The following management's discussion and analysis ("MD&A") of the financial condition and operating results of Alabama Graphite Corp. ("AGC" or the "Company") pertains to the three months ended November 30, 2016. The MD&A should be read in conjunction with the unaudited condensed interim consolidated financial statements and notes attached thereto for the six months ended February 28, 2017. This MD&A reports on our activities up to April 29, 2017.

The unaudited condensed interim 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").

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, 2016.

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 PERSON'S CONSENT

Donald K.D. Baxter, P.Eng., Alabama Graphite Corp. President, Chief Executive Officer, and Executive Director is a Qualified Person, as defined by National Instrument 43-101 ("NI 43-101") and was responsible for verifying the data herein and has read and approved 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 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, namely coated spherical purified graphite ("CSPG"). There has been no determination whether the Company's exploration and evaluation assets contain mineral reserves and resources that are economically viable. The Company has a disclosure of its Mineral Resource Estimate and Preliminary Economic Assessment for the Coosa Project in Coosa County, Alabama 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 is currently trading on the TSX Venture Exchange (symbol "CSPG"), OTCQB (symbol "CSPGF"), and the Frankfurt Stock Exchange (symbol "1AG"). The Company is a reporting issuer in British Columbia, Alberta and Ontario.

PROPERTY DESCRIPTIONS & EXPLORATION WORK

COOSA PROPERTY, ALABAMA, USA

In August and November, 2012 the Company acquired a 100% interest in the Coosa Property consisting of 41,535 acres and located in Coosa County, Alabama, 50 miles (80 kilometers) 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.

Access to the project is by driving southeast from Birmingham Airport on Highway US 280 for approximately 52 mi (84 km) to Sylacauga (population 12,749 at the 2010 census) which is the closest small city with hotels and services. The Company has its field office and core store here. It is called the "Marble City" due to large marble quarries and processing facilities nearby. From Sylacauga, it is approximately 24 mi (39 km) by road to the Coosa 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 nearest major airport with scheduled flights is in Birmingham, and there is an airfield at Sylacauga.

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, and marble quarries are still active.

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 Mitchell Lake, a large impoundment on the Coosa River at the western edge of the property.

Drilling

Alabama Graphite Corp. has conducted four drilling programs at the Coosa project between 2012 and 2015 comprising 135 drill holes totaling 28,604.9 ft. (8,718.8 m). Of these, 109 holes totaling 25,904.9 ft. (7,895.8 m) were drilled in the Coosa target and were used in the database for the resource estimation. The other 26 holes totaling 2,700.0 ft. (822.9 m) are exploration holes drilled out with the Coosa target and were not used in the database for resource estimation. For significant intercepts from the 2012 to 2015 drilling, please refer to the section under "Drilling" in the Preliminary Economic Assessment.

On January 22, 2015, the company announced the assay results from the trenching program started on the Coosa Property in November 2014. The purpose of the trenching was both to further evaluate the known resource as well as to test the 'hearts' of the airborne geophysical anomalies that are distinct from the established resource. Bulk samples were also collected for future metallurgical testing. Trenching was performed by a local excavation contractor although all sampling and logging was conducted by Alabama Graphite Corp. personnel. Analyses were conducted by ActLabs of Ancaster, Ontario.

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.

Trenching in the new target areas has identified several new areas with significant graphite over substantial widths. Please refer to the news release dated January 22, 2015 for the results of these trenches.

Preliminary Economic Assessment ("PEA")

In summary, exploration works so far have defined a graphitic schist band with a strike length of 5,980 ft. (1,822.7 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 feet of drilling (including 40 new holes totaling 5,665.5 feet) plus 11 new trenches totaling 3,425 feet of sampling. The estimate was prepared by Metal Mining Consultants Inc. of Highlands Ranch, Colorado, who also prepared an initial mineral resource estimate for the Coosa Graphite Project in 2013.

The Company has filed the accompanying NI 43-101 technical report dated November 27, 2015, entitled, "Alabama Graphite Corp. Preliminary Economic Assessment (PEA) on the Coosa Graphite Project, Alabama, USA" 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 Preliminary Economic Assessment ("PEA") for the Coosa Graphite Project. The PEA technical report was prepared pursuant to Canadian Securities Administrators' National Instrument 43-101 ("NI 43-101") by the independent engineering firm AGP Mining Consultants Inc. ("AGP") of Barrie, Ontario - in conjunction with Metal Mining Consultants Inc. of Highlands Ranch, Colorado; 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 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 others in the flake graphite development space in that it addresses both primary and secondary processing to produce specialty, ultra-high-purity graphite products, as opposed to sole primary processing to make traditional graphite concentrate. The Company does not intend to sell any graphite concentrate. This is a significant point of differentiation between the Company and other flake graphite development companies. Recent known flake graphite development companies' PEAs and Feasibility Studies have been based solely on primary processed, run-of-mine ("ROM") graphite concentrates of various purities and flakes sizes. The Company intends to divert 100% of primary processed graphite to secondary processing to produce specialty graphite, specifically, coated spherical graphite ("CSPG") for use in lithium-ion ("Li-ion") batteries and purified micronized flake graphite ("PMG") for use in polymer, plastic and rubber composites, powder metallurgy, energy materials, and friction materials, among other applications. As a result, the Company's PEA incorporates mining and primary ROM processing capital and operating expenditures, as well as secondary processing, specialty 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.

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

*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.

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 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 and the world's largest marble quarry (which operates 24 hours a day, 365 days a year in Sylacauga, Alabama), is located within a 30-minute drive of the Coosa Graphite Project.

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 (19 miles 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) or costly high-temperature thermal upgrading and purification. The principal high-value specialty graphite product the Company intends to produce - CSPG for Li-ion batteries - has significant enduring future 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 graphite product and (2) a purified micronized flake graphite 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 by 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 by Canadian Securities Administrators' National Instrument 43-101 ("NI 43-101") Standards of Disclosure for Mineral Projects. 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 National Instrument 43-101 ("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 was prepared by AGP Mining Consultants Inc.'s Mr. Gordon Zurowski, P.Eng., an independent Qualified Person as defined by National Instrument 43-101 guidelines, and Mr. Andy Holloway, P.Eng., an independent Qualified Person as defined by National Instrument 43-101 guidelines. The information pertaining to the geology and mineral resource estimation portions of the PEA was prepared by Mr. Scott E. Wilson, C.P.G. from Metal Mining Consultants Inc., an independent Qualified Person as defined by National Instrument 43-101 guidelines.

INDEPENDENT BATTERY TEST RESULTS

On January 19, 2016, the Company announced independent results from downstream lithium-ion battery tests recently performed on the Company's Coated Spherical Purified Graphite ("CSPG") that was produced from flake graphite obtained from the Company's Coosa Graphite Project.

HIGHLIGHTS

- **Independent battery testing evaluated CSPG produced by the Company's proprietary CSPG manufacturing process. The test results demonstrated that AGC's CSPG responded very well in CR2016 lithium-ion battery coin cell (half-cell with Lithium counter electrode) performance testing;**

- **A total of 60 CR2016 lithium-ion half-cell batteries were manufactured in the U.S.A. with AGC's CSPG as a material component. These 60 batteries were the ones that were utilized in the preliminary tests being reported on;**

- **Spheronization (shaping), micronization (classification by size) and surface coating of graphite from AGC's Coosa Graphite Project was achieved through the Company's innovative, proprietary specialty midstream CSPG manufacturing process which utilizes what AGC believes are environmentally sustainable processing methods (that is, without the use of hydrofluoric, hydrochloric, sulfuric, nitric acids and alkalis);**

- **The CSPG that was tested performed well and achieved near theoretical electrochemical performance;**
- **An ultra-high-purity grade (99.95% Cg) of CSPG was achieved;**
- **Graphite percentage by loss-on-ignition test was 99.95 wt% C;**
- **Tap Density* was 0.985 g/cm^3 (gram per cubic centimeter);**
- **Tight control was achieved over CSPG particle size distribution (CSPG particle size distribution plays a crucial role in battery design for high capacity (mAh) rating and efficiency of cycling);**
- **Initial performance suggests that AGC's CSPG has high stability upon cycling;**
- **High-rate pulse discharge indicates that the CSPG can operate at high drain rates;**
- **AGC's CSPG has a comparatively low 0.62 m^2/g BET surface area, which is a key safety metric as well as a prerequisite for achieving low irreversible capacity loss;**
- **Testing results on the Company's CSPG exceed the performance of the comparison benchmark of commercially available grade material; and**
- **The test results confirm AGC's potential midstream capability to manufacture and tailor lithium-ion battery anode grade graphite in order to create value-added products to meet highly demanding downstream customer specifications.**

* Note: tap density of powders, granules, flakes, and other finely divided solids is an important characteristic and commonly measured property of numerous materials. For lithium-ion batteries, a high number (measured in g/cm^3) for the anode material is desired and AGC's CSPG tap density was 0.985 g/cm^3. This test is run in accordance with ASTM standards: D4781-03. Tap density is a standard test used by professionals who work with graphite particles in the battery industry to indicate the amount of graphite that can be incorporated and, thus, maximize the specific energy of a battery.

INDUSTRY BACKGROUND INFORMATION

In supply chain management, the terms "upstream", "midstream" and "downstream" are used to refer to the relative positions within a chain of production processes that exist within several industries, including the metals industry, the oil & gas industry and also several industrial and consumer end-product industries. These terms are also utilized in the battery and energy-storage industries. The upstream stage of the production process involves searching for and extracting of raw materials. The downstream stage in the production process involves processing the materials collected during the upstream stage into a finished product for use or consumption by customers. "Midstream" is the essential segue between the exploration and production (upstream) and the manufacturing of end products and marketing (downstream).

Graphite is a critical strategic mineral (the USA has declared graphite a supply critical mineral; the European Union declared graphite a critical raw material). The United States currently imports 100% of all graphite consumed. There is currently no upstream domestic supplier of graphite in the United States. Although there are approximately 200 downstream graphite applications, the one with the most significant expected and enduring future demand is lithium-ion batteries (graphite is used to manufacture the anode in a lithium-ion battery). Each electric car contains more than 100 pounds of coated spherical graphite ("CSPG"). It takes 10 to 30 times more graphite than lithium to make a lithium-ion battery.

In the opinion of AGC's management, the world's future upstream graphite demand will be driven primarily by the expanding downstream demand for lithium-ion batteries (for use in electronic devices, transportation and stationary battery markets). Graphite's unique properties make it the ideal anode material for lithium-ion batteries; however, downstream clients require the performance characteristics of CSPG graphite — not traditional run-of-mine graphite. Accordingly, upstream graphite exploration and development companies will need the services of a midstream processer to advance the quality of the graphite so that it can later be utilized as the anode in a lithium-ion battery. This midstream technological process involves taking natural graphite (an upstream product) and then making a secondary product, by utilizing a process that involves purification, micronization, spheronization, classification, and surface coating, and further optimization of the aforementioned to manufacture a higher quality and better performing product (specifically, CSPG).

Due to environmental and cost concerns, management of AGC believes that the growing lithium-ion battery industry requires a US-based, cost-competitive midstream alternative to current sources of CSPG. For example, American automaker and downstream lithium-ion battery manufacturer Tesla Motors Inc. has publicly stated that it needs to "establish a supply chain that is local and focused on minimizing environmental impact while significantly reducing battery costs" *(source:* Bloomberg Business, *2014)*. That company's USD$5 billion Gigafactory 1, currently being commissioned in Nevada, is already in limited production. However, in Q1 2016, AGC adopted a United States Department of Defense ("DoD") First ("DoD First") business strategy in an effort to focus its marketing efforts primarily on addressing the needs of U.S. DoD battery manufacturers and contractors, as 'sourced in America' is of significant importance to the DoD. DoD battery manufacturers and contractors are strongly encouraged to source battery input materials from within the United States whenever possible.

Current prices for CSPG produced from natural flake graphite ranges from USD$7,000 and USD$12,000 per tonne, compared to USD$20,000 per tonne for synthetic graphite material made from petroleum coke — the only other currently viable alternative for the anode in a lithium-ion battery *(source: Benchmark Mineral Intelligence, 2015)*. China currently produces approximately 90% of the world's CSPG, utilizing methods — including the use of hydrofluoric acid *(source: Industrial Minerals Data, 2015)* — that some regard as environmentally irresponsible, unsustainable and not aligned with green-energy initiatives and objectives.

Alabama Graphite Corp's intent is to commence small-scale mining and primary flake graphite processing operations in Alabama (this will be AGC's upstream business) and, subsequently, divert 100% of primary production to secondary processing and production of specialty graphite (specifically, CSPG) for use in lithium-ion batteries (this will be AGC's midstream business). For these reasons, AGC considers itself a graphite exploration and development company as well as an aspiring battery materials production and technology company.

The Company's January 19, 2016 announcement reports on the results of some recent downstream testing on lithium-ion batteries that were made with CSPG that was manufactured utilizing AGC's proprietary CSPG manufacturing process. The testing that was done on these batteries yielded results that are principally relevant to the CSPG production process rather than the specific quality or characteristics of the flake graphite found at the Company's Coosa Graphite Project.

AGC's INDEPENDENT CSPG TEST RESULTS IN LI-ION BATTERIES

Preliminary electrochemical testing on batteries made using AGC's CSPG was conducted by a leading independent North American energy materials laboratory specializing in research and development on industrial graphite, carbon and batteries.

The laboratory completed preliminary testing and measured the performance properties of batteries made from CSPG that was manufactured from flake graphite extracted from AGC's Coosa Graphite Project. The technicians utilized commonly established practices and procedures for their testing and in the development and reporting of the

results described below. AGC has withheld the name of the laboratory for reasons of commercial and competitive confidentiality.

Note: Due to reasons of commercial confidentiality, and contractual confidentiality agreements in place at this time, AGC is currently unable to disclose the specific names and locations of the independent laboratories contracted to consult on the Company's CSPG development and/or testing work. AGC management believes that the independent laboratories AGC has contracted with are reputable, competent and internationally recognizable organizations.

Scanning Electron Micrograph ("SEM") of AGC's 99.95% Cg CSPG
To view Figure 1, please click on the following link: http://media3.marketwire.com/docs/AGCFigure123.jpg

AGC's CSPG vs. Commercial Synthetic Graphite

CR2016 Li-ion Battery Anode	Reversible Capacity (mAh/g)	Irreversible Capacity Loss (%)	BET Surface Area (m^2/g)
AGC Lithium-ion CSPG ***D50=18.3 µm***	**367.21 mAh/g**	**5.09%** ***(94.91% efficient)***	**0.62 m^2/g**
Commercial Lithium-ion Synthetic ***D50=15.8 µm***	347.2 mAh/g	6.06% *(93.94% efficient)*	1.15 m^2/g

Note: ***mAh/g*** *= milliampere hour per gram*
m^2/g *= square meter per gram*

Cross-Section Diagram of AGC's CR2016 Lithium-ion Battery (half cell with Lithium counter electrode, made in the U.S.A.)
To view Figure 2, please click on the following link: http://media3.marketwire.com/docs/AGCFigure2.pdf

In Table 1 above, irreversible capacity loss pertains to the portion of the lithium and electrolyte that is irreversibly tied up after the initial charge of the battery. The efficiency of the battery is reduced during formation cycle. The recorded loss, after the first charge, allows for one to calculate the battery's efficiency (100 minus irreversible capacity loss, equals the anticipated percentage of battery efficiency). For example, if a battery had a 5% irreversible capacity loss, it could be roughly regarded as a 95% efficient battery.

Reversible capacity — meaning, capacity after the first cycle loss — and irreversible capacity are among the most critical metrics for measuring CSPG performance. From these two parameters, the first cycle irreversible capacity loss percentage is calculated, which represents the efficiency of the battery.

As seen in Table 1 above, the battery made using AGC's CSPG demonstrated a reversible capacity of 367.21 mAh/g at 1.80 V vs. Li/Li+ electrode, and an irreversible capacity loss of 5.09% in a proprietary electrolyte system at room temperature. In other words, 386.89 mAh/g of energy charge resulted in 367.21 mAh/g of energy discharge. The theoretical limit for graphite is 372 mAh/g. These results — representing a 94.91% efficient battery — are regarded as excellent in the lithium-ion battery industry and generally exceed the specifications of major battery manufacturers. Although preliminary, AGC management believes the low irreversible capacity loss of the Company's CSPG may hold outstanding potential to lead to the production of higher capacity lithium-ion batteries.

Initial Galvanostatic Cycling of Coosa CSPG in CR2016 Cells vs. Li/Li+ Counter Electrode
To view Figure 3, please click on the following link: http://www.marketwire.com/library/20160119-Figure3screen800.jpg

Note: the C-rate of C/20 means that the necessary current is applied or drained from the battery to completely charge or discharge it in 20 hours, which is a low discharge rate.

Many commercial grades of anode graphite currently available result in batteries with irreversible capacity losses ranging from 10% to less than 8%. Irreversible capacity losses of less than 6% are generally considered excellent by lithium-ion battery experts *(source: Panasonic Corporation, 2015)*.

A battery made using a benchmark commercial grade of premium quality synthetic graphite was utilized as a comparison sample and provided a reversible capacity of 347.2 mAh/g and irreversible capacity of 369.59 mAh/g, resulting in an irreversible capacity loss of 6.06 %. These results represent a 93.94% efficient battery.

These preliminary electrochemical results indicate that the battery made using the Company's CSPG outperformed a comparable battery that was made using a commercial grade of synthetic graphite and that the Company's CSPG battery showed superior reversible capacity, irreversible capacity, irreversible capacity loss, and a lower BET (Brunauer, Emmett and Teller) surface area.

Additionally, the exceptionally low BET (Brunauer, Emmett and Teller surface area analysis) 0.62 m^2/g surface area of the Company's CSPG is excellent, as it pertains to lithium-ion battery safety. Very few commercially available coated spherical graphite products have surface areas less than 1 m^2/g *(source: Panasonic Corporation, 2015)*. The use of higher surface area carbons in lithium-ion batteries can contribute to increased temperatures in batteries and, possibly, contribute to the occurrence of thermal runaways (a thermal runaway refers a catastrophic malfunction and fire in which excessive heat causes more heat until all available fuel is used up). One example of fuel for a fire in lithium-ion cells is the flammable electrolyte solvent. The graphite will not burn in the temperatures achieved in battery fires, but high surface area graphite could contribute to the initial kick-off of thermal runaway reaction that could later propagate to the cathode side. Also, a low surface area is widely considered a prerequisite for achieving low irreversible capacity loss results.

One of the challenges with using carbon-based materials in lithium-ion batteries is the formation of a Solid Electrolyte Interface ("SEI") layer around the particles of graphite after the battery's formation cycling. By consuming available ions of Lithium, the SEI layer produces an irreversible capacity loss. A thin SEI layer is more desirable. Generally, the lower the surface area, the less lithium is lost in forming the SEI layer (and the safer the battery) and the lower the irreversible capacity loss.

Conclusion

The Company is pleased with its battery testing results. AGC will continue to develop, optimize and scale up its midstream manufacturing process for CSPG and conduct further testing of the Company's CSPG in lithium-ion batteries. Further results will be disclosed accordingly.

PILOT PLANT RESULTS

On February 3, 2016, the Company announced positive pilot plant results for the Coosa Graphite Project.

The primary objectives for running the pilot-scale plant were as follows:

- **Confirm the performance of the primary processing metallurgical flow sheet;**

- **Develop an optimized process design criterion (for primary processing) for the forthcoming Coosa Graphite Project Feasibility Study;**

- **Achieve a high-carbon concentrate suitable for AGC's proprietary secondary processing to produce specialty graphite products, namely CSPG for lithium-ion batteries; and**

- **Produce concentrate material for AGC's secondary processing development and optimization, subsequent secondary processing pilot plant (in support of the forthcoming Feasibility Study), and for evaluation by potential offtake partners.**

The pilot plant results support the effectiveness of the AGC's primary processing metallurgical flow sheet and that the graphitic material from the Coosa Graphite Project can be upgraded to high-grade graphite concentrate by mechanical means — specifically, flotation and polishing — *without* the use of hydrofluoric, hydrochloric, sulfuric, nitric acids, and alkalis. The flow sheet will form the basis for a significant component of the Company's upcoming Feasibility Study.

The main objective in designing the pilot plant was to achieve a high grade output regardless of the flake sizes of the input material — including the smaller flakes. Achieving this objective is expected to be a key requirement for easily and cost-effectively purifying all primary concentrate produced via AGC's low-temperature thermal purification (a critical step in the Company's secondary processing to produce CSPG). As a result of management's graphite processing and optimization experience, AGC had the ability to design the circuit process to achieve this high overall grade for the pilot plant.

Some graphite development companies with traditional business plans focus on producing and selling a primary processed, run-of-mine, concentrate material and are most concerned with the disposition of flake sizes and the associated carbon grade. However, since AGC intends to divert all of the primary processed graphite concentrate that it will produce to secondary processed specialty graphite products, flake sizes are not the primary focus. AGC's management believes that the primary evaluation metric for the Coosa Graphite Project's pilot plant is carbon grade since jumbo or large flake sizes are not required for the manufacture of CSPG. Concentrate grade — *not* flake size — is what is important to AGC for secondary purification and processing.

AGC's pilot plant exceeded expectations in that a high carbon grade — averaging 96.7% Cg across all flake sizes — has been produced, meaning 100% of the concentrate to be produced via primary processing from the Coosa Graphite Project is expected to be suitable for secondary processing.

Highlights

- **The AGC pilot plant was able to produce a high carbon grade, averaging 96.7% across all flake sizes;**

- **All size fractions greater than 325 mesh yielded between 96.2% and 97.2% total carbon; even -325 mesh material yielded 94.6% Cg;**

- **Overall recovery was 88.2%, which management considers good given the inversely proportional relationship between high concentrate grade and recovery; opportunities for improvement were identified, as first-stage cleaner recoveries achieved 99.3%;**

- **130 tons of graphitic material from the Coosa Graphite Project was processed in the pilot plant, netting the Company 3 tons of graphite concentrate;**

- **Average head grade of 3.09% total carbon (ranging from a minimum of 2.54% total carbon to a maximum of 3.48% total carbon); and**

- **AGC's graphite concentrate is expected to be quite amenable to secondary processing.**

The testing of the pilot plant has supported (at the scale of the pilot plant) the technical viability and operating performance of the process plant design for production of high-grade primary processed concentrate material, which, as outlined in AGC's Preliminary Economic Assessment* for the Coosa Graphite Project (announced on November 30, 2015), would be diverted to secondary, specialty processing to produce CSPG for use in lithium-ion batteries, and purified micronized graphite ("PMG") for use in polymer, plastic and rubber composites, powder metallurgy, energy materials, and friction materials, among other applications.

*Note: a PEA is not a Feasibility Study. The PEA is preliminary in nature, that it includes Inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves, and there is no certainty that the PEA based on these mineral resources will be realized. Mineral resources that are not mineral reserves do not have demonstrated economic viability.

The overall pilot plant recovery was 88.2% and the Company is confident that there is significant room to improve this metric. The first cleaner stage recoveries achieved 98.7% and 99.3% respectively, and it was noted that the main loss in recovery was from a single stream, namely the rougher tails. Accordingly, AGC's management has identified this situation as an opportunity since management expects that the loss in recovery can be corrected by developing and optimizing a secondary grinding circuit.

The pilot plant was designed in collaboration with, and built and operated by SGS Mineral Services ("SGS") of Lakefield, Ontario (which is a division of SGS Canada Inc.) and the testing of the pilot plant was managed by a Consulting Metallurgist for SGS, renowned graphite metallurgist Oliver Peters (the Principal Metallurgist of Metpro Management Inc.). In August 2015, AGC prepared a 200-ton bulk sample of graphitic material from the Coosa Graphite Project's resource grid, which was shipped to SGS. SGS processed a 130-ton sample of this material. Based on the successful yield and results of the pilot plant and for maximum cost efficiencies, the Company and SGS decided not to process the remaining 70 tons of graphitic material.

The Company will continue to Advance the Coosa Project by commencing a Feasibility Study and Pilot Plant for the Secondary Process outlined in the PEA. The Secondary Process will primarily produce Coated Spherical Graphite (CSPG) for use in anodes of Lithium Ion Batteries. The Company will also continue to produce CSPG for purpose of providing potential end users material for their testing requirements.

SHIPMENT OF CSPG SAMPLES TO UNITED STATES DEPARTMENT OF DEFENSE (DoD) LITHIUM-ION BATTERY MANUFACTURER

On June 23, 2016 AGC announced that it had manufactured and shipped two specifications of its coated spherical graphite ("CSPG") to a U.S.-based innovator in Lithium-ion ("Li-ion") batteries for numerous and varied military applications for the United States Department of Defense ("DoD"). The Company conveyed fine- and coarse-sized CSPG made from the Company's Coosa Graphite Project material that will be tested in two different defense applications; namely, high-powered military engine starter batteries, and soldier portable power and other energy-dense applications. All requisite downstream secondary processing to manufacture our Coosa CSPG was conducted in the United States of America.

After publication of AGC's announcement of January 19, 2016 ("Independent Test Results: Alabama Graphite Corp. Succeeds in Producing High-Performance Coated Spherical Graphite (CSPG) for Lithium-ion Batteries"), the unnamed battery manufacturer approached the Company to investigate the potential of a reliable supply of

conveniently located, sourced-in and made-in-U.S.A. CSPG.

This battery company is known for its demonstrated expertise and ingenuity in Li-ion battery development for the DoD and several other industries. Having been awarded multiple DoD contracts in recent years, this company is also a United States Department of Energy ("DoE") battery supplier, in addition to specializing in critical stationary energy storage, renewable energy, and transportation battery markets, as well as other Li-ion battery applications and industries. The aforementioned company's name was withheld for reasons of commercial confidentiality.

EXECUTION OF SIX NON-DISCLOSURE AGREEMENTS WITH UNITED STATES DEPARTMENT OF DEFENSE (DoD) LITHIUM-ION BATTERY MANUFACTURERS FOR CSPG SAMPLES

On July 18, 2016, AGC announced that it has entered into a total of six non-disclosure agreements with United States Department of Defense lithium-ion battery manufacturers and suppliers for the purpose of carrying on discussions and due diligence evaluation of samples of AGC's American sourced and manufactured CSPG. All of the battery manufacturers are based in the contiguous United States. The testing by these DoD suppliers is designed to qualify AGC's CSPG for Li-ion battery applications — both for primary and secondary Li-ion batteries — specifically for DoD use. The names of the six DoD battery manufacturers are being withheld for reasons of commercial confidentiality. These six NDA agreements are in addition to the multiple NDA agreements AGC has entered into with U.S.-based entities that are not affiliated with the U.S. DoD.

AGC will be manufacturing CSPG evaluation samples to the material specifications provided from the various battery manufacturers. The DoD strongly encourages their contractors and suppliers to source their input materials from within the USA, whenever and wherever possible. As a result, several of these DoD battery manufacturers have sought out AGC as a potential future supplier of American sourced and manufactured CSPG.

At this time, no further deal terms have been reached, nor has the Company entered into any letters of intent or definitive agreements with these battery manufacturers. As the Company's discussions remain at a preliminary stage only, there can be no assurance or guarantee that the Company will enter into a binding agreement.

DR. GARETH P. HATCH APPOINTED TO THE ALABAMA GRAPHITE CORP. BOARD OF DIRECTORS

On August 8, 2016, AGC announced the appointment of Gareth P. Hatch, PhD, CEng, FIMMM, FIET as an Independent Director to its Board of Directors. A two-time graduate of the University of Birmingham in the United Kingdom, Dr. Hatch holds a Bachelor of Engineering degree with Honours in Materials Science & Technology and a doctorate in Metallurgy & Materials, focused on rare-earth permanent-magnet materials. Dr. Hatch is a Fellow of the Institute of Materials, Minerals & Mining (IOM3) a Fellow of the Institution of Engineering & Technology (IET), a Chartered Engineer registered through the U.K. Engineering Council and a Senior Member of the Institute of Electronic and Electrical Engineers (IEEE). He is also a member of the Washington, DC-based Strategic Materials Advisory Council.

Dr. Hatch is Co-Founder, President and Director of Innovations Metals Corp., a private, Toronto-based company, specializing in cost-effective processing solutions for many metals vital to high-tech and green-energy, including battery-grade nickel and cobalt, and rare-earth elements (REEs). Dr. Hatch is also a Founding Principal of Technology Metals Research, LLC, a consulting firm that develops market intelligence and analysis on the critical materials and technology metals sector. Dr. Hatch was previously Director of Technology at U.S.-based Dexter Magnetic Technologies, Inc., and holds five patents on a variety of magnetic devices.

Since 2014, Dr. Hatch has served as Principal Investigator on a multi-million-dollar U.S. Army Research Laboratory (ARL) U.S. Department of Defense ("DoD") research program on innovative rare-earth elements processes.

Additionally, Dr. Hatch has advised the DoD on threats to the United States and allied strategic materials suppliers, as well as the U.K. Parliament and members of the U.S. Congress on critical materials. Dr. Hatch has contributed to and has been referenced by reports published by the U.S. General Accountability Office, the U.S. Geological Survey, the British Geological Survey, the DoD, the U.S. Department of Energy ("DoE"), and many others.

In connection with Dr. Hatch's appointment, Dave Ramm resigned as an Independent Director of the Company, effective August 8, 2016.

MULTI-KILOGRAM SHIPMENT OF AMERICAN SOURCED AND MANUFACTURED SAMPLES TO UNITED STATES DEPARTMENT OF DEFENSE (DoD) LITHIUM-ION BATTERY MANUFACTURER

On August 15, 2016, AGC announced that further to its June 23, 2016 announcement ('Alabama Graphite Corp. Announces Shipment of American Sourced and Manufactured CSPG Samples to United States Department of Defense (DoD) Lithium-ion Battery Solutions Provider'), the Company has manufactured and shipped three one-kilogram evaluation samples of its Purified Micronized Graphite ("PMG") to a U.S.-based leader in both Lithium-ion ("Li-ion") and lithium batteries for a diverse range of military applications under contract from the United States Department of Defense ("DoD"). AGC conveyed sub-10 micron, fine-sized PMG made from the Company's Coosa Graphite Project material - located in Coosa County, Alabama, USA - that will be tested in various defense applications; specifically, primary (non-rechargeable) lithium batteries. All requisite downstream secondary processing to manufacture Coosa PMG was conducted in the United States of America.

Employing nearly 700 people, this international battery company is known for its extensive expertise and experience in battery development for the DoD. Although government and defense accounts for the vast majority of the battery manufacturer's revenues, it designs and manufacturers both primary and secondary (rechargeable) lithium batteries for multiple other industries, including healthcare/medical, critical stationary energy storage, safety, and industrial markets. The aforementioned company will remain unnamed for reasons of commercial confidentiality.

Further to AGC's July 18, 2016 announcement ('Alabama Graphite Corp. Announces the Execution of Six Non-Disclosure Agreements with U.S Department of Defense Lithium-ion Battery Solution Providers for Coated Spherical Graphite ("CSPG") Samples'), the Company announced the execution of an additional two non-disclosure agreements ("NDAs") with U.S. DoD lithium-battery manufacturers and suppliers for the purpose of carrying on discussions and due-diligence evaluation of samples of AGC's American-sourced and -manufactured CSPG and PMG for use in lithium batteries. These two new agreements bring AGC's total of DoD-related agreements to eight currently, and are in addition to the multiple NDA agreements AGC has entered into with U.S.-based entities that are not affiliated with the U.S. DoD.

SHIPMENT OF AMERICAN SOURCED AND MANUFACTURED CSPG SAMPLES TO UNITED STATES DEPARTMENT OF DEFENSE (DoD) LITHIUM-ION BATTERY SOLUTIONS PROVIDER AND TO SUBSIDIARY OF TOTAL S.A.

On September 7, 2016, AGC announced that it has manufactured and shipped samples of two specifications of its coated spherical graphite (CSPG) to a long-established, U.S.-based leader in Lithium-ion battery production for numerous and varied military applications for the United States Department of Defense ("DoD"). Additionally, AGC announces that it has shipped a CSPG sample to a subsidiary of Paris-based multi-national energy conglomerate, Total S.A. ("Total"). The names of the DoD battery manufacturer and Total subsidiary are not being disclosed due to reasons of commercial confidentiality.

The Company conveyed fine- and coarse-sized CSPG made from its Coosa Graphite Project material to the DoD contractor, which is located within a day's drive from AGC's offices in Sylacauga, Alabama. The fine CSPG has been designed with the intent of eventually being used for power-based applications, namely rechargeable batteries

for soldiers. The coarse CSPG has been designed with the intent of eventually being utilized for energy-based applications, such as micro-grid energy storage for forward deployed soldiers. All requisite downstream secondary processing to manufacture these test samples of AGC's Coosa CSPG was conducted in the United States of America.

This large-scale, specialty advanced Li-ion battery manufacturer was awarded a USD$22,000,000 DoD contract to manufacture Li-ion batteries - *including battery cells, which are a critical element in energy-dependent weaponry* - in the United States. For years, the U.S. government has relied on other countries for the production of its Li-ion cells. The DoD has demonstrated its intent to address security of supply as it pertains to American Li-ion battery and cell production by investing to guarantee domestic Li-ion capacity, and specifically sourcing American input materials. The DoD's significant investment is meant to ensure the affordable production of critical items deemed essential for national defense and was funded under the DoD's Lithium-ion Battery for Military Applications ("LIMA") project.

At the time of announcement, the current number of DoD battery manufacturers that have received AGC's American-sourced and manufactured battery graphite samples to three (please refer to the Company's June 23, 2016 and August 15, 2016 announcements, ('*Alabama Graphite Corp. Announces Shipment of American Sourced and Manufactured CSPG Samples to United States Department of Defense (DoD) Lithium-ion Battery Solutions Provider*' and '*Alabama Graphite Corp. Announces Multi-Kilogram Shipment of American Sourced and Manufactured Samples to United States Department of Defense (DoD) Lithium-ion Battery Manufacturer*' respectively.). Per the Company's July 18, 2016 announcement ('*Alabama Graphite Corp. Announces the Execution of Six Non-Disclosure Agreements with U.S Department of Defense Lithium-ion Battery Solution Providers for Coated Spherical Graphite (CSPG) Samples*'), multiple other DoD lithium battery manufacturers have requested secondary-processed battery graphite evaluation samples and AGC is diligently working to produce the requested specifications.

GRAPHITE PRODUCT SAMPLES TO STANFORD UNIVERSITY FOR LARGE-SCALE ALUMINUM BATTERY DEVELOPMENT

On October 13, 2016, AGC announced that it has provided eight different American-sourced and manufactured natural graphite product samples to Stanford University ("Stanford"), located in Stanford, California, USA. The graphite samples, which originated from AGC's Coosa Graphite Project located in east-central Alabama, USA, will be used for Department of Chemistry Professor, Dr. Hongjie Dai's continued work on Aluminum-ion ("Al-ion") battery development and more specifically, large-scale Al-ion battery development. As requested by Dr. Dai, the processed graphite products conveyed by AGC consisted of downstream and processed graphite samples of various size fractions with purity levels reaching as high as 99.98% Ct. The samples were manufactured utilizing multiple downstream (post primary production) processes to produce specialty graphite products for potential use in batteries. The downstream processes applied to the Company's unfinished primary processed graphite concentrate included: low-temperature halogen-gas-based purification, classification, micronization, spheronization, and surface treatment (coating).

Dr. Dai commented positively concerning AGC's downstream, non-polluting, low-temperature thermal purification process for purifying the Company's graphite to 99.95% Ct and higher - without the use of dangerous and environmentally harmful hydrofluoric acid (as is commonly used in graphite production in China) or costly high-temperature thermal upgrading and purification *(see September 29, 2015 announcement, 'Alabama Graphite Corp. Achieves Purity of 99.99% Graphitic Carbon-Across All Flake Sizes-From Preliminary Purification Trials')*.

Dr. Dai and his group of Stanford scientists made significant news in April 2015 when they announced the invention of the first high-performance Al-ion battery that is faster charging, longer lasting and inexpensive when compared with many commonly-used commercial batteries *(source: http://news.stanford.edu/2015/04/06/aluminum-ion-battery-033115/)*. The Al-ion battery was made of aluminum and graphite. It is not yet commercially available. *"We*

have developed a rechargeable aluminum battery that may replace existing storage devices," commented Dr. Dai, who described his novel Al-ion battery as an *"ultrafast"* rechargeable battery with reported *"unprecedented charging times."* The Stanford team was able to charge a smartphone to full capacity in one minute with the Al-ion battery prototype, as opposed to hours with a conventional Li-ion (secondary or rechargeable) battery. In comparison with many commercial batteries that are widely-used today, the prototype Al-ion battery has good capacity and outstanding cycle life, with no decay (capacity fade) even after 7,500 cycles. Grid-scale energy storage to manage electricity supply would benefit significantly from batteries that could withstand repeated cycling of discharging and charging. Current Li-ion batteries have comparatively limited lifetimes of only 1,000 to 3,000 cycles, which is adequate for the lifespan of most smartphone and home electronic products, but not ideal for long-life energy grid infrastructure applications. Financial support for Dr. Dai's Al-ion battery research at Stanford was provided to Stanford University by the United States Department of Energy ("DOE"). AGC has not received any funding from the DOE and AGC did not receive any funds from Stanford University in exchange for the graphite products samples that were provided.

The primary difference between a conventional Li-ion battery - consisting of a graphite anode and a nickel cathode - and Stanford's Al-ion battery is that the Al-ion battery consists of two electrodes: a negatively-charged anode made of aluminum metal and a positively charged cathode made of graphite. Dr. Dai's research at Stanford provides a new approach to potentially enable fast-charging, bendable and durable aluminum-ion batteries, and may possibly lead to more affordable, safer batteries in the future *(source:* http://blogs.scientificamerican.com/plugged-in/stanford-researchers-unveil-new-ultrafast-charging-aluminum-ion-battery/).

APPOINTMENT OF RANDY A. MOORE, FORMER PRESIDENT OF LEADING UNITED STATES DEPARTMENT OF DEFENSE (DoD) BATTERY MANUFACTURER EAGLEPICHER TECHNOLOGIES, AS STRATEGIC ADVISOR

On January 3, 2017, AGC announced the appointment of Randy A. Moore as Strategic Advisor to the Company. Mr. Moore is the former President of U.S. Department of Defense multi-chemistry battery manufacturer, EaglePicher Technologies, LLC. EaglePicher is the leading producer of high-reliability batteries and energetic devices for the defense, aerospace and commercial industries, and provides significant experience and broad capability in battery electrochemistry. Mr. Moore led EaglePicher for nearly eight years, until the end of 2015, overseeing significant growth and was directly responsible for EaglePicher's 100,000-square foot Lithium Ion Center of Excellence manufacturing facility in Joplin, Missouri. Mr. Moore is currently the President and Chief Executive Officer of U.S.-based ZAF Energy Systems, Inc., a company that develops and commercializes state-of-the-art, next-generation battery technologies, and is a founding member, former Chairman, and current member of the Board of Directors of National Association of Advanced Technology Batteries International ("NAATBatt International'), a U.S.-based, not-for-profit trade association commercializing advanced electrochemical energy-storage technology for emerging, high-tech applications.

Mr. Moore brings more than 35 years of senior operational, defense and international experience to Alabama Graphite Corp. Prior to EaglePicher, Mr. Moore served as Executive Vice President and General Manager of Kollsman, Inc., an operating unit of Elbit Systems that develops advanced avionics and electro-optic instruments and systems for aerospace, defense and medical applications. He also spent five years at Kaman Corporation where he ran a new strategic business unit providing aerospace structures for civilian OEMs and top DoD contractors and directly to DoD components. Mr. Moore also served in management and operations positions at Westinghouse, E-Systems/Raytheon and Lucent Technologies, where he oversaw numerous programs related to DoD programs in electromagnetics, energy storage, radio frequency and acoustic sensors, and communications.

A retired Lieutenant Colonel in the U.S. Air Force, Mr. Moore spent a combined 27 years in the active and reserve Air Force where he served in various capacities, including contracting officer in the Office of Scientific Research and as a special agent in a counterintelligence capacity for the Office of Special Investigations. Mr. Moore

completed his undergraduate degree in Marketing and Management at Texas Lutheran University and received his MBA from Southern Illinois University.

MULTIPLE SHIPMENTS OF AMERICAN SOURCED AND MANUFACTURED CSPG SAMPLES TO UNITED STATES DEPARTMENT OF DEFENSE (DoD) LITHIUM-ION BATTERY SOLUTIONS PROVIDERS

On January 10, 2017, AGC announced that it has manufactured and shipped two specifications of its Coated Spherical Purified Graphite ("CSPG"), trademarked as ULTRACSPG™, and two specifications of its CSPG production byproduct, Purified Micronized Graphite ("PMG"), trademarked as ULTRAPMG™, to two U.S-based potential end users.

AGC conveyed various sizes of its CSPG and PMG, sourced and manufactured exclusively from the Company's flagship Coosa Graphite Project property, located in Coosa County, Alabama, USA. All requisite downstream secondary processing to manufacture AGC's CSPG was conducted in the United States of America. Additionally, the Company announces that it has executed three additional non-disclosure agreements ("NDAs") for the purposes of evaluating AGC's battery-ready graphite.
The first shipment of CSPG and PMG evaluation samples was sent to a leading United States Department of Defense ("DoD") battery manufacturer, that had been awarded a multi-million contract by the Naval Sea Systems Command ("NAVSEA") as a sole-source battery provider to manufacture a lithium-iron battery to power the U.S. Navy's next-generation electromagnetic railgun. The DoD has requested that this battery manufacturer begin establishing U.S. manufacturing capability within the United States. Further, the CTO stated that the DoD has instructed them to utilize American-sourced materials (including its graphite) whenever possible. AGC's battery-ready CSPG will be evaluated for use in defense critical technologies, including the U.S. Navy's electromagnetic railgun.

The second potential end user that AGC shipped CSPG and PMG samples to is an internationally known and well-respected research and development company for both the DoD and United States Department of Energy ("DoE"). Established nearly 50 years ago, this U.S. company has both government and corporate clients, including global commercial battery makers. This entity will provide a basic independent evaluation and qualification of AGC's materials. If successful, AGC's CSPG and/or PMG will serve as this research company's laboratory standard for battery-ready graphite, particularly for DoD- and DoE-funded projects.

AGC RECEIVES COMMERCIAL AND GOVERNMENT ENTITY (CAGE) CODE ASSIGNED BY THE US DEPARTMENT OF DEFENSE'S (DoD'S) DEFENSE LOGISTICS AGENCY (DLA)

On February 8, 2017, AGC announced that the Company's 100% wholly owned subsidiary - **Alabama Graphite Company, Inc.** ("AGC USA."), a corporation registered in the state of Alabama, USA - is now registered to pursue United States federal government funding to advance its research and development, and technology commercialization efforts, as well as to conduct business directly with the US federal government and its various agencies, including the US Department of Defense ("DoD") and the US Department of Energy ("DoE").

Due to developing relationships between AGC and AGC USA with both DoD- and DoE-related entities, including the DoE's Oak Ridge National Laboratory ("ORNL") of Oak Ridge, Tennessee, USA, ORNL requested that AGC USA become registered to do business with the US government and its associated agencies. Accordingly, AGC USA has been assigned a Commercial and Government Entity ("CAGE") code, which is an identification number that is assigned by the DoD's Defense Logistics Agency ("DLA") and used extensively within and by the US federal government. Additionally, AGC USA has also been issued a Data Universal Number System ("DUNS") number, a prerequisite for obtaining US federal funding, including government grants. AGC USA intends to aggressively pursue all potential US government granting and funding opportunities as both a Principal Investigator ("PI") and a

Co-Principal Investigator ("Co-PI"), along with other strategic business partners of AGC USA, in conjunction with ORNL and other DoE- and DoD-related entities.

AGC ACHIEVES 99.99997% GRAPHITE PURITY VIA PROPRIETARY, ENVIRONMENTALLY RESPONSIBLE AND SUSTAINABLE PURIFICATION PROCESS; EXCEEDS NUCLEAR GRAPHITE PURITY REQUIREMENTS

On February 17, 2017, AGC announced that it had achieved 99.99997% Carbon total percentage by weight ("wt% C") purity from its sourced-in-USA graphite from its flagship, 100%-owned Coosa Graphite Project - located in Coosa County, Alabama, USA - via the Company's propriety, low-temperature thermal purification process. In addition to these positive ultra-high-purity graphite results, it is important to note that AGC's environmentally responsible and sustainable graphite purification process does not utilize acids that are commonly regarded as dangerous and environmentally harmful (e.g. hydrofluoric acid - as is commonly used in Chinese graphite production [source: Industrial Minerals Data, 2015] - hydrochloric acid, sulfuric acid, nitric acids, or alkali roasting, caustic-soda roasting, etc.), nor the need for copious amounts of scarce, clean water or costly, energy-intensive high-temperature thermal upgrading.

A total of 16 pounds ("lbs.") of 96.7 wt% C graphite concentrate was shipped from the Company's multi-ton Coosa Graphite Project Pilot Plant concentrate stockpile (please refer to the February 3, 2016 announcement, 'Alabama Graphite Corp. Reports Positive Pilot Plant Test Results for Coosa Graphite Project in Coosa County, Alabama, USA') to AGC's Coated Spherical Purified Graphite ("CSPG") laboratory in the United States as the feedstock for the purification trials. The purpose of the purification trials was to further demonstrate the efficacy of the Company's low-temperature thermal purification process, as well as to provide precursor material to manufacture and produce the Company's core product, CSPG - identified by the ULTRACSPG™ trademark, the very first trademarked sourced-in-USA and manufactured-in-USA natural battery-ready graphite for use in lithium-ion ("Li-ion") batteries - as well as battery-grade high-conductivity enhanced graphite products, including, Purified Micronized Graphite ("PMG"), Expanded Graphite ("EXDG"), and Delaminated Expanded Graphite ("DEXDG") for Li-ion battery cathode applications. DEXDG is a form of processed natural crystalline flake with significantly improved electrical conductivity in electrode matrixes. Additionally, DEXDG is preferable to conventional air-milled flake and/or premium quality synthetic graphite when higher conductivity properties are desired, such as applications at high discharge rates. EXDG is a precursor material to DEXDG and is synthesized from purified flake graphite by the Company's proprietary technology. As a result of its superior performance in batteries as a conductivity enhancement diluent, DEXDG is preferred over competing grades of flake and synthetic graphite currently being used for this application. PMG and DEXDG are used as conductivity enhancement additives in secondary (rechargeable) Li-ion batteries, primary (non-rechargeable) lithium batteries and alkaline batteries. AGC currently anticipates expanding its planned product line to include DEXDG additional battery-grade high-conductivity enhanced graphite products.

Two separate graphite flotation samples were subjected to AGC's purification process, based on AGC's recently optimized metallurgical flowsheet. The purity results for both samples were measured as near 100 wt% C. The graphite was extremely pure in that the amount of mineral impurities were below the limits of detection for a conventional Loss-on-Ignition test. AGC sent the two purified samples to a reputable, independent laboratory that performs Glow Discharge Mass Spectrometry ("GDMS") analysis on carbon. GDMS is a mature, versatile technique for measuring purity, which is widely recognized for being the most precise determination of the concentration of mineral impurities in graphite.

Coosa purified concentrate sample number one recorded a combined total of 1.135 ppm of registered elemental impurities (please refer to Table 1 below, under the subheading 'Coosa Purified Concentrate Sample No. 1 (ppm)'), yielding a purity measurement of 99.9999 wt% C ("6N"). Coosa purified concentrate sample number two recorded a very positive combined total of 0.292 ppm of registered elemental impurities (please refer to Table 1 below, under the subheading 'Coosa Purified Concentrate Sample No. 2 (ppm)'), yielding 99.99997 wt% C ("6N7") purity. The

average of these two results is 0.7135 ppm of total registered elemental impurities (please refer to Table 1 below, under the subheading 'Coosa Purified Concentrate Average (ppm)'), yielding a combined average 99.99993 wt% C ("6N3") purity.

GDMS Analysis of AGC's Coosa Purified Graphite Concentrates

The following are the results of AGC's GDMS analysis of the Coosa graphite concentrates after undergoing the AGC's low-temperature thermal purification:

	GDMS Analysis of AGC's Coosa Purified Graphite Concentrates		
Trace Mineral Impurities / Key Elements	**Coosa Purified Concentrate Sample No. 1 (ppm)**	**Coosa Purified Concentrate Sample No. 2 (ppm)**	**Coosa Purified Concentrate Average (ppm)**
Ag (Silver)	0.002	0.000	0.001
Al (Aluminum)	0.002	0.000	0.001
As (Arsenic)	0.012	0.000	0.006
B (Boron)	0.036	0.062	0.049
Ba (Barium)	0.000	0.000	0.000
Be (Beryllium)	0.000	0.000	0.000
Ca (Calcium)	0.015	0.009	0.012
Cd (Cadmium)	0.001	0.000	0.0005
Co (Cobalt)	0.007	0.000	0.0035
Cr (Chromium)	0.004	0.001	0.0025
Cu (Copper)	0.005	0.000	0.0025
Fe (Iron)	0.005	0.013	0.009
Ga (Gallium)	0.000	0.003	0.0015
Ge (Germanium)	0.001	0.000	0.0005
Hf (Hafnium)	0.002	0.000	0.001
K (Potassium)	0.001	0.003	0.002
Li (Lithium)	0.000	0.000	0.000
Mg (Magnesium)	0.006	0.000	0.003
Mn (Manganese)	0.000	0.000	0.000
Mo (Molybdenum)	0.849	0.025	0.437
Na (Sodium)	0.000	0.008	0.004
Ni (Nickel)	0.000	0.008	0.004
P (Phosphorus)	0.003	0.000	0.0015
Pb (Lead)	0.007	0.000	0.0035

S (Sulfur)	0.038	0.049	0.0435
Si (Silicon)	0.019	0.030	0.0245
Sn (Tin)	0.000	0.036	0.018
Ta (Tantalum)	0.000	0.000	0.000
Te (Tellurium)	0.074	0.000	0.037
Ti (Titanium)	0.002	0.002	0.002
V (Vanadium)	0.033	0.039	0.036
W (Tungsten)	0.009	0.002	0.0055
Zn (Zinc)	0.002	0.002	0.002
Zr (Zirconium)	0.000	0.000	0.000
Elemental Impurities Grand Total	1.135 (99.99990 wt% C)	0.292 (**99.99997 wt% C**)	0.7135 (99.99993 wt% C)

Additionally, the purity levels AGC achieved exceeded the ASTM International ("ASTM") standard for nuclear-grade graphite, which has a purity threshold of 99.995 wt% C and, more importantly, less than 2 parts per million ("ppm") equivalent boron concentration ("EBC"). Based on ASTM standard D7219-08 '*Standard Specification for Isotropic and Near-isotropic Nuclear Graphites*', AGC's ultra-high-purity graphite exceeds the ASTM specification. Weapons-grade and reactor-grade nuclear graphite must be free of neutron-absorbing materials, especially boron, which has a large neutron capture cross section. The primary demand driver for ultra-high-purity graphite is nuclear applications, specifically Pebble Bed Modular Reactors ("PBMR"). However, AGC aspires to be an American-sourced-and-manufactured battery-graphite supplier and is confident that ≥ 99.9999 wt% C graphite holds the potential to make a better Li-ion battery; specifically, by allowing for superior electrochemical performance in Li-ion battery anodes compared to ≥ 99.95-wt%-C-pure anode material. Application of ultra-high-purity graphite is expected to result in the reduced rate of self-discharge reactions and consequently, in longer calendar life batteries. As such, AGC intends to conduct electrochemical tests on various purities in anodes, including the ≥ 99.9999 wt% C material. Further, AGC intends to pioneer studies on the role of mineral impurities in graphite and their long-term effect on performance in Li-ion batteries, particularly with respect to their long-term cycling performance. Because AGC believes it will eventually be able to easily, safely, sustainably, and responsibly produce such an ultra-high-purity graphite, management believes there may be potential additional benefits to its use in CSPG for use in Li-ion batteries, such as higher capacity, increased power, longer-lasting (increased calendar life), and safer batteries.

CHESTNUT CREEK PROPERTY, CHILTON COUNTY, ALABAMA, USA

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.

BAMA PROPERTY, CHILTON COUNTY, ALABAMA, USA

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 comprises 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 5kg 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 feet 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 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 of Ancaster, Ontario. 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.

EXPLORATION COSTS

For the six-month period ended February 28, 2017, the Company incurred costs for exploration and evaluation assets totaling $266,965 (August 31, 2016 - $6,866,760). For details, please refer to notes 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.

Quarter Ended	Total Revenue ($)	Income (Loss) and Comprehensive Income (Loss) ($)	Net Income (Loss) per Share Basic and Fully Diluted ($)
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)	-
30-Nov-15	-	(401,909)	-
31-Aug-15	-	(1,436,062)	(0.01)
31-May-15	-	(264,485)	-

The decrease in the net loss for the quarter ended February, 2017 was primarily due to the share-based payments expenses as a majority of options were granted in the first quarter and an increase in consultants' fees and travel and investor relations activities.

Three Months Ended February 28, 2017

The Company incurred a net loss of $565,797 during the three months ended February 28, 2017 compared to a net loss of $346,644 during the same period of the previous year. The increase in net loss of $219,153 was primarily due to the following changes:

(1) Professional services were $30,502 (2016 - $93,237), an decrease of $62,735 due to a decrease in legal fees incurred during the period;
(2) Consulting expenses were $248,678 (2016 - $132,628), an increase of $116,050 due to increased marketing activities during the period.;
(3) Share-based payments were $106,583 (2016 - $(12,135)), an increase due to the fair value of options granted in January, 2017 to consultants;
(4) Travel and investor relations were $105,723 (2016 - $83,363), an increase of $22,360 due to an increase in marketing activities during the current quarter; and
(5) Foreign exchange loss was $9,130 (2016 – gain of $24,090), a change of $34,030 due to fluctuations in the US dollars against Canadian dollars during the period.

Three Months Ended February 28, 2016

The Company incurred a net loss of $346,644 during the three months ended February 28, 2016 compared to a net loss of $119,079 during the same period of the previous year. The decrease in net loss of $227,565 was primarily due to the following changes:

(1) Office and administration were $39,449 (2015 - $29,462), an increase of $9,987 mainly due to the increase of corporate activities during the current period;

(2) Professional services were $93,237 (2015 - $47,292), an increase of $45,945 due to an increase legal fees incurred during the period;
(3) Consulting expenses were $132,628 (2015 - $66,302), an increase of $66,326 due to financing activities during the period plus the addition of a new CEO and the termination payment for the previous co-CEO;
(4) Share-based payments were $(12,135) (2015 - $Nil), an decrease due to the revaluation of unvested stock options to two directors;
(5) Travel and investor relations were $83,363 (2015 - $12,934), an increase of $70,429 due to an increase in financing, marketing and corporate activities during the period; and,
(6) Foreign exchange gains were $24,900 (2015 – $75,858), an decrease of $50,958 due to more stable US dollars against Canadian dollars during the period as the Company purchased US dollars earlier in 2015 at more favourable rate than US dollars acquired in 2016.

FINANCIAL CONDITION

At February 28, 2017, the Company had current assets of $637,317 (August 31, 2016 - $314,786) and total current liabilities of $209,067 (August 31, 2016 - $521,343). At February 28, 2017, the Company had a working capital of $428,250 (August 31, 2016 – working capital deficiency of $206.557). The liquidity position of the company has improved as compared to last year ended August 31, 2016 mainly due to two private placements of gross proceeds of $1,806,163 plus the exercise of warrants and options that generated gross proceeds of $530,215 less cost increases in consulting fees and marketing and investor relations activities.

EQUITY FINANCING

During the three months ended February 28, 2017

During the three months ended February 28, 2017, 4,593,157 warrants were exercised at $0.10 per share and 375,000 options were exercised at an average price of $0.148 per share.

During the year ended August 31, 2016

On May 19, 2016, the Company completed a private placement of 3,476,334 units at a price of $0.15 per unit for total proceeds of $521,450 (a director and officer of the Company subscribed for 670,000 units for gross proceeds of $100,500). Each unit comprised of one common share of the Company and one common share purchase warrant. Each whole common share purchase warrant entitles the holder to purchase one additional common share of the Company at an exercise price of $0.20 per share until May 19, 2018. In connection with the private placement, the Company paid cash compensation of $17,675 and issued 117,833 agent's warrants. Each agent's warrant entitles the holder to purchase one unit at a price of $0.15 per unit on or before May 19, 2017. Each unit consists of one common share of the Company and one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share of the Company at a price of $0.20 per share until May 19, 2018.

During the year ended August 31, 2016, 1,811,000 warrants were exercised at the price of $0.10 per share.

RELATED-PARTY TRANSACTIONS

As at February 28, 2017, the amounts due to directors and officers are included in accounts payable and accrued liabilities as follows:

	February 28 2017	August 31 2016
1163863 Ontario Limited, a private company controlled by Don Baxter, President, CEO and director	$ -	$ 74,449
Bolton & Bolton Inc., a private company controlled by Douglas Bolton, CFO	11,229	22,642
Dinwoodie Consulting Limited, a private company controlled by Ty Dinwoodie, Executive Vice President	-	-
G&W Consulting, a private company controlled by Ann-Marie Pamplin, Vice President - Investor Relations	-	-
Jean Depatie, Director and Chairman	-	668
Daniel Goffaux, Director	-	175
Jesse Edmondson, Site Geologist and Director of Community Relations	14,462	10,226
Richard Keevil, former VP, Project Development	-	29,380
	$ 25,691	$ 137,540

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 six months ended February 28, 2017 and 2016 is as follows:

	2017	2016
Financial consulting fees charged by North American Mortgage Corporation, a private company controlled by John Morita, former CFO	$ -	$ 5,250
Financial consulting fees (including administration and rent) charged by Bolton & Bolton Inc., a private company controlled by Douglas Bolton, CFO	77,663	33,736
Consulting fees charged by:		
Douglas Oliver, former VP-Exploration	-	2,057
Keevil Consulting, a private company controlled by Richard Keevil, former VP, Project Development	-	39,000
Daniel Spine, former VP-Business Development	-	26,859
Galador Consulting, a private company controlled by Ron Roda former President, Co-CEO, Secretary and director	-	55,956
Dinwoodie Consulting Limited, a private company controlled by TY Dinwoodie, Executive Vice President	40,000	
G&W Communications Inc., a private company controlled by Ann-Marie Pamplin VP, Investor Relations	20,000	-
G&W Consulting Inc., a private company controlled by Ann-Marie Pamplin VP, Investor Relations	102,000	-
1163863 Ontario Limited, a private company controlled by Don Baxter President, CEO and director	400,000	115,000
Jesse Edmondson, Site geologist and director of community relations	60,897	-
Share-based payments:		
Don Baxter, President, CEO and Director	81,048	14,063
Ty Dinwoodie, Executive Vice President	47,500	-
Douglas Bolton, CFO and Corporate Secretary	23,750	-
Ann-Marie Pamplin, VP-Investor Relations	19,526	-
Jean Depatie, Director and Chairman of the Board	28,500	-
Daniel Goffaux, Director	31,056	17,656
Gareth Hatch, Director	28,500	-
Jesse Edmondson, Site geologist and director of community relations	33,250	-
	$ 993,690	$ 309,577

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

CAPITAL RESOURCES

At February 28, 2017, the Company had cash and cash equivalents of $434,701 (August 31, 2016 - $95,665). As of the date of this MD&A, the Company believes that it does have sufficient working capital to meet its 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 – 136,475,187
Stock options – 11,466,000 (See table below)
Warrants – 23,900,875 (See table below)

Expiry Date	Number of Options	Exercise Price	Exercisable
May 19, 2018	2,450,000	$0.155	2,268,750
August 8, 2018	400,000	$0.150	400,000
September 3, 2018	280,000	$0.35	280,000
September 19, 2018	200,000	$0.16	200,000
September 19, 2018	200,000	$0.19	200,000
January 20, 2019	36,000	$0.105	36,000
February 3, 2019	330,000	$0.145	330,000
July 18, 2019	400,000	$0.18	345,835
September 2, 2019	4,200,000	$0.16	4,062,500
January 3, 2020	760,000	$0.155	760,000
June 12, 2020	1,210,000	$0.27	1,210,000
June 17, 2020	500,000	$0.27	300,001
January 3, 2021	500,000	$0.155	233,334
	11,466,000		10,626,420

Expiry Date	Number of Warrants	Number of Shares If Exercised	Exercise Price per Share
May 19, 2017 (Compensation Units)			
Common share	117,833	117,833	$0.15
Compensation Unit Warrant		117,833	$0.20
June 30, 2017 (Compensation Units)			
Common share	1,078,125	1,078,125	$0.20
Compensation Unit Warrant		539,063	$0.35
May 19, 2018	3,476,334	3,476,334	$0.20
June 30, 2018	7,187,500	3,593,750	$0.35
September 6, 2018	4,916,745	4,916,745	$0.20
September 21, 2018	7,124,338	7,124,338	$0.20
	23,900,875	20,964,021	

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, 2016 under sections "Basis of Presentation" and "Significant Accounting Policies".

FINANCIAL INSTRUMENTS

For a detailed description of financial instruments and their associated risks, please refer to notes to the Company's financial statements for the year ended August 31, 2016 under the section "Significant Accounting Policies".

PERSONNEL

On October 22, 2015, Douglas C. Bolton was appointed as CFO to replace John Morita;

On November 1, 2015, Ann-Marie M. Pamplin was appointed Vice President, Investor Relations;

On December 10, 2015, the Company terminated the contracts of Doug Oliver, VP-Exploration and Daniel Spine, VP-Business Development;

On December 15, 2015, Harsharn ("Ron") S. Roda resigned as President, Co-CEO, Secretary and a director of the Company and Donald K. D. Baxter was appointed as the President and CEO. In addition, Douglas C. Bolton was appointed Corporate Secretary;

On March 1, 2016, Jesse R. Edmondson was appointed Site Geologist and Director of Community Relations;

On August 8, 2016, Dr. Gareth P. Hatch was appointed as director to replace H. David Ramm who resigned on the same date;

On August 16, 2016, the Company terminated the contract of Richard R. Keevil, VP-Project Development; and,

On September 26, 2016, the Company appointed Tyler W. P. Dinwoodie as Executive Vice President.

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

Name	Position	Effective Date
Don Baxter	Director	June 17, 2015
	President and CEO	December 15, 2015
Tyler Dinwoodie	Executive Vice President	September 26, 2016
Douglas C. Bolton	CFO	October 22, 2015
	Corporate Secretary	December 15, 2015
Jean Depatie	Director and Chairman of the Board	November 22, 2012
Daniel P. Goffaux	Director	May 14, 2014
Gareth Hatch	Director	August 8, 2016
Ann-Marie Pamplin	VP, Investor Relations	November 1, 2015
Jesse Edmondson	Director of Community Relations	March 1, 2016

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:

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 bulk sampling, 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.

Exploration and Development Risks

The business of exploring for minerals and mining involves a high degree of risk. 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, labour disruptions, flooding, explosions, cave-ins, landslides, environmental hazards, the discharge of toxic chemicals and the inability to obtain suitable or adequate machinery, equipment or labour 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.

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 have sufficient funds on hand to meet its general and administration requirements. However, the Company intends to raise additional funds in the next twelve months for existing development and a Feasibility Study. 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 favourable 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.

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.

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.

General Economic Conditions

Events in global financial markets could have a serious impact on the global economy. Many industries, including the gold and base metal 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 gold and other base metal 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.

Permits and Licenses

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.

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 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 of the notes to the financial statements for the year ended August 31, 2016 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

MEETING WITH SENIOR UNITED STATES SENATOR RICHARD C. SHELBY

On March 1, 2017, AGC announced that senior officials of the Company were asked to meet with the Honorable Richard C. Shelby, senior United States Senator for Alabama. Representatives of the Company, including President and Chief Executive Officer Donald Baxter, P.Eng. and Executive Vice President Tyler Dinwoodie met with Senator Shelby in Coosa County, Alabama. Mr. Baxter and Senator Shelby spoke for more than 90 minutes.

Topics discussed included AGC's sourced-and-made-in-USA battery-ready Coated Spherical Purified Graphite ("CSPG") business model, the Company's U.S. Department of Defense ("DoD") focused business strategy, the recently released ultra-high-purity 99.99997% graphite purity results via the Company's proprietary, environmentally sustainable process, and the upcoming milestones necessary to advance AGC to production, including the Feasibility Study for the flagship Coosa Graphite Project.

Additionally, Mr. Baxter discussed the criticality of a secure, accessible domestic supply of battery-ready graphite from within the contiguous United States, in addition to the geopolitical and environmental issues with Chinese-produced graphite and, further, the fact that some Chinese graphite is being sourced from North Korea.

Senator Shelby was very well versed on the complexities the United States faces regarding battery-ready graphite as a strategic, critical material. The Senator expressed a deep understanding of the issues and, in particular, the importance of securing battery-ready graphite domestically for the DoD's vast battery requirements.

Senator Shelby stated, *"the DoD will be very interested in USA-sourced-and-manufactured graphite, especially from an accessible location like Alabama. The DoD is not interested in buying graphite from China. The importance of Alabama Graphite advancing to production in terms of manufacturing its specialty battery graphite for lithium-ion batteries is important. It's important not only for the state of Alabama and the potential numerous employees who will be employed by Alabama Graphite, but I believe that this is also a matter of national security. Sourcing American battery-ready graphite from a secure region — such as the state of Alabama — presents a significant opportunity. It's too important to Alabama and to the United States. As a majority member of the United States Senate Appropriations Subcommittee on Defense, I intend to address the urgency of United States' security of supply for battery graphite to General James Mattis, President Donald J. Trump's recently appointed United States Secretary of Defense. I believe Alabama Graphite will be a good corporate citizen and the positive economic impact the Company could potentially bring to the Alabama state economy is sizeable, in particular in terms of capital investment, much-needed meaningful employment opportunities and significant taxation revenues for both the state and Coosa County,"* said Senator Shelby. *"I look forward to following the Alabama Graphite's progress."*

INDEPENDENT TEST RESULTS: ALABAMA GRAPHITE CORP. SUCCEEDS IN PRODUCING HIGH-PERFORMANCE CONDUCTIVITY-ENHANCEMENT GRAPHITE FOR LITHIUM-ION BATTERIES

On March 28, 2017, AGC announced independent results from downstream four-terminal sensing ("4T sensing") resistivity testing of its 100% sourced-in-USA and manufactured-in-USA ultra-high-purity, natural high-conductivity enhanced graphite battery-ready product, Delaminated Expanded Graphite ("DEXDG") for lithium-ion ("Li-ion") battery cathode applications. AGC's DEXDG's purity is ≥ 99.9999 Carbon total percentage by weight ("wt% C"). When the Company produces its core Coated Spherical Purified Graphite ("CSPG") product — engineered for use in lithium-ion battery anodes — the resultant byproduct is high-purity Purified Micronized Graphite ("PMG"). The DEXDG product is ultimately produced from the PMG byproduct material, but both products are high-value battery conductivity-enhancement materials. Management believes that AGC holds the potential for 100% of its run-of-mine ("ROM") graphite material to be effectively converted into high-performance, value-added battery-ready materials.

In preliminary electrical conductivity testing, AGC's DEXDG conductivity-enhancement diluent product significantly outperformed TIMCAL TIMREX® KS4 premium primary synthetic graphite and Superior Graphite's premium-quality natural flake graphite, both commercially available conductivity-enhancement products. DEXDG is a form of processed natural crystalline flake graphite with improved electrical conductivity in electrode matrixes for Li-ion (secondary or rechargeable), lithium (primary or non-rechargeable) and alkaline battery cells. Additionally, DEXDG is preferable to conventional air-milled flake and/or premium-quality synthetic graphite when higher conductivity properties are desired, such as applications with high discharge rates.

Derived from Expanded Graphite ("EXDG"), DEXDG is manufactured from purified flake graphite produced via AGC's specialty secondary-processing technology. Due to its superior performance in batteries as a conductivity enhancement diluent, DEXDG is preferred over competing grades of flake and costlier and environmentally harsh synthetic graphite currently being used for these applications.

PMG and DEXDG are used as conductivity enhancement additives in secondary (rechargeable) Li-ion batteries, primary (non-rechargeable) lithium batteries and conventional alkaline batteries. AGC currently anticipates expanding its planned secondary-processed, high-performance battery-ready product line to include DEXDG high-conductivity enhanced graphite products, in addition to PMG and the Company's core product, CSPG.

The 4T sensing resistivity testing method is an electrical impedance measuring technique that uses separate pairs of current-carrying and voltage-sensing electrodes to make more accurate measurements than the simpler and more usual two-terminal sensing ("2T sensing"). Separation of current and voltage electrodes eliminates the lead and contact resistance from the measurement. This is an advantage for precise measurement of low-resistance values.

AGC was able to achieve a sub-10-micron ("µm") size DEXG of a D50 = 7.6 µm conductivity enhancement material for its preliminary 4T sensing resistivity testing.

The Company's DEXDG features lower resistivity *(meaning, higher conductivity)* in MnO_2/electrolytic manganese dioxide ("EMD") electrode matrixes across all practical percentage point additions, compared to commercially available grades of both natural and synthetic graphite, produced by Superior Graphite and TIMCAL respectively. AGC achieved a low resistivity measurement of .0533 Ω·m, while TIMCAL's TIMREX® KS4 premium synthetic graphite measured .0991 Ω·m and Superior Graphite's premium-quality natural flake graphite measured .1524 Ω·m. Electrical resistivity *(also known as resistivity, specific electrical resistance, or volume resistivity)* is an intrinsic property that quantifies how strongly a given material opposes the flow of electric current. A low resistivity indicates a material that readily allows the flow of electric current. Electrical conductivity or specific conductance is the reciprocal of electrical resistivity, and measures a material's ability to conduct an electric current.

4T-Sensing Resistivity Test Results of AGC's DEXDG vs. Competitive Products:

Conductivity Enhancement Material	**Resistivity Measurement (Ω·m)**	**Graphite Conductivity Enhancement Diluent in MnO_2 (wt%)**
Alabama Graphite Corp.'s DEXDG natural delaminated expanded graphite	**.0533 Ω·m**	4.25%
TIMCAL Graphite's TIMREX® KS4 primary synthetic graphite *(by Imreys Graphite & Carbon)*	.0991 Ω·m	4.25%
Superior Graphite Company, Inc.'s premium-quality natural flake graphite	.1524 Ω·m	4.25%

A lower resistivity number is desirable; the lower the resistivity measurement, the higher the electrical conductivity.

Cathode electrochemical configurations, such as lithium nickel cobalt oxide ("$LiNiCoO_2$") like the conventional cylindrical 18650 Li-ion battery cell, typically employs 4 wt% finely sized non-spherical graphite (PMG and/or DEXDG) and typically 4 wt% acetylene/ethyne-type carbon black as a conductivity-enhancement diluent. MnO_2 cathodes utilize 4.25 to 8 wt% DEXDG as a conductivity enhancement diluent. Carbon black and DEXDG are added to the cathodes in both primary and secondary lithium cells. In Li-ion batteries that use graphite as an anode, the anode resistance is lowered by use of these additives.

RESEARCH PARTNERSHIP WITH UNITED STATES DEPARTMENT OF ENERGY'S OAK RIDGE NATIONAL LABORATORY; RECEIVES POSITIVE PRELIMINARY BATTERY-READY GRAPHITE TEST RESULTS

On April 10, 2017, AGC announced that the Company's 100% wholly owned subsidiary — Alabama Graphite Company, Inc. ("AGC USA."), a corporation registered in the state of Alabama, USA — entered into a research partnership with the United States Department of Energy's Oak Ridge National Laboratory ("ORNL") of Oak Ridge, Tennessee, USA. The Company is working with ORNL's lithium-ion ("Li-ion") battery team, led by ORNL

Senior Staff Scientist Dr. David L. Wood III and Research and Development Staff Scientist Dr. Zhijia Du, under the laboratory's Sustainable Transportation Program. AGC USA will be applying for DOE grants and other US-based research-and-development funding initiatives, having ORNL as the participating laboratory. Per the Company's February 8, 2017 announcement, *'Alabama Graphite Corp. Receives Commercial and Government Entity (CAGE) Code Assigned by the US Department of Defense's (DoD's) Defense Logistics Agency (DLA)'*, at the request of ORNL, AGC USA is registered to pursue United States federal government funding to advance its research and development, and technology commercialization efforts, as well as to conduct business directly with the US federal government and its various agencies, including the US Department of Defense ("DoD") and the US Department of Energy ("DOE").

In late February 2017, AGC USA sent evaluation samples of its sourced-and-manufactured-in-USA, natural Coated Spherical Purified Graphite ("CSPG") to ORNL for electrochemical testing. Two size specifications of AGC's battery-ready CSPG were conveyed; a D50 19-micron ("µm") and a D50 26-µm evaluation sample.

Early preliminary test results received from ORNL were positive, with Li-ion battery cycling efficiencies of 95.21% (Irreversible Capacity Loss of 4.79%) for the 19-µm CSPG and 97.40% for the 26-µm CSPG (Irreversible Capacity Loss of 2.60%) during second-cycle Coulombic efficiencies. Although preliminary and not optimized, these early results indicate that AGC's CSPG outperforms costlier and environmentally harsh commercially available synthetic graphite.

ORNL achieved an unusually high electrode loading of 13 milligrams per square centimeter ("mg/cm^2") with AGC's CSPG. A typical natural coated spherical graphite will coat at only 10 to 12 mg/cm^2. This means that a typical battery could potentially fit approximately 10% by weight ("wt%") of AGC's CSPG. The more graphite per battery cell equates to greater energy density per each individual cell and, ultimately, a better performing battery.

99.999% CERTIFIED GRAPHITE PURITY IN A SINGLE PASS VIA PROPRIETARY, ENVIRONMENTALLY SUSTAINABLE PURIFICATION PROCESS; PROVIDES COMPLETE ELEMENTAL ANALYSIS

On April 24, 2017, AGC announced that it has achieved 99.999% Carbon total percentage by weight ("wt% C") purity from its graphite originating from its flagship, 100%-owned Coosa Graphite Project — located in Coosa County, Alabama, USA — via the Company's propriety, low-temperature thermal purification process. This secondary-processed ultra-high-purity flake graphite serves as the feedstock to manufacture the Company's 100% sourced-and-manufactured-in-USA ULTRACSPG™ natural Coated Spherical Purified Graphite ("CSPG") battery-ready graphite for use in lithium-ion ("Li-ion") batteries.

It is important to note that AGC achieved the five nines ("5N") 99.999% wt% C purity — *in a singular pass* — by further optimizing the Company's exclusive purification process. AGC sent a multi-kilogram sample of its secondary-processed purified graphite for purity certification to a leading US-based independent laboratory that performs Glow Discharge Mass Spectrometry ("GDMS") analysis on carbon. The name of the arm's-length laboratory is being withheld for reasons of commercial confidentiality. GDMS is a mature, sophisticated and versatile technique for measuring purity, which is widely recognized for being the most precise determination of the concentration of mineral impurities in graphite. AGC's graphite was extremely pure in that the amount of mineral impurities were below the limits of detection for a conventional Loss-on-Ignition ("LOI") test. The GDMS instrument used for testing ACG's material is dedicated to certifying electronic semiconductor grade/nuclear grade graphite.

With regard to addressing the most stringent lithium-ion battery industry requirements for graphite purity, AGC's CSPG product was determined to have negligibly low concentrations of elemental impurities, including: Iron ("Fe"), Chromium ("Cr"), Nickel ("Ni"), and Zinc ("Zn") at less than 0.7 parts per million ("ppm") combined *(please refer to Table 1 below for complete GDMS analysis)*. For impurities, which are critical to advanced alkaline batteries,

AGC's battery-grade ultra-high-purity graphite featured very low levels of Molybdenum ("Mo") at 1.5 ppm, Arsenic ("As") at less than 0.05 ppm, Fe at 0.05 ppm, Vanadium ("V") at less than 0.05 ppm, Copper ("Cu") at 0.05 ppm, to name a few. When exposed to the corrosive battery electrolytes these impurities could leach out from the graphite, diffuse to the counter electrode, and act as battery poisons, potentially curtailing and/or compromising battery performance. Therefore, concentrations of certain critical elements should be kept as low as possible.

The advanced alkaline-battery industry requires its graphite to contain no more than the following concentrations of critical impurities: Fe <150 ppm; Mo <2 ppm; V <10 ppm, As <1 ppm, Cu <5 ppm, among other less critical impurities[1]. AGC has demonstrated that concentrations of such critical impurities in the Company's graphite are well below the industry threshold. Neither synthetic, nor natural graphite, currently being used by the battery industry, can be made as pure as AGC's secondary-processed battery-grade ultra-high-purity graphite. Established battery manufacturers often have difficulties meeting the critical impurity requirements since their graphite refining technologies, and/or raw materials that they use, are not as advanced as AGC's ultra-high-purity graphite.

[1] Nardi, J.C. (1999). US Patent PCT/US1999/000270. *Alkaline cell having a cathode incorporating expanded graphite*. Washington DC: U.S. Patent and Trademark Office. Eveready Battery Company, Inc. Publication WO 1999034673 A1 1/6.

GDMS Analysis of AGC's Coosa Purified Graphite Concentrate

Trace Mineral Impurities / Key Elements	Concentration Parts Per Million ("PPM") Wt %
Ag (Silver)	<0.05
Al (Aluminum)	0.14
As (Arsenic)	<0.05
Au (Gold)	<0.1
B (Boron)	2.5
Ba (Barium)	<0.05
Be (Beryllium)	<0.01
Bi (Bismuth)	<0.05
Br (Bromine)	<0.5
C (Carbon)	Matrix
Ca (Calcium)	<0.5
Cd (Cadmium)	<0.5
Ce (Cerium)	<0.5
Cl (Chlorine)	2.9
Co (Cobalt)	<0.05
Cr (Chromium)	<0.5
Cs (Caesium)	<0.5
Cu (Copper)	<0.05

Dy (Dysprosium)	<0.05
Er (Erbium)	<0.05
Eu (Europium)	<0.1
F (Fluorine)	≤5
Fe (Iron)	0.05
Ga (Gallium)	<0.05
Gd (Gadolinium)	<0.05
Ge (Germanium)	<0.1
Hf (Hafnium)	<0.05
Hg (Mercury)	<0.1
Ho (Holmium)	<0.05
I (Iodine)	≤100
In (Indium)	binder
Ir (Iridium)	<0.01
K (Potassium)	<0.5
La (Lanthanum)	≤5
Li (Lithium)	<0.01
Lu (Lutetium)	<0.05
Mg (Magnesium)	<0.1
Mn (Manganese)	<0.05
Mo (Molybdenum)	1.5
N (Nitrogen)	—
Na (Sodium)	0.17
Nb (Niobium)	<0.05
Nd (Neodymium)	<0.05
Ni (Nickel)	<0.05
O (Oxygen)	—
Os (Osmium)	<0.01
P (Phosphorus)	<0.05
Pb (Lead)	<0.1
Pd (Palladium)	<0.05
Pr (Praseodymium)	<0.1
Pt (Platinum)	<0.05
Rb (Rubidium)	<0.05
Re (Rhenium)	<0.01

Rh (Rhodium)	<0.05
Ru (Ruthenium)	<0.05
S (Sulfur)	0.53
Sb (Antimony)	<0.05
Sc (Scandium)	<0.01
Se (Selenium)	<0.5
Si (Silicon)	6.7
Sm (Samarium)	<0.05
Sn (Tin)	<0.1
Sr (Strontium)	<0.05
Ta (Tantalum)	<50
Tb (Terbium)	<0.05
Te (Tellurium)	<0.05
Th (Thorium)	<0.01
Ti (Titanium)	<0.05
Tl (Thallium)	<0.05
Tm (Thulium)	<0.05
U (Uranium)	<0.01
W (Tungsten)	0.08
V (Vanadium)	<0.05
Y (Yttrium)	<0.05
Yb (Ytterbium)	<0.05
Zn (Zinc)	<0.1
Zr (Zirconium)	<0.05

ADDITIONAL INFORMATION AND CONTINUOUS DISCLOSURE

This Management's Discussion and Analysis has been prepared as of April 29, 2017. Additional information on Alabama Graphite Corp. is available through regular filings on SEDAR (www.sedar.com).

(s) **Donald K. D. Baxter**, P.Eng.

President, Chief Executive Officer and Executive Director

(s) **Douglas C. Bolton**, CPA, CA

Chief Financial Officer and Corporate Secretary