithium and uranium project portfolios; and
- Improved short-term and long-term funding capabilities and resourcefulness.

More information regarding the Acquisition will be available in an upcoming Information Circular, currently expected to be completed on or about the end of January 2018.

CONVERSION PRICE OF SECURED LOAN

In connection with the Acquisition, Alabama Graphite and Westwater also agreed to the terms of a previously-announced secured loan from Westwater to Alabama Graphite for up to USD$2 million (the "**Secured Loan**"). The Secured Loan carries a 3% interest rate and is convertible into common shares of Alabama Graphite ("**Common Shares**") at Westwater's election using a conversion price of $0.0878, which was determined by calculating the volume-weighted average price ("**VWAP**") of the Common Shares for the five trading days immediately following the initial public announcement of the Acquisition (which occurred on December 13, 2017).

As at the date hereof and since the announcement of the Acquisition and the Secured Loan, Alabama Graphite has drawn on an aggregate amount of approximately USD$1 million, pursuant to the Secured Loan from Westwater.

The Secured Loan remains subject to final TSX Venture Exchange review and approval.

EXPLORATION COSTS

As of November 30, 2017, the Company incurred capitalized costs for exploration and evaluation assets totaling $7,791,648 (2016 - $7,001,860). For details, please refer to notes accompanying the financial statements under section for "Exploration and Evaluation Assets".

OPERATING RESULTS

Summary of Quarterly Results

The following table sets forth selected quarterly financial information for each of the last eight most recently completed quarters. The Company did not generate revenue of any kind in the past eight quarters.

Quarter Ended	Total Revenue ($)	Income (Loss) and Comprehensive Income (Loss) ($)	Net Income (Loss) per Share Basic and Fully Diluted ($)
30-Nov-17	-	(638,959)	-
31-Aug-17	-	(622,559)	-
31-May-17	-	(696,266)	(0.01)
28-Feb-17	-	(565,797)	-
30-Nov-16	-	(1,322,109)	(0.01)
31-Aug-16	-	(418,808)	-
31-May-16	-	(561,368)	-
29-Feb-16	-	(346,644)	-

The decrease in the net loss for the quarter ended November 30, 2017 was primarily due to a decrease in share-based payments expenses as a number of unvested options were surrendered in the second quarter resulting in a recovery of previously expensed share-based payments. This was offset by a general increase in travel, business development, investor-relations activities, and consulting fees.

<u>Three Months Ended November 30, 2017</u>

The Company incurred a net loss of $638,959 during the three months ended November 30, 2017 compared to a net loss of $1,322,109 during the same period of the previous year. The decrease in net loss of $683,150 was primarily due to the following changes:

(1) Office and administration were $41,499 (2016 – $34,740), an increase of $6,759 mainly due to the increase of corporate activities during the current period;
(2) Professional services were $163,535 (2016 – $22,368), an increase of $141,167 due to an increase in legal fees incurred as a result of the ongoing transaction with Westwater Resources Inc. during the period;
(3) Consulting expenses were $328,853 (2016 – $644,244), a decrease of $315,391 due to a decrease in financing and marketing activities during the period;
(4) Share-based payments were $(27,261) (2016 – $452,598), a decrease due to the reversal of previously expensed amounts due to the surrender of unvested stock options as a result of the proposed transaction with Westwater Resources Inc.;
(5) Travel and investor relations were $112,242 (2016 – $167,114), a decrease of $54,872 due to a decrease in the financing, marketing, business development, and corporate activities during the first quarter of the prior fiscal year; and
(6) Foreign exchange gain was $5,456 (2016 – $21,997), a change of $16,451 due to fluctuations in the US dollars against Canadian dollars during the period.

Three Months Ended November 30, 2016

The Company incurred a net loss of $1,322,109 during the three months ended November 30, 2016 compared to a net loss of $401,909 during the same period of the previous year. The increase in net loss of $920,200 was primarily due to the following changes:

(1) Office and administration were $34,740 (2015 – $42,527), a decrease of $7,787 mainly due to the decrease of corporate activities during the period;
(2) Professional services were $22,368 (2015 – $17,448), an increase of $4,920 due to an increase in legal fees incurred during the period;
(3) Consulting expenses were $644,244 (2015 – $191,874), an increase of $452,370, due to a $300,000 loyalty bonus paid to the CEO, a performance bonus paid to a consultant totalling $60,000, and additional consultants retained to assist in marketing initiatives;
(4) Share-based payments were $452,598 (2015 – $43,854), an increase of $408,744 due to the granting of stock options to officers, directors and consultants in September 2016;
(5) Travel and investor relations were $167,114 (2015 – $89,579), an increase of $77,535 due to an increase in financing, marketing, business development, and corporate activities during the period; and
(6) Foreign exchange gains were $21,997 (2015 – $16,179), an increase of $5,818 due to fluctuations in US dollars against Canadian dollars during the period.

FINANCIAL CONDITION

At November 30, 2017, the Company had current assets of $147,627 (August 31, 2017 – $652,289) and total current liabilities of $885,702 (August 31, 2017 – $495,990). At November 30, 2017, the Company had a working capital deficiency of $738,075 (August 31, 2017 – working capital of $156,299). The liquidity position of the company has weakened as compared to the year ended August 31, 2017 and the Company will continue to face a working capital deficiency if additional capital is not raised. On December 13, 2017, the Company announced a secured loan from Westwater for up to USD$2 million *(for more information on the Westwater secured loan, please refer to page 30 of this document)*.

The Company has binding consulting agreements with two officers that contain both termination clauses and change of control provisions, totalling $440,400, provided said Consulting Agreements are terminated by the Company or the Contractor within six months of the event giving rise to the change of control.

LIQUIDITY

The Company had liquid cash and cash equivalents at November 30, 2017 of $64,149 compared to $508,993 at August 31, 2017. Management believes that its current financial resources will allow the Company to perform necessary regulatory and compliance work, but not beyond January 31, 2018. Without additional financing or other satisfactory arrangements, the Company's financial resources will not be sufficient to develop its projects. The above conditions raise significant doubt about the Company's ability to continue as a going concern for the next twelve months. The Company's ability to continue as a going concern is dependent upon the ability of the Company to obtain necessary financing or other satisfactory arrangements to fund its operating expenses and interest expense until development financing is obtained to allow the Company to be self-sufficient. The Company's ability to continue its development activities is dependent on management's ability to secure additional financing in the future, which may be completed in a number of ways including, but not limited to, a combination of strategic partnerships, joint venture arrangements, project debt finance, royalty financing and other capital market alternatives. Management will pursue such additional financial sources when required, and while management has been successful in securing financing in the past, there can be no assurance it will be able to do so in the future or that these sources of funding or initiatives will be available for the Company or that they will be available on terms which are acceptable to the Company.

During the past several years, the Company has always been able to operate and develop its business without the financial support of any revenues from its operations. It has been able to continually do this due to the Company's ability to procure new funds for itself, primarily from the equity capital markets. During the Fall of 2017, the Company considered a variety of funding sources and alternate funding techniques and also considered a traditional discounted equity private placement. The Company recognized that the capital required for its sustainability and especially for its desired growth and project development plans, while considered feasible if pursued determinedly, would likely result in significantly discounted and dilutive financing solutions that would not be consistent with maximizing shareholder value. Accordingly, one of the important considerations of the Company's Special Committee and its Board of Directors in regard to pursuing and approving the transaction with Westwater Resources, Inc. ("**Westwater**") announced on December 13, 2017 was to obtain interim loan financing on terms that would maximize shareholder value and join forces with an impressive company with, among other strengths, superior financial resourcefulness. If the Company defaults on the loan agreement with Westwater and is required to repay the loan prior to the completion of the Westwater acquisition transaction announced on December 13, 2017, then the Company will likely lose the assets it has pledged as collateral to Westwater and, without those assets, the Company would not likely be able to obtain any new financing or continue as a going concern.

EQUITY FINANCING

<u>During the Three Months Ended November 30, 2017</u>

During the three months ended November 30, 2017, the Company did not issue any shares nor were any warrants or options exercised. The Company did however enter into negotiations with Westwater to provide financing by way of a secured loan.

RELATED-PARTY TRANSACTIONS

As at November 30, 2017, the amounts due to directors and officers are included in accounts payable and accrued liabilities as follows:

RELATED-PARTY TRANSACTIONS *(continued)*

	November 30, 2017	August 31, 2017
1163863 Ontario Limited, a private company controlled by **Donald K. D. Baxter**, former President, CEO and Director	$49,796	$18,833
Bolton & Bolton Inc., a private company controlled by **Douglas C. Bolton**, CFO	12,995	8,475
Dinwoodie Consulting Ltd., a private company controlled by **Tyler W. P. Dinwoodie**, President and Corporate Secretary	36,793	10,050
G&W Consulting Inc., a private company controlled by **Ann-Marie M. Pamplin**, Vice President, Investor Relations	-	7,000
Strategic Materials Advisors Ltd., a private company controlled by **Dr. Gareth P. Hatch, CEO**	17,404	-
Daniel P. Goffaux, Director	5,000	-
Jesse R. Edmondson, Project Geologist, Director of Business Development and Director of Community Relations	12,288	11,589
	$134,276	**$55,947**

These amounts are unsecured, non-interest bearing and have no fixed terms of repayment.

Key management includes directors (executive and non-executive) and senior officers of the Company. The compensation paid or payable to key management personnel during the three months ended November 30, 2017 and 2016 is as follows:

	2017	2016
Financial consulting fees (including administration and rent) charged by Bolton & Bolton Inc., a private company controlled by **Douglas C. Bolton**, former CFO	$ 26,340	$ 43,162
Consulting fees charged by:		
Dinwoodie Consulting Ltd., a private company controlled by **Tyler W. P. Dinwoodie**, President and Corporate Secretary	37,500	10,000
G&W Communications Inc., a private company controlled by **Ann-Marie M. Pamplin** Vice President, Investor Relations	-	20,000
G&W Consulting Inc., a private company controlled by **Ann-Marie M. Pamplin** Vice President, Investor Relations	21,000	81,000
1163863 Ontario Limited, a private company controlled by **Donald K. D. Baxter** President, CEO and Director	65,000	350,000
Daniel P. Goffaux, Director	5,000	-
Strategic Materials Advisors Ltd., a private company controlled by **Dr. Gareth P. Hatch, CEO**	17,404	-

Jesse R. Edmondson, Project Geologist, Director of Business Development and Director of Community Relations	30,134	29,183
Stock-based payments		
Donald K. D. Baxter, former President, Chief Executive Officer and Director	(19,623)	76,987
Tyler W. P. Dinwoodie, President and Corporate Secretary	-	47,500
Douglas C. Bolton, former CFO	-	23,750
Ann-Marie M. Pamplin, VP, Investor Relations	(7,638)	13,459
Jean Depatie, Director and Chairman of the Board	-	28,500
Daniel P. Goffaux, Director	-	30,122
Dr. Gareth P. Hatch, Interim CEO and Director	-	28,500
Jesse R. Edmondson, Project Geologist, Director of Business Development and Director of Community Relations	-	33,250
	$ 175,117	**$ 815,413**

Note: Share-based payments are estimated fair value of the options granted using the Black-Scholes options-pricing model.

PROPOSED TRANSACTION

Subsequent to the fiscal quarter of the Company, on December 13, 2017 the Company announced that it had entered into a definitive agreement (the "**Arrangement Agreement**") with Westwater pursuant to which Westwater will acquire all of the issued and outstanding securities of the Company (the "**Acquisition**").

Terms of the Acquisition

Westwater and the Company plan to complete the Acquisition by way of a court-approved Plan of Arrangement pursuant to the *Business Corporations Act* (British Columbia), whereby each issued and outstanding common share of the Corporation will be purchased by Westwater, and the holder thereof will receive 0.08 of one Westwater common share (the "**Exchange Ratio**"), which represents a value of approximately $0.117 per common share of the Company based upon the closing price of Westwater's common shares on NASDAQ on December 11, 2017. The Exchange Ratio represents a discount of approximately 2.3% to the closing price of the Company's common shares on the TSXV on December 11, 2017. Westwater has also agreed to provide the Company with a secured loan of up to USD$2.0 million (approximately CAD$2.55 million) (the "**Secured Loan**"). to remedy the Company's current working capital deficit, to pay outstanding payables, and to fund its essential operations until the close of the Acquisition, which is targeted for April 2018.

Holders of the Company's common share purchase warrants and stock options shall receive replacement warrants or options issued by Westwater. Pursuant to the terms of the Acquisition, management, staff, and directors of the Company have agreed to surrender 8,741,000 stock options and 4,883,337 warrants so that Westwater is not required to issue replacement securities for these securities.

Currently, the Company has 145,315,187 common shares issued and outstanding, and Westwater has 27,640,324 common shares outstanding. Upon the closing of the Acquisition as currently proposed, Westwater will have 39,265,539 issued and outstanding common shares, of which approximately 70% will be held by Westwater's current shareholders and approximately 30% will be held by the Company's shareholders.

The Arrangement Agreement also provides for, among other things, a non-solicitation covenant on the part of the Company, subject to customary "fiduciary out" provisions that entitle the Company to consider and accept a superior proposal, a right in favor of Westwater to match any superior proposal and an entitlement for expense reimbursement upon termination for Westwater of up to USD$1.5 million (approximately CAD$1.9 million), under certain circumstances.

All of the Company's Directors and Officers have executed voting and support agreements indicating their support for the Acquisition and their intention to vote to approve the Acquisition at the Company's upcoming shareholders' meeting. The Acquisition is subject to all requisite regulatory approvals, court approval, obtaining all security holder approvals required by applicable laws, and such other conditions as are customary in transactions of this nature.

The Company will be seeking shareholder approval of the proposed Acquisition, in a meeting to be held on or before March 30, 2018. Westwater will be seeking shareholder approval of the proposed Acquisition, in a meeting to be held on or before March 30, 2018. The Acquisition is also subject to the approval of the Supreme Court of British Columbia.

Terms of the Loan

In order to fund the Company's working capital deficit, to pay all outstanding accounts payable, fund associated Westwater transaction-related costs, and provide sufficient cash resources to enable the Corporation to carry on its business until the closing of the Acquisition, concurrent with the execution of the Arrangement Agreement, the Company and Westwater also agreed to the terms of the Secured Loan by entering into a loan agreement (the "**Loan Agreement**") with AGC wholly owned subsidiary, Alabama Graphite Company, Inc. ("**AGCI**"),a private corporation registered in the state of Alabama. The secured loan bears interest at the rate of 3% per annum, is secured by the assets of the Company and is convertible into common shares of the Company at Westwater's election using a conversion price equal to the volume weighted average price ("**VWAP**") for the shares for the five (5) Trading Days immediately following the day of the initial public announcement or press release relating to the Arrangement Agreement. The secured loan remains subject to the final approval of the TSX Venture Exchange. On December 13, 2017, the TSXV conditionally approved the Secured Loan. As at the date hereof, the Secured Loan remains subject to the final approval of the TSXV.

Should the Arrangement Agreement become terminated, the Secured Loan will become repayable on June 30, 2018; however, it would become repayable immediately if the Company withdraws its support for the Acquisition and recommends a competing transaction.

The secured loan issued by the Company to Westwater and, if converted, the underlying common shares of the Company convertible from the Secured Loan, are subject to a restricted period of four months and one day, which will end on April 14, 2018, in accordance with National Instrument 45-102 – *Resale of Securities*.

Benefits to Shareholders of the Company

Alabama Graphite shareholders will derive many benefits from the Acquisition, including:

- An expected immediate improvement in upside equity valuation potential as compared to other alternatives that were considered;
- An expected significant increase in daily share trading liquidity;
- Leverage the skills and know-how of Westwater's experienced mining and operations teams;
- Benefits of a higher profile through Westwater's NASDAQ listing in the U.S.;
- Benefits from both diversification and product synergies related to Westwater's lithium and uranium project portfolios; and
- Improved short-term and long-term funding capabilities and resourcefulness.

As part of the transition period prior to the expected upcoming completion of the Acquisition, the Company's former President and CEO, Donald Baxter, agreed to resign from his officer and director positions with the Company with immediate effect. Gareth Hatch, a Director of the Company, was appointed as its interim CEO. Executive Vice President and Corporate Secretary Tyler Dinwoodie was appointed as the Company's President and will assist Dr. Hatch with duties and responsibilities during the transition period. The Company's Audit Committee is now comprised of Jean Depatie, Daniel Goffaux and Dr. Hatch.

Further details about the Acquisition, as well as the rationale behind supporting the Acquisition (as made by the Company's Special Committee and its Board of Directors), will be set out in the Company's management information circular to be filed on SEDAR in connection with the special meeting of shareholders to be call for the Acquisition. The management information circular is currently expected to be finalized and filed on SEDAR in early February 2018.

CAPITAL RESOURCES

At November 30, 2017, the Company had cash and cash equivalents of $64,149 (August 31, 2017 - $508,993). As of the date of this MD&A and due to the interim funding provided by Westwater pursuant to the Loan Agreement that was announced on December 13, 2017, the Company believes that it does have sufficient working capital to meet its short term ongoing financial obligations. However, the Company will require additional financing in order to complete its Feasibility Study.

LATEST SHARE CAPITAL INFORMATION

As of the date of this report, the following securities were outstanding:

Common Shares	**145,315,187**
Stock Options	**4,550,000** *(see Stock Options table below)*
Warrants	**26,804,730** *(see Stock Warrants table below)*

STOCK OPTIONS

Expiry Date	Number of Options	Exercise Price	Exercisable
May 18, 2018	350,000	$0.155	350,000
September 3, 2018	180,000	$0.35	180,000
September 19, 2018	400,000	$0.16/$0.19	400,000
January 20, 2019	15,000	$0.105	15,000
February 3, 2019	125,000	$0.145	125,000
September 2, 2019	650,000	$0.16	650,000
January 3, 2020	760,000	$0.155	760,000
June 12, 2020	295,000	$0.27	295,000
November 10, 2020	525,000	$0.16	525,000
January 3, 2021	500,000	$0.155	500,000
April 26, 2021	250,000	$0.17	250,000
May 10, 2021	500,000	$0.15	500,000
	4,550,000		**4,550,000**

***Note:** Pursuant to the terms of the Acquisition, management, staff, and directors of Alabama Graphite Corp. have agreed to surrender 8,741,000 stock options so that Westwater Resources, Inc. is not required to issue replacement securities for these Alabama Graphite Corp. securities.*

STOCK WARRANTS

Expiry Date	Number of Warrants	Number of Shares if Exercised	Exercise Price per Share
May 19, 2018	2,806,334	2,806,334	$0.20
June 30, 2018	7,137,500	7,137,500	$0.35
September 6, 2018	4,883,411	4,883,411	$0.20
September 21, 2018	4,827,668	4,827,668	$0.20
May 5, 2020	4,326,667	4,326,667	$0.20
May 5, 2020 (Finders Warrants)			
Common share	113,750	113,750	$0.15
Compensation Unit Warrant		113,750	$0.20
May 10, 2020	2,680,000	2,680,000	$0.20
May 10, 2020 (Finders Warrants)			
Common share	29,400	29,400	$0.15
Compensation Unit Warrant		29,400	$0.20
	26,804,730	**26,947,880**	

Note: *Pursuant to the terms of the Acquisition, management, staff, and directors of Alabama Graphite Corp. have agreed to surrender 4,883,337 warrants so that Westwater Resources, Inc. is not required to issue replacement securities for these Alabama Graphite Corp. securities.*

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Please refer to the notes of the audited consolidated financial statements for the year ended August 31, 2017 under sections "Basis of Presentation" and "Significant Accounting Policies".

FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

Subsequent to the fiscal year-end of the Company, the Company entered into the Loan Agreement with Westwater and AGCI. Under the terms of the Loan Agreement, the Company is bound by certain debt covenants relating to:

Affirmative Debt Covenants:

1. compliance with laws, etc.;
2. project permits;
3. reporting requirements (relating to monthly reports; monthly financial information, annual financial information, litigation and claims; securities law and exchange filings, material agreements; environmental matters, changes in capital structure, and other information and updated schedules);
4. inspection;
5. maintenance of insurance;
6. keeping of records and books of account;
7. preservation of existence, etc.;
8. conduct of business;
9. notice of default;
10. defense of title and rights;
11. material agreements;
12. maintenance of unissued shares, compliance with securities laws and TSXV listing and compliance;
13. public announcements;
14. maintenance of the Company's account;
15. completion of actions;
16. shares delivered to Westwater;

Negative Debt Covenants:

17. indebtedness;
18. liens, etc.;
19. assumptions, guarantees, etc. of indebtedness of other persons;
20. liquidation, merger and change in ownership;
21. restrictive and inconsistent agreements;
22. burdens of production;
23. investments in other persons;
24. sale of project assets;
25. acquisitions;
26. dividends and reduction in capital;
27. limitation on the issuance of shares;
28. budget;
29. material agreements;
30. limitation on hedging;
31. transactions with affiliates;
32. new subsidiaries; and
33. use of loan proceeds.

For additional information about financial instruments and their associated risks, please refer to notes to the Company's financial statements for the year ended August 31, 2017 under the section "Significant Accounting Policies".

PERSONNEL

- On September 1, 2017, the Company appointed Tyler W. P. Dinwoodie as Corporate Secretary;

- On December 13, 2017, Donald K. D. Baxter resigned as President, CEO and Director of the Company;

- On December 13, 2017, the Company appointed Dr. Gareth P. Hatch as Interim CEO and Executive Director;

- On December 13, 2017, the Company appointed Tyler W. P. Dinwoodie as President; and

- On January 24, 2018, the Company appointed John A. Chapman as Interim Chief Financial Officer and ended its professional relationship with former Chief Financial Officer, Doug Bolton.

The current directors and officers of the Company are as follows:

Name	Position	Effective Date
Dr. Gareth P. Hatch	Executive Director	December 13, 2017
	Interim Chief Executive Officer	December 13, 2017
Tyler W. P. Dinwoodie	President	December 13, 2017
	Corporate Secretary	September 1, 2017
Ann-Marie M. Pamplin	Vice President, Investor Relations	November 1, 2015
John A. Chapman	Chief Financial Officer	January 24, 2018
Daniel P. Goffaux	Independent Director	May 14, 2014
Jean Depatie	Chairman of the Board	November 22, 2012

RISKS AND UNCERTAINTIES

The Company is in the business of acquiring, exploring and developing natural resource properties in the United States of America. Because the Company's properties are in an early stage of exploration, the following risk factors, amongst others, will apply:

Liquidity Risk and Additional Funding

Liquidity risk is the risk that the Company will be unable to meet its obligations relating to its financial liabilities. The Company's cash flows are currently insufficient to meet the required payment of principal, premium, if any, and interest on the Company's indebtedness, including its convertible Promissory Note resulting from the Loan Agreement with Westwater announced on December 13, 2017. In addition, the Company does not currently have sufficient financial resources to undertake all of its planned development programs. The exploration and subsequent development of the Company's properties and other planned capital projects will depend on the Company's ability to obtain required financing through sales revenue or third-party sources or to make other satisfactory arrangements. The Company has limited financial resources and there is no assurance that additional funding will be available to allow the Company to fulfill its plans with respect to its activities or to pay the principal, premium, if any, and interest on its debt.

Failure by the Company to obtain additional financing on a timely basis and in sufficient amounts to fund its operations or to make other satisfactory arrangements and/or failure to meet its obligations pursuant to the Loan Agreement may cause the Company to delay or indefinitely postpone development activities or may cause the Company to forfeit or lose rights in its properties, reduce or terminate its operations, or default on its debt. Furthermore, the Company may be forced to reduce or delay capital expenditures, sell material assets, seek additional capital (if available) or seek protection under applicable insolvency legislation. All of the above circumstances cast significant doubt about the Company's ability to continue as a going concern for the next twelve months.

Volatile markets may make it difficult or impossible for the Company to obtain debt financing or equity financing on favorable terms, if at all.

Proposed Transaction

There can be no certainty that all conditions precedent to the Acquisition will be satisfied. Failure to complete the Arrangement could negatively impact the share price of the Company and could otherwise adversely affect the business of the Company. The completion of the Arrangement is subject to a number of conditions precedent, certain of which are outside the control of the Company and its management, including receipt of securityholder approval and the final order of an applicable court in respect of the Arrangement. There can be no certainty, nor can the Company provide any assurance, that these conditions will be satisfied or, if satisfied, when they will be satisfied. If the Arrangement is not completed, the market price of the Company's common shares may decline since it is assumed that the current market price of these shares reflects both a market assumption and related probability that the Arrangement will be completed. If the Arrangement is not approved and the Company decides to seek another merger or business combination, there can be no assurance that it will be able to find a party willing to pay an equivalent or more attractive price than the consideration to be paid pursuant to the Arrangement. In addition, if the Arrangement is not approved and completed, the Company's debt to Westwater pursuant to the Loan Agreement will be accelerated and become forthwith due and payable and there is no assurance that the Company will be able to find alternative financing to fund the payment of this secured liability and the related expenses, which may result in Westwater realizing on the collateral that has been pledged by the Company which would be expected to impair the Company's ability to raise any additional funds for itself.

If the Company and Westwater fail to complete the Acquisition, as contemplated by the Arrangement Agreement, and the Company does not receive and complete a superior proposal, then the ability of the Company to: (i) continue to meet the listing requirements of the TSXV; (ii) continue as a going concern; and (iii) remain solvent, will be materially impaired.

Variable Consideration

Pursuant to the provisions of the Arrangement Agreement, each of the Company's common share will be exchanged for common shares of Westwater pursuant to the Exchange Ratio. While the Exchange Ratio is fixed, the value of the consideration is not, and it varies due to fluctuations in the market price of Westwater's common shares. Many of the factors that affect the market price of the Company's common shares are beyond the control of the Company. These factors include fluctuations in currency exchange rates, changes in investor sentiment regarding the proposed Arrangement, the graphite sector, Westwater and the Company, changes in the regulatory environment, adverse political developments, prevailing conditions in the capital markets, and interest rate fluctuations.

Loan Agreement Covenants

Pursuant to the Loan Agreement entered into with Westwater, the Company has made certain covenants to the lender. Although there are actions that the Company may take if its compliance with the applicable covenants becomes an issue, there can be no assurance that the Company will remain in compliance with its covenants under the Loan Agreement. There are no assurances that Westwater would waive any such covenants in the event of default or non-compliance by the Company.

The Company's access to credit on reasonable terms is also partially dependent on the Company's credit ratings. If the Company's credit ratings are downgraded, it will likely become more difficult and costly for the Company to access the credit markets or otherwise incur new debt.

Upon the occurrence of various events, such as a change of control, some or all of the Company's outstanding debt obligations may come due prior to their maturity dates and may require payments in excess of their outstanding amounts, which in certain circumstances may be significant.

Exploration-Stage Company

The Company does not hold any known mineral reserves of any kind and does not generate any revenues from production. The Company's success will depend largely upon its ability to locate commercially productive mineral reserves. Mineral exploration is highly speculative in nature, involves many risks and frequently is non-productive. There is no assurance that exploration efforts will be successful. The Company has no current sources of revenue and is dependent upon its ability to secure new sources financing. These conditions, along with other risks, indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Success in establishing reserves is a result of a number of factors, including the quality of management, the level of geological and technical expertise, and the quality of property available for exploration. Once mineralization is discovered, it may take several years in the initial phases of drilling until production is possible, during which time the economic feasibility of production may change.

Substantial expenditures are required to establish proven and probable reserves through drilling and trenching, to determine the optimal metallurgical process to extract the metals from the ore and, in the case of new properties, to construct mining and processing facilities. Because of these uncertainties, no assurance can be given that any future exploration programs will result in the establishment or expansion of resources or reserves.

Nature of Mining, Mineral Exploration and Development Projects

Mining operations generally involve a high degree of risk. The Company's operations are subject to the hazards and risks normally encountered in the mineral exploration, development and production, including environmental hazards, explosions, unusual or unexpected geological formations or pressures and periodic interruptions in both production and transportation due to inclement or hazardous weather conditions. Such risks could result in damage to, or destruction of, mineral properties or producing facilities, personal injury, environmental damage, delays in mining, monetary losses and possible legal liability.

There is no assurance the Company's mineral exploration activities will be successful. Few properties that are explored are ultimately developed into producing mines. At present, none of the Company's properties has a known body of commercial ore and the proposed exploration program is an exploratory search for ore. In exploring and developing its mineral deposits the Company will be subjected to an array of complex economic factors and technical considerations. Delays in obtaining governmental approvals, inability to obtain financing or other factors could cause delays in exploring and developing properties. Such delays could materially adversely affect the financial performance of the Company. Unusual or unexpected formations, formation pressures, power outages, labor disruptions, flooding, explosions, cave-ins, landslides, environmental hazards, the discharge of toxic chemicals and the inability to obtain suitable or adequate machinery, equipment or labor are other risks involved in the operation of mines and the conduct of exploration programs. The Company has relied and may continue to rely upon consultants and others for operating expertise. Depending on the price of minerals produced, the Company may determine that it is impractical to commence or continue commercial production.

Actual production, cash operating costs and economic returns could differ significantly from those estimated. Indeed, current market conditions are forcing many mining operations to increase capital and operating cost estimates. It is not unusual for new mining operations to experience problems during the start-up phase, and delays in the commencement of production often can occur.

No Revenues

To date, the Company has recorded no revenues from operations and the Company has not commenced commercial production on any property. There can be no assurance that significant losses will not occur in the near future or that the Company will be profitable in the future. The Company's operating expenses and capital expenditures may increase in subsequent years as consultants, personnel and equipment associated with advancing exploration, development and commercial production of the Company's properties. The Company expects to continue to incur losses unless and until such time as it enters into commercial production and generates sufficient revenues to fund its continuing operations. The development of the Company's properties will require the commitment of substantial resources to conduct time-consuming development. There can be no assurance that the Company will generate any revenues or achieve profitability.

Financing

The Company's objective is to ensure that there are sufficient committed financial resources to meet its short-term business requirements for a minimum of twelve months. Currently, the Company does not have sufficient funds on hand to meet its general and administration requirements beyond January 31, 2018. The Company has no formal credit facilities at this time and given the Company's current stage of development, it is not expected that such credit facilities would be available to the Company.

Future exploration, development, mining, and processing of minerals from the Company's properties will require substantial additional financing. The only current sources of funds available to the Company are the sale of additional equity capital, which if available, may result in substantial dilution to existing shareholders. There is no assurance that such funding will be available to the Company, or that it will be obtained on terms favorable to the Company. Failure to obtain sufficient financing may result in delaying or indefinite postponement of exploration, development, or production on any or all of the Company's properties, or even a loss of property interests. Management believes the Company's overall liquidity risk has increased from the prior year due to the current global credit crisis and the possible lack of financing available in the equity markets.

Dependence on Management, Key Personnel and Outside Parties

The Company is dependent on the services of key executives, including a small number of highly skilled and experienced executives and personnel. The Company's development to date has largely depended, and in the future, will continue to depend, on the efforts of key management and other key personnel to develop its projects. Loss of any of these people, particularly to competitors, in the short term, could have a material adverse impact upon the Company current schedule.

The Company depends on outside parties, researchers, consultants, engineers and laboratory staff in respect of the Company's downstream value-added graphite battery-ready products. Substantial expenditures are required to construct mines, to establish mineral reserves through drilling, to carry out environmental and social impact assessments, to develop metallurgical processes and, in the case of new properties, to develop the exploration and plant infrastructure at any particular site. If such parties' work is deficient or negligent or is not completed in a timely manner, it could have a material adverse effect on the Company. In addition, the Company's proprietary methods and intellectual properties related to its downstream value-added graphite processing methods are held and exist through know how, trade secrets and co-operative relationships with third party researchers and developers. The Company does not currently have any patents or patents pending in regard to these methods. Although it is a goal of the Company enhance its protection and rights related to these methods once further development ensues, and/or the Company's financial resources improve, there is no assurance that the Company will be able defend or protect these downstream processing methods and obtain and maintain any enforceable exclusivity over them.

Competition

There is aggressive competition within the mining industry for the discovery and acquisition of properties considered to have commercial potential. The Company competes with other mining companies, many of which have greater financial resources than the Company, for the acquisition of mineral claims, leases and other mineral interests, as well as for the recruitment and retention of qualified employees and other personnel. Such competition may also result in the Company being unable to acquire the capital necessary to fund its operations and develop its properties. The Company's inability to compete with other mining companies for these resources would have a material adverse effect on the Company's results of operation and business.

Difficulties in Raising Development Capital

Market events and conditions could, among other things, impede access to capital or increase the cost of capital, which would have an adverse effect on the Company's ability to fund its capital requirements to pursue the acquisition and exploration of any significant mineral projects or to secure its share of development financing following a decision to place any of its current or future mineral properties into production (whether on its own or on a joint venture basis). The Company's access to additional capital may not be available on terms acceptable to the Company or at all.

Qualified Personnel

Recruiting and retaining qualified personnel in the future is critical to the Company's success. As the Company further develops its properties, the need for skilled labor will increase. The number of persons skilled in development and operations of mining properties is limited and competition for this workforce is intense. The development of the Company's properties may be significantly delayed or otherwise adversely affected if the Company cannot recruit and retain qualified personnel as and when required.

General Economic Conditions

Events in global financial markets could have a serious impact on the global economy. Many industries, including the precious metals, base metals and critical materials (uranium, lithium, graphite, cobalt, rare earths) mining industry, are impacted by these market conditions. Some of the key impacts of the current financial market turmoil include contraction in credit markets resulting in a widening of credit risk, devaluations and high volatility in global equity, commodity, foreign exchange and precious metal markets, and a lack of market liquidity. A continued or worsened slowdown in the financial markets or other economic conditions, including but not limited to, consumer spending, employment rates, business conditions, inflation, fuel and energy costs, consumer debt levels, lack of available credit, the state of the financial markets, interest rates, and tax rates may adversely affect the Company's growth and development of its resource properties.

Specifically, the main risk factors are:

- the recent downturn in the resource sector could impact the cost and availability of financing and the Company's overall liquidity;
- the volatility of commodity, metal and mineral prices may significantly impact the Company's ability to raise capital to advance the Company's graphite properties;
- volatile energy prices, commodity and consumables prices and currency exchange rates impact potential exploration costs; and,
- the devaluation and volatility of global stock markets impacts the valuation of common shares, which may impact the Company's ability to raise funds through the issuance of common shares.

These factors could have a material adverse effect on the Company's financial condition and results of operations.

Share-Price Volatility

Worldwide securities markets, particularly those in North America, have experienced a high level of price and volume volatility in recent years. The market price of securities of many companies, particularly those considered exploration or development stage companies, have experienced unprecedented fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. Most significantly, the share prices of junior natural resource companies have experienced significant decline in value and there has been a significant decline in the number of buyers willing to purchase such securities.

In addition, significantly higher redemptions by holders of mutual funds has forced many of such funds (including those holding the Company's securities) to sell such securities at any price. As a consequence, despite the Company's past success in securing equity financing, market forces may render it difficult or impossible for the Company to secure places to purchase new share issues at a price which will not lead to severe dilution to existing shareholders, or at all.

Foreign Exchange

Mineral commodities are sold in US dollars and consequently, the Company is subject to foreign exchange risks relating to the relative value of the Canadian dollar as compared to the US dollar. To the extent that the Company generates revenue upon reaching the production stage on its properties; it will be subject to foreign exchange risks as revenues will be received in US dollars while operating and capital costs will be incurred primarily in Canadian dollars. A decline in the US dollar would result in a decrease in the real value of the Company's revenues and adversely affect its financial performance. The Company is exposed to currency risk by incurring certain expenditures and debt in currencies other than the Canadian dollar.

Permits and Licenses; Laws and Regulations

The operations of the Company will require licenses and permits from various governmental authorities. There can be no assurance that the Company will be able to obtain all necessary licenses and permits that may be required to carry out exploration, development and mining operations at its projects, on reasonable terms or at all. Delays or a failure to obtain such licenses and permits or a failure to comply with the terms of any such licenses and permits that the Company does obtain, could have a material adverse effect on the Company.

The Company's exploration and development activities, including mine and transportation facilities, require permits and approvals from various government authorities, and are subject to extensive federal, state and local laws and regulations governing prospecting, development, production, exports, taxes, labor standards, occupational health and safety, mine safety, and other matters. Such laws and regulations are subject to change, can become more stringent and compliance can, therefore, become costlier. In addition, the Company may be required to compensate those suffering loss or damage by reason of its activities.

Mineral Resource and Mineral Reserve Estimates May be Inaccurate

There are numerous uncertainties inherent in estimating mineral resources and mineral reserves, including many factors beyond the control of the Company. The accuracy of any mineral resource or mineral reserve estimate is a function of the quantity and quality of available data and of the assumptions made and judgments used in engineering and geological interpretation. These amounts are estimates only and the actual level of mineral recovery from such deposits may be different. Differences between management's assumptions, including economic assumptions such as mineral prices and market conditions, could have a material adverse effect on the Company's financial position and results of operations.

Litigation

Commencing in Q4 of fiscal 2017 and continuing as at the date hereof, the Company is currently involved with a litigation matter involving alleged online chatroom defamation that is preliminary in nature, with no apparent evidence that the plaintiff has incurred any material damages or would be able to substantiate any such damages. Notwithstanding the foregoing, there can be no assurances that this litigation matter will not have a material adverse effect upon the Company's business, results of operations and/or financial condition.

The Company has entered into legally binding agreements with various third parties on, among other things, a consulting basis. Although no unsettled litigation currently exists between the Company and any consultants, the interpretation of the rights and obligations that arise from such agreements is open to interpretation and the Company may disagree with the position taken by the various other parties resulting in a dispute that could potentially initiate litigation and cause the Company to incur legal costs in the future. Given the speculative and unpredictable nature of litigation, the outcome of any such disputes could be time-consuming, result in costly litigation or otherwise have a material adverse effect on the Company.

Acquisition of Mineral Concessions under Agreements

The agreements pursuant to which the Company has the right to acquire a number of its properties provide that the Company must make a series of cash payments and/or share issuances over certain time periods, expend certain minimum amounts on the exploration of the properties or contribute its share of ongoing expenditures. Failure by the Company to make such payments, issue such shares or make such expenditures in a timely fashion may result in the Company losing its interest in such properties. There can be no assurance that the Company will have, or be able to obtain, the necessary financial resources to be able to maintain all of its property agreements in good standing, or to be able to comply with all of its obligations there under, with the result that the Company could forfeit its interest in one or more of its mineral properties.

Environmental and Other Regulatory Requirements

Existing and possible future environmental legislation, regulations and actions could cause additional expense, capital expenditures, restrictions and delays in the activities of the Company, the extent of which cannot be predicted. Before production can commence on any properties, the Company must obtain regulatory approval and there is no assurance that such approvals will be obtained. Although the Company believes its mineral and exploration activities are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail production or development.

Uninsured Risks

The Company may become subject to liability for forest fires, pollution or other hazards against which it cannot insure or against which it may elect not to insure because of high premium costs or other reasons.

The payment of such liabilities would reduce the funds available for exploration and mining activities. In particular, the Company is not insured for environmental liability or earthquake damage.

Operating Hazards and Risks

Mineral exploration involves many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Operations in which the Company has a direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration, development and production of base metals, any of which could result in work stoppages, damage to property, and possible environmental damage. The Company currently does not maintain liability insurance against such liabilities. Although the Company currently intends to obtain insurance when it commences operations of reasonable significance, the nature of these risks is such that liabilities might exceed policy limits, the liabilities and hazards might not be insurable, or the Company might not elect to insure itself against such liabilities due to high premium costs or other reasons, in which event the Company could incur significant costs that could have a materially adverse effect upon its financial condition.

Title Matters

The acquisition and maintenance of titles to resource properties is a very detailed and time-consuming process. The mining claims in which the Company has an interest have not been surveyed and, accordingly, the precise location of the boundaries of the claims and ownership of mineral rights on specific tracts of land comprising the claims may be in doubt. Such claims have not been converted to lease and tenure, and are, accordingly, subject to annual compliance with assessment work requirement. Other parties may dispute the Company's title to its mining properties. While the Company has diligently investigated title to all mineral claims and, to the best of its knowledge, title to all properties is in good standing; this should not be construed as a guarantee of title. The properties may be subject to prior unregistered agreements, First Nation's land claim or transfers of land claims and titles which may be affected by undetected defects.

Conflicts of Interest

Certain of the Company's directors and officers serve as directors or officers of other companies or have significant shareholdings in other companies and, to the extent that such other companies may participate in ventures in which the Company may participate, the directors of the Company may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. In the event that such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. From time to time, several companies may participate in the acquisition, exploration and development of natural resource properties thereby allowing for their participation in larger programs, permitting involvement in a greater number of programs and reducing financial exposure in respect of any one program. It may also occur that a particular company will assign all or a portion of its interest in a particular program to another of these companies due to the financial position of the company making the assignment. Under the laws of the Province of British Columbia, the directors of the Company are required to act honestly, in good faith and in the best interests of the Company. In determining whether or not the Company will participate in a particular program and the interest therein to be acquired by it, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time.

Fluctuation of Metal Prices

The market price of precious metals and other minerals is volatile and cannot be controlled. If the price of precious metals and other minerals should drop significantly, the economic prospects of the projects which the Company has an interest in could be significantly reduced or rendered uneconomic. There is no assurance that, even if commercial quantities of ore are discovered, a profitable market may exist for the sale of same. Factors beyond the control of the Company may affect the marketability of any minerals discovered. Mineral prices have fluctuated widely, particularly in recent years. The marketability of minerals is also affected by numerous other factors beyond the control of the Company, including government regulations relating to royalties, allowable production and importing and exporting of minerals, the effect of which cannot be accurately predicted.

ACCOUNTING POLICIES

Accounting Standards Issued, but Not Yet Effective

Please refer to the notes to the financial statements for the quarter ended November 30, 2017 under the section for "Accounting Standards Issued, But Not Yet Effective".

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL INFORMATION

The Company's financial statements and the other financial information included in this management report are the responsibility of the Company's management and have been examined and approved by the Board of Directors. The financial statements were prepared by management in accordance with IFRS and include certain amounts based on management's best estimates using careful judgment. The selection of accounting principles and methods is management's responsibility.

Management recognizes its responsibility for conducting the Company's affairs in a manner to comply with the requirements of applicable laws and established financial standards and principles, and for maintaining proper standards of conduct in its activities.

The Board of Directors supervises the financial statements and other financial information through its audit committee, which is comprised of a majority of non-management directors.

This committee's role is to examine the financial statements and recommend that the Board of Directors approve them, to examine the internal control and information protection systems and all other matters relating to the Company's accounting and finances. In order to do so, the audit committee meets annually with the external auditors, with or without the Company's management, to review their respective audit plans and discuss the results of their examination. This committee is responsible for recommending the appointment of the external auditors or the renewal of their engagement.

ADVANCE-NOTICE POLICY FOR NOMINATING DIRECTORS

On June 12, 2015, the Company announced that its board of directors has approved and adopted an advance-notice policy (the "Policy"). The purpose of the Policy is to provide shareholders, directors and management of the Company with a clear framework for nominating directors of the Company. The Company is committed to: (i) facilitating an orderly and efficient annual general or, where the need arises, special meeting, process; (ii) ensuring that all shareholders receive adequate notice of the director nominations and sufficient information regarding all director nominees; and (iii) allowing shareholders to register an informed vote after having been afforded reasonable time for appropriate deliberation. The Policy is intended to further these objectives.

The Policy, among other things, includes a provision that requires advance notice to the Company in certain circumstances where nominations of persons for election to the board of directors are made by shareholders of the Company. The Policy fixes a deadline by which director nominations must be submitted to the Company prior to any annual or special meeting of shareholders and sets forth the information that must be included in the notice to the Company. No person will be eligible for election as a director of the Company unless nominated in accordance with the Policy.

In the case of an annual meeting of shareholders, notice to the Company must be made not less than 30 days and not more than 65 days prior to the date of the annual meeting; provided, however, that, in the event that the annual meeting is to be held on a date that is less than 50 days after the date on which the first public announcement of the date of the annual meeting was made, notice may be made not later than the close of business on the 10th day following such public announcement.

In the case of a special meeting of shareholders called for the purpose of electing directors (whether or not called for other purposes), notice to the Company must be made not later than the close of business on the 15th day following the day on which the first public announcement of the date of the special meeting was made.

SUBSEQUENT EVENTS

Subsequent to the fiscal quarter of the Company, on December 13, 2017 the Company announced that it had entered into a definitive Arrangement Agreement with Colorado, USA-based Westwater Resources, Inc. ("Westwater") pursuant to which it is proposed that Westwater will acquire all of the issued and outstanding securities of the Company. In addition, in order to fund the Company's working capital deficit that had developed during the Fall of 2017, to pay outstanding accounts payable, and provide sufficient cash resources to enable the Corporation to carry on its business until the closing of the expected acquisition by Westwater, on December 13, 2017 the Company and Westwater also agreed to the terms of a secured loan and entered into a Loan Agreement for up to USD$2 .0 million (approximately CAD$2.55 million). Should any default occur under the Loan Agreement, the loan will become immediately repayable. More information about the proposed acquisition, the Arrangement Agreement and the Loan Agreement are described above in this MD&A. Copies of the Arrangement Agreement and the Loan Agreement have been filed on SEDAR by the Company.

As part of the transition period prior to the expected upcoming completion of the Acquisition, the Company's former President and CEO, Donald Baxter, agreed to resign from his officer and director positions with the Company as of December 13, 2017. Gareth Hatch, a Director of the Company, was appointed as its interim CEO. Executive Vice President and Corporate Secretary Tyler Dinwoodie was appointed as the Company's President. The Company's Audit Committee is now comprised of Jean Depatie, Daniel Goffaux and Dr. Hatch.

Further details about the Acquisition, as well as the rationale behind supporting the Acquisition (as made by the Company's Special Committee and its Board of Directors), will be set out in the Company's management information circular to be filed on SEDAR in connection with the special meeting of shareholders to be call for the Acquisition. The management information circular is currently expected to be finalized and filed on SEDAR in February 2018.

ADDITIONAL INFORMATION AND CONTINUOUS DISCLOSURE

This Management's Discussion and Analysis has been prepared as of January 26, 2018. Additional information on Alabama Graphite Corp. is available through regular filings on SEDAR (www.sedar.com).

(s) **Gareth P. Hatch**, PhD, CEng, FIMMM, FIET

Interim Chief Executive Officer and Executive Director

(s) **John A. Chapman**, P.Eng., CPA, CMA, CMC

Interim Chief Financial Officer