

Alabama Graphite Announces LOI to Supply Battery-Ready Graphite Products to U.S. Lead-Acid Battery Manufacturer

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

1. Expander* composition reformulation;
2. Electrode/battery fabrication;
3. Short-term cycling at varying Depth of Discharge ("DOD"); and
4. Long-term cycling at varying DOD.

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

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

Chief Executive Officer Donald Baxter commented, "As evidenced by today's announcement, battery companies are taking notice of AGC and its battery-ready technical developments, in addition to our potential sourced-in-USA benefits to potential customers. To date, AGC has entered into 30 non-disclosure agreements ("NDAs") with potential end users, several with household names – 14 with U.S. Department of Defense ("DoD") battery manufacturers/contractors – of which, to date, evaluation samples have been sent to 23 potential end users. Lead-acid batteries represent a mature, reliable and cost-effective battery technology, which is still the dominant battery technology in the world. Lead-acid batteries are currently the dominant technology for stationary-storage applications. They have been in use for more than 150 years, and are ubiquitous and well understood. Every vehicle outfitted with an internal combustion engine, nearly every train, aircraft, back-up power-supply plant, and many other market segments use, and will continue using, lead-acid batteries. The dynamics and the philosophy of this battery market segment is appealing to AGC's long-term market strategy. It is a great component in our battery-product mix.

"I want to underscore that although quite small in amount, this current LOI is for just one of the Buyer's valve-regulated lead-acid ("VRLA") battery products. Discussions are underway regarding the Buyer's Starting, Lighting, and Ignition ("SLI") batteries, which could hold considerable potential opportunities for AGC with battery manufacturers, in addition to Start/Stop ("SS") batteries, and both Absorbent Glass Mat ("AGM") and Enhanced Flooded Batteries ("EFB") for vehicles with Idle Start-Stop ("ISS") functionality,"

stated Mr. Baxter. *“We are currently in advanced-stage discussions for offtake/supply agreements with two other U.S.-based end users and are diligently working towards LOIs for significant quantities of our premium, American-sourced-and-manufactured graphite products.”*

Natural crystalline flake graphite of high purity and conductivity is a new and improved additive to the composition of an ingredient of negative plates (the “Expander”) in lead-acid batteries. Traditionally, the Expander is represented by a homogenized co-processed composite of barium sulfate, carbon black and ligna sulfonate. The latter is a byproduct of the paper-making industry, an inconsistent and impure additive. In the recent years, the lead-acid battery industry has been actively investigating the replacement of ligna sulfonate for purified forms of natural crystalline flake graphite, a much purer and electrically conductive component. The Expander makes up approximately 2 total percentage by weight (“wt%”) of the negative plate in a lead acid battery. Its functions include: the enhancement of cold cranking performance of lead-acid batteries; an additive, which helps with elimination of assembly mistakes during production of lead acid batteries, among others. Major improvements in battery-pulsed cycle life have been reported by lead-acid battery producers, who altered the formulation of Expander in terms of substituting ligna sulfonate for graphite. Initial independent test results for AGC’s ULTRA-PMG™ and DEXDG battery-ready graphite products indicate outstanding performance for this substantial market.

Readers are cautioned that AGC is not yet in production and there is no guarantee that the Company will advance to full-scale production. If, following the completion of a Feasibility Study, which has not yet been commenced, AGC is able to advance the Coosa Graphite Project into production, the resulting graphite would be sourced from within the contiguous United States of America.

This LOI was completed in the absence of a Feasibility Study and there is no certainty the above objectives will be met.

On behalf of the Board of Directors of Alabama Graphite Corp.

Donald K. D. Baxter, P.Eng.
President, Chief Executive Officer and Executive Director

QUALIFIED PERSON

Donald K. D. Baxter, P.Eng., President, Chief Executive Officer and Executive Director of Alabama Graphite Corp., is a Qualified Person as defined by National Instrument 43-101 (“N.I. 43-101”) guidelines, and has reviewed and approved the content of this news release.

ABOUT ALABAMA GRAPHITE CORP.

[Alabama Graphite Corp.](#) is a Canadian-based flake graphite exploration and development company as well as an aspiring battery materials production and technology company. The Company operates through its wholly owned subsidiary, Alabama Graphite Company, Inc. *(a company registered in the state of Alabama)*. With an advancing flake graphite project in the United States of America, Alabama Graphite Corp. intends to become a reliable, long-term U.S. supplier of specialty high-purity graphite products. A highly experienced team leads the Company with more than 100 years of combined graphite mining, graphite processing, specialty graphite products and applications, and graphite sales experience. Alabama Graphite Corp. is focused on the exploration and development of its flagship Coosa Graphite Project in Coosa County, Alabama, and its Bama Mine Project in Chilton County, Alabama as well the research and development of its proprietary manufacturing and technological processing process of battery materials.

Alabama Graphite Corp. holds a 100% interest in the mineral rights for these two U.S.-based graphite projects, which are both located on private land. The two projects encompass more than 43,000 acres and are located in a geopolitically stable, mining-friendly jurisdiction with significant historical production of crystalline flake graphite in the flake graphite belt of central Alabama, also known as the Alabama Graphite Belt *(source: U.S. Bureau of Mines)*. A significant portion of the Alabama deposits are characterized by graphite-bearing material that is oxidized and has been weathered into extremely soft rock. Both projects have infrastructure in place, are within close proximity to major highways, rail, power and water, and are 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.

On November 30, 2015, Alabama Graphite Corp. announced the results of PEA for the Coosa Graphite Project, indicating a potentially low-cost project with potential positive economics. Please refer to the Company's technical report titled ["Alabama Graphite Corp. Preliminary Economic Assessment \(PEA\) on the Coosa graphite Project, Alabama, USA"](#), dated November 27, 2015, prepared by independent engineering firms AGP Mining Consultants Inc. and Metal Mining Consultants Inc., and filed on SEDAR at www.sedar.com.

Note: a Preliminary Economic Assessment or PEA is preliminary in nature, it includes inferred mineral resources that are considered too speculative geologically to have economic considerations applied to them that would enable them to be categorized as mineral reserves and there is no certainty that the preliminary economic assessment will be realized.

** 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.*

Alabama Graphite Corp. is a proud member of the National Association of Advanced Technology Batteries International ("NAATBatt International"), a U.S.-based, not-for-profit trade association commercializing advanced electrochemical energy-storage technology for emerging, high-tech applications.

For further information and updates on the Company or to sign up for Alabama Graphite Corp. News, please visit www.alabamagraphite.com or follow, like and subscribe to us on Twitter, Facebook, YouTube, and LinkedIn.

AGC's COMMITMENT TO ENVIRONMENTAL SUSTAINABILITY

AGC's graphite is purified via the Company's proprietary, low-temperature thermal purification process. AGC's environmentally responsible and sustainable graphite purification process does not utilize caustic chemicals or harsh acids that are commonly regarded as dangerous and environmentally harmful (e.g. hydrofluoric acid, as is commonly used in Chinese graphite production hydrochloric acid, sulfuric acid, nitric acids, or alkali roasting, caustic-soda roasting, etc.), nor does the process require copious amounts of clean water or costly, energy-intensive high-temperature thermal upgrading. Please refer to the Company's February 17, 2017 announcement, ["Alabama Graphite Corp. Achieves 99.99997% Graphite Purity via Proprietary, Environmentally Responsible and Sustainable Purification Process; Exceeds Nuclear Graphite Purity Requirements."](#)

For more information about AGC's specialty, secondary processing to produce its CSPG please refer to the June 2016 comprehensive independent report, ["Alabama Graphite's Coated Spherical Purified Graphite for the Lithium-ion Battery Industry"](#), written, researched and prepared by Dr. Gareth P. Hatch, CEng, FIMMM, FIET, prior to his joining the AGC Board of Directors. Dr. Hatch is also President of Innovation Metals Corp., Founding Principal of Technology Metals Research, LLC, and Independent Director of the Company.

FORWARD-LOOKING STATEMENTS

This press release contains forward-looking information under applicable Canadian securities laws ("forward-looking statements"), which may include, without limitation, statements with respect to potential relationships between the Company, its shareholders and possible third-party investors or joint actors. The forward-looking statements are based on the beliefs of management and reflect Alabama Graphite Corp.'s current expectations. When used in this press release, the words "estimate", "project", "belief", "anticipate", "intend", "expect", "plan", "predict", "may", "will", or "should" and the negative of these words or such variations thereon or comparable terminology are intended to identify forward-looking statements. Such statements reflect the current view of Alabama Graphite Corp. with respect to risks and uncertainties that may cause actual results to differ materially from those contemplated in those forward-looking statements.

By their nature, forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements, or other future events, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among other things, 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; labor 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. Forward-looking statements are also based on a number of assumptions, including 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 breakdowns, that no labor 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 statements are made based on management's beliefs, estimates and opinions on the date that statements are made and Alabama Graphite Corp. undertakes no obligation to update forward-looking statements (unless required by law) if these beliefs, estimates and opinions or other circumstances should change. Investors are cautioned against attributing undue certainty to forward-looking statements. Alabama Graphite Corp. cautions that the foregoing list of material factors and assumptions are not exhaustive. When relying on Alabama Graphite Corp. forward-looking statements to make decisions, investors and others should carefully consider the foregoing factors and assumptions and other uncertainties and potential events.

Alabama Graphite Corp. has also assumed that the material factors and assumptions will not cause any forward-looking statements to differ materially from actual results or events. However, the list of these factors and assumptions is not exhaustive and is subject to change and there can be no assurance that such assumptions will reflect the actual outcome of such items or factors.

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