ALABAMA GRAPHITE CORP.
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Prepared by Management)
For the Six Months Ended February 29, 2016

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 six months ended February 29, 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 29, 2016. This MD&A reports on our activities up to April 26, 2016.

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 annual audited consolidated financial statements of the Company for the year ended August 31, 2015.

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

QUALIFIED PERSONS CONSENT

Richard Keevil, P.Geo. Vice-President, Project Development for Alabama Graphite Corp., and a Qualified Person, as defined by NI 43-101, 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 of and supply 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 "ALP"), OTCQX (symbol "ABGPF"), 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

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, 60 miles (96km) south-southeast of Birmingham. Please refer to the

notes to the financial statements under "Exploration and Evaluation Assets" for costs and terms of the acquisition agreement.

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

The project is 50 mi (80 km) south-southeast of Birmingham (population 1.1 million in the metropolitan area). 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 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.

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 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 2, 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	Post-Tax
CSPG (15 microns) >99.95% Carbon	$/tonne	$9,000	$9,000
PMG (5 micron >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	$1,779.0
Post-Tax Cash Flow	$ Million	n/a	$1,298.7

*Note: All dollar amounts are based in U.S. currency

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 news release 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 expected significant 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 under construction in Nevada, is scheduled for completion later this year.

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.

This news release 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 RECENT TESTING RESULTS

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.

Figure 1: 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

Table 1: 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*

Figure 2: 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.

Figure 3: 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) 0.619 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 recent 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.

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.

Chestnut Creek Property, Chilton County, Alabama

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

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, 2105. 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 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 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.

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.

Research Agreement University of Alabama

In the summer of 2014 the Company entered into a Sponsored Research Agreement with The University of Alabama and the lab of Dr. Nitin Chopra, Associate Professor in the Metallurgical and Materials Engineering Department. Dr. Chopra is an expert in carbon materials research and is known for his work in carbon chemistry, synthesis and applications.

The research collaboration is focused on understanding the structure, properties and purification parameters of natural flake graphite the Company's deposits in Alabama. The work was intended to be a precursor to developing potential applications/uses for the graphite resource.

In August 2015, the Company decided to end its research agreement with The University of Alabama and laboratory of Dr. Nitin Chopra to focus all resources on advancing the Coosa Graphite Project and the Company's secondary-processed specialty graphite products. Additionally, the Company decided to end its relationship with Dr. Chopra.

Exploration Costs

As of February 29, 2016 the Company incurred costs for exploration and evaluation assets totaling $6,706,669 (August 31, 2015 - $5,568,200). 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 ($)	Comprehensive Income (Loss) ($)	(Loss) per Share Basic and Fully Diluted ($)
29-Feb-16	-	(346,644)	-
30-Nov-15	-	(401,909)	-
31-Aug-15	-	(1,436,062)	(0.01)
31-May-15	-	(264,485)	-
28-Feb-15	-	(119,079)	-
30-Nov-14	-	(378,229)	-
31-Aug-14	-	(434,325)	(0.01)
31-May-14	-	(340,144)	-

The increase in net loss for the quarter ended August 31, 2015 was primarily due to the share-based payments expenses on stock options granted.

Three Months Ended February 29, 2016

The Company incurred a net loss of $346,644 during the three months ended February 29, 2016 compared to a net loss of $119,079 during the same period of the previous year. The increase 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 in 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), a decrease mainly due to revaluation of unvested stock options for two directors;
(5) Travel and investor relations were $83,363 (2015 - $12,934), an increase of $70,429 due to financing and corporate activities during the current quarter; and,
(6) Foreign exchange gains were $24,900 (2015 – $75,858), a decrease of $50,958 due to more stable US dollars against Canadian dollars during the period as the Company purchased US dollars earlier at more favourable rate.

Six Months Ended February 29, 2016

The Company incurred a net loss of $789,632 during the six months ended February 29, 2016 compared to a net loss of $563,234 during the same period of the previous year. The increase in net loss of $226,398 was primarily due to the following changes:

(1) Office and administration were $81,976 (2015 - $59,184), an increase of $22,792 mainly due to the increase of corporate activities during the current period;
(2) Professional services were $110,685 (2015 - $80,374), an increase of $30,311 due to an increase in legal fees incurred during the period;
(3) Consulting expenses were $324,502 (2015 - $259,675), an increase of $64,837 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 $31,719 (2015 - $8,121), an increase of $23,598 mainly due to revaluation of unvested stock options for two directors;
(5) Travel and investor relations were $172,942 (2015 - $90,604), an increase of $82,338 due to financing and corporate activities during the current quarter; and,
(6) Foreign exchange gains were $41,079 (2015 – $65,179), an decrease of $24,100 due to more stable US dollars against Canadian dollars during the period as the Company purchased US dollars earlier at more favourable rate.

FINANCIAL CONDITION

At February 29, 2016, the Company had current assets of $771,168 (August 31, 2015 - $2,354,936) and total current liabilities of $524,480 (August 31, 2015 - $424,435). At February 29, 2016, the Company had a working capital of $246,688 (August 31, 2015 - $1,930,501). The liquidity position of the company is weakened as compared to last year ended August 31, 2015 mainly due to the costs incurred for the preliminary economic assessment.

EQUITY FINANCING

During the Six Months Ended February 29, 2016

During the six months ended February 29, 2016, 1,714,000 warrants were exercised at the price of $0.10 per share.

During the Year Ended August 31, 2015

One June 30, 2015, the Company completed a private placement of 14,375,000 units at a price of $0.20 per Unit for total proceeds of $2,875,000. Each Unit comprised of one common share of the Company and one-half of one common share purchase warrant. Each one whole common share purchase warrant ("Warrant") entitles the holder to purchase one additional common share of the Company at an exercise price of $0.35 per share until June 30, 2018. In the event that the closing price of the Company's common share is $0.75 or greater per common share during any 20 consecutive trading day period at any time subsequent to four month and one day after June 30, 2015, the Warrants will expire at the sole discretion of the Company on the 30th day after the date on which the Company provides notice of such accelerated expiry to the holders of the warrants. In connection with the private placement, the Company paid cash compensation of $215,625 and issued 1,078,125 Agent's warrants. Each Agent's warrant entitles the holder to purchase one Compensation Unit at a price of $0.20 per Compensation Unit on or before June 30, 2017. Each Compensation Unit consists of one common share of the Company and one-half of one common share purchase warrant. Each whole warrant ("Compensation Unit Warrant") entitles the holder to purchase one common share of the Company at a price of $0.35 per share until June 30, 2018.

During the current year, 14,017,000 warrants exercised at the price of $0.10 per share and 2,589,586 broker's warrants were exercised at the price of $0.07 per broker's warrant unit ("BW Unit") (see broker's warrants issued during the year ended August 31, 2014 below) and 99,750 broker's warrant unit warrants ("BW Warrant") were also exercised at the price of $0.10 per share for total proceeds of $1,592,926.

RELATED-PARTY TRANSACTIONS

As at February 29, 2016, the amounts due to directors and officers are included in accounts payable and accrued liabilities as follows:

North American Mortgage Corporation, a private company controlled by John Morita, former CFO	$ -	$ -
Bolton & Bolton Inc., a private company controlled by Douglas Bolton, CFO	23,229	-
Douglas Oliver, VP, Exploration	-	3,434
Daniel Spine, VP, Business Development	-	1,309
Jean Depatie, Director and Chairman	-	1,275
Richard Keevil, VP, Project Development	35,200	7,345
1163863 Ontario Limited, a private company controlled by Don Baxter, President, CEO and director	32,763	-
	$ 91,192	$ 13,363

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 29, 2016 and 2015 is as follows:

	2016	2015
Financial consulting fees charged by North American Mortgage Corporation, a private company controlled by John Morita, former CFO	$ 5,250	$ 6,950
Financial consulting fees charged by Bolton & Bolton Inc., a private company controlled by Douglas Bolton, CFO	33,736	-
Consulting fees charged by:		
Douglas Oliver, VP, Exploration	2,057	38,833
Keevil Consulting, a private company controlled by Richard Keevil, VP, Project Development	39,000	36,431
Daniel Spine, VP, Business Development	26,859	32,361
Galador Consulting, a private company controlled by Ron Roda, President, Co-CEO, Secretary and director	55,956	67,419
1163863 Ontario Limited, a private company controlled by Don Baxter President, CEO and director	115,000	-
Share-based payments:		
Daniel Goffaux, Director	17,656	8,121
Don Baxter	14,063	-
	$ 309,577	$ 190,115

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

CAPITAL RESOURCES

At February 29, 2016, the Company had cash and cash equivalents of $523,248 (August 31, 2015 - $2,085,925). 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 – 115,737,613
Stock options – 5,021,000 (See table below)
Warrants – 14,203,032 (See table below)

Expiry Date	Number of Options	Exercise Price	Exercisable
October 22, 2016	290,000	$0.105 to $0.35	290,000
October 23, 2016	50,000	$0.45	50,000
April 12, 2018	1,000,000	$0.25	1,000,000
September 3, 2018	280,000	$0.35	280,000
January 20, 2019	36,000	$0.105	36,000
February 3, 2019	605,000	$0.145	605,000
July 18, 2019	400,000	$0.18	237,501
June 12, 2020	1,860,000	$0.27	1,860,000
June 17, 2020	500,000	$0.27	233,334
	5,021,000		4,591,835

Expiry Date	Number of Warrants	Number of Shares If Exercised	Exercise Price per Share
November 21, 2016	260,000	260,000	$0.10
January 31, 2017	3,012,871	3,012,871	$0.10
January 31, 2017 (BW Warrants issued from BW Units exercised)	2,664,536	2,664,536	$0.10
June 30, 2018	7,187,500	3,593,750	$0.35
June 30, 2018 (Compensation Units)			
Common share	1,078,125	1,078,125	$0.20
Compensation Unit Warrant		539,063	$0.35
	14,203,032	11,148,345	

OFF-BALANCE SHEET ARRANGEMENTS

The Company has no off-balance sheet arrangements.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Please refer to the notes of the unaudited condensed interim consolidated financial statements for the six months ended February 29, 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 six months ended February 29, 2016 under the section "Significant Accounting Policies".

PERSONNEL

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
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
H. David Ramm	Director	June 5, 2015
Richard Keevil	VP, Project Development	February 18, 2014

RISKS AND UNCERTAINTIES

The Company is in the business of acquiring and exploring natural resource properties in Canada and the United States. Because the Company's properties are in very 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;
- 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 six months ended February 29, 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

(a) 3,154,000 stock options exercisable at the prices ranging from $0.105 to $0.35 per share were cancelled and replaced by 1,000,000 stock options exercisable at $0.25 per share and expiring on April 12, 2018.

ADDITIONAL INFORMATION AND CONTINUOUS DISCLOSURE

This Management's Discussion and Analysis has been prepared as of April 26, 2016. Additional information on Alabama Graphite Corp. is available through regular filings on SEDAR (www.sedar.com).

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

Chief Executive Officer

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

Chief Financial Officer