

Ceylon Graphite Corp. Announces MOU for Joint Venture With Strategic Partner to Develop

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And Operate Additional New Graphite Mines and a Local Upgrading Facility to Meet Global Battery Anode Needs

VANCOUVER, July 07, 2021 - [Ceylon Graphite Corp.](#) ("Ceylon") (TSX-V: CYL) (OTC: CYLYF) (FSE: CCY) is pleased to announce the execution of a Memorandum of Understanding dated June 30, 2021 (the "MOU") with two subsidiaries of Lanka ORIX Leasing Company Group ("LOLC"). Pursuant to the MOU, Ceylon Graphite, through its subsidiary, Plumbago Refining Corp B.V. ("Plumbago"), and LOLC, through its subsidiaries LOLC GEO Technologies Ltd. ("LOLCGT") and LOLC Advanced Technologies Ltd. ("LOLCAT"), will work together to develop new graphite mines outside of the existing Ceylon portfolio, and to construct and operate a state-of-the-art graphite processing facility in Sri Lanka.

LOLC is the largest corporate conglomerate in Sri Lanka. It recorded the highest profitability in Sri Lankan corporate history in FY 20/21, with LKR 57B (US \$285MM) Profit before Tax. LOLC's portfolio includes leisure, plantations, agri-inputs, renewable energy, construction, manufacturing and trading and other strategic investments, with micro-finance enterprises expanding out to Cambodia, Myanmar, Pakistan, Indonesia, Philippines, Zambia and Nigeria. LOLCGT is the mining arm of LOLC and holds several exploration licenses from the Sri Lanka governments Government Survey and Mining Bureau ("GSMB"). LOLCAT is the research arm for LOLC Group, and a joint owner of Sri Lanka's first graphene and advanced material company, currently producing graphene from ultra-pure highly crystalline Sri Lankan graphite, and making significant advances in a variety of breakthrough applications involving graphene.

The MOU provides for Ceylon and LOLC to develop and operate a minimum of three mines on grids located near the Government owned Kahatagha Mine, an area known to be rich in high-grade vein graphite, as high grade as 98% Cg. Under the MOU, Ceylon intends to purchase a 10% interest in LOLCGT with an option to buy up to 40% of the company. The development of the new mines will be funded on a pro rata basis, will be operated by Ceylon, and Ceylon will agree to offtake all mine production for further processing.

Further, Ceylon and LOLC will construct an in-country value-add facility to upgrade the mine product further to 99.99% purity, ready for spheronization. This mine production will be in addition to Ceylon's existing and planned mining operations at K1, M1, H1, P1 as well as six other potential sites under development.

Under the terms of the MOU, LOLC intends to purchase up to an aggregate of 15% of Ceylon shares either as a lead order on a future financing or under separate terms with timing and terms to be detailed in a definitive agreement.

Both parties will also agree to cross-appointments of designates to their respective corporate boards.

"We are excited to embark on this joint venture together with LOLC Group, the most profitable company in Sri Lanka, led by Mr. Ishara Nanayakkara, one of the most respected business leaders in Asia, whose extraordinary vision aligns with Ceylon's goals in graphite and graphene applications," stated Don Baxter, CEO of Ceylon Graphite. "We're delighted LOLC is eager to support the joint venture's technical strategy to produce a minimum of 50,000 to 100,000 tonnes per year of unparalleled quality spheronized graphite for the rapidly growing anode applications market as well as to collaborate with us and share successes in the graphene production technology."

"LOLC is pleased to partner with a well-established graphite production company like Ceylon," said, Danesh Abeyrathne, CEO of LOLC AT. "Together we can work to capture a greater share of the world's battery anode and graphene applications markets, than we can working separately. This will benefit both our companies as well as the people of Sri Lanka in a significant way."

The MOU is non-binding and signals the intent of both parties to negotiate in good faith a definitive agreement to reflect the intent and content of the MOU. There is no assurance that such an agreement will be reached.

Qualified Person

Donald K.D. Baxter, P. Eng. is a Qualified Person under National Instrument 43-101 and has reviewed and approved the technical information provided in this news release.

About Ceylon [Graphite Corp.](#)

Ceylon Graphite is a public company listed on the TSX Venture Exchange that is in the business of mining for graphite, and developing and commercializing innovative graphene and graphite applications and products. Graphite mined in Sri Lanka is known to be some of the purest in the world and has been confirmed to be suitable to be easily upgradable for a range of applications including the high-growth electric vehicle and battery storage markets as well as construction, healthcare and paints and coatings sectors. The Government of Sri Lanka has granted the Company's wholly owned subsidiary Sarcon Development (Pvt) Ltd. an IML Category A license for its K1 mine and exploration rights in a land package of over 120km². These exploration grids (each one square kilometer in area) cover areas of historic graphite production from the early twentieth century and represent a majority of the known graphite occurrences in Sri Lanka.

Further information regarding the Company is available at www.ceylongraphite.com

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FORWARD LOOKING STATEMENTS:

This news release contains forward-looking information as such term is defined in applicable securities laws, which relate to future events or future performance and reflect management's current expectations and assumptions. The forward-looking information includes statements about Ceylon Graphite's grids, Ceylon Graphite's plans to undertake additional drilling and to develop a mine plan, and to commence establishing mining operations. Such forward-looking statements reflect management's current beliefs and are based on assumptions made by and information currently available to Ceylon Graphite, including the assumption that, there will be no material adverse change in metal prices, all necessary consents, licenses, permits and approvals will be obtained, including various Local Government Licenses and the market. Investors are cautioned that these forward-looking statements are neither promises nor guarantees and are subject to risks and uncertainties that may cause future results to differ materially from those expected. Risk factors that could cause actual results to differ materially from the results expressed or implied by the forward-looking information include, among other things, an inability to reach a final acquisition agreement, inaccurate results from the drilling exercises, a failure to obtain or delays in obtaining the required regulatory licenses, permits, approvals and consents, an inability to access financing as needed, a general economic downturn, a volatile stock price, labour strikes, political unrest, changes in the mining regulatory regime governing Ceylon Graphite, a failure to comply with environmental regulations and a weakening of market and industry reliance on high quality graphite. Ceylon Graphite cautions the reader that the above list of risk factors is not exhaustive.

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