

02 March 2017

DOWNSTREAM INTEGRATION AND COMPLETION OF CAPITAL RAISING

HIGHLIGHTS

- Execution of downstream integration strategy to supply advanced battery materials, equipment and services to the global Lithium Ion Battery (LIB) market.
- Graphitecorp establishes an exclusive joint venture with Coulometrics, a US-based leader in battery materials development and testing to produce ultra-high purity anode materials for LIBs.
- Graphitecorp will separately acquire a two-thirds interest in NOVONIX, a leading battery testing equipment and services company in North America, subject to pre-emptive rights.
- Completion of \$15.5 million capital raising via a Convertible Note issue.

Graphitecorp Limited (ASX: **GRA**) (“Graphitecorp” or “the Company”) has executed transactions with two North American groups, Coulometrics and the founding shareholders of NOVONIX, transforming the business into a supplier of advanced battery materials, equipment and services to the global LIB market.

The transactions reposition Graphitecorp with the launch of its downstream integration strategy into the high-value, high-growth battery materials market which is forecast to grow from US\$10 billion to US\$30 billion during the next ten years.

Graphitecorp has established an exclusive joint venture with Coulometrics, called **PUREgraphite**, which is targeting commercial production by the end of 2017 of ultra-high purity anode materials for Lithium Ion Batteries that is expected to outperform and be produced at lower cost than current suppliers to the electric vehicles market.

NOVONIX sells high precision battery testing equipment and services to customers including CATL, Apple, 3M, Panasonic, Bosch and Dyson, as well as US and Global EV and battery manufacturers.

Graphitecorp Chairman, Tony Bellas said, “Our aim is to help make better batteries that hold more charge, last longer, charge faster and are safer for use in mobile phones, laptops, cordless equipment, electric vehicles and renewable energy storage.”

Mr Bellas said, “The re-positioning of Graphitecorp has the potential to place an Australian company at the forefront of technology development, embedded in the supply chain of one of the world’s fastest-growth high-technology industries.

“The transactions will enable the Company to capture high-margins and customer relationships throughout the value chain in the fast-growing global Lithium Ion Battery (LIB) market.

“We have a strong belief that the world is still only at the very early stage of a long-term trend in LIBs that is radically changing the motor vehicle and energy storage sectors,” Mr Bellas said.

“The strategy positions Graphitecorp to be able to supply advanced battery materials, equipment and services to the highest-value segments of the global LIB market.”

Graphitecorp has entered into binding agreements with Coulometricsⁱ a US-based leader in battery materials led by Dr Edward Buiel, to establish an exclusive joint venture to produce high-performance anode materials for the electric vehicle (EV) industry. The new joint venture business has been named **PUREgraphite**.

Coulometrics has been advising Graphitecorp during the past year and conducted excellent electrochemical battery test work, providing purification and optimisation advice for Graphitecorp’s own Mount Dromedary graphite project samples.

The **PUREgraphite** joint venture has developed anode-manufacturing methods enabling lower-cost production than current producers. Commercial production is targeted for the end of calendar year 2017.

The Company has also entered into binding agreements to acquire a two-thirds interest in NOVONIXⁱⁱ, subject to pre-emptive rights. NOVONIX was spun out of Dr Jeff Dahn's LIB research lab at Dalhousie University, which signed an exclusive five-year research partnership with Tesla in 2015 to develop longer-lasting lithium-ion batteries.

Mr Bellas said the NOVONIX business is already cashflow positive and was well-funded with existing working capital.

“Importantly, NOVONIX has existing tier one customers and relationships including global brands such as CATL, Apple, 3M, Panasonic, Bosch and Dyson, as well as US and Global EV and battery manufacturers.”

In less than three years, NOVONIX has deployed more than 1,000 of its High Precision Coulometry battery testing units in 11 countries.

The ongoing one-third shareholder in Novonix, Contemporary Amperex Technologies Ltd (CATL), with LIB manufacturing facilities in China and offices in Sweden, Germany and France, plans to build an additional LIB factory in Europe. CATL has announced plans to grow its annual battery capacity six fold by 2020 to 50 gigawatt hours (exceeding the planned annual production of the Tesla Gigafactory).

Mr Bellas said, “With the expertise and networks of the expanded Graphitecorp team, we believe there will be additional downstream expansion opportunities in the LIB materials market.”

Dr Edward Buiel, founder and CEO of Coulometrics said that he had selected Graphitecorp

as his partner for a number reasons.

“Graphitecorp understands that the value and the key to success is not in producing flake concentrate or partially-upgraded material, but it is the process to convert graphite flake to battery-ready anode material.”

“Graphitecorp’s directors have a great track record in creating successful businesses and they have been able to quickly grasp difficult battery related concepts and assess the complex market in order to make good strategic decisions,” Dr Buiel said.

Dr Chris Burns, co-founder and CEO of NOVONIX said that the integration of NOVONIX and Coulometrics created a North American capability to help companies make better batteries and those batteries are going to improve the products they make including cell phones, laptops, electric vehicles and renewable grid storage.

“I am extremely excited to be involved in this venture and I look forward to bringing our collective skills and capabilities together to help our customers stay in front of their competition”, Dr Burns said.

FUNDING AND TIMETABLE

Graphitecorp has completed a \$15.5 million Convertible Loan Note issue to institutional and sophisticated investors to provide funding for the two transactions, capital raising costs, and working capital.

Key Loan Note Terms

- Unsecured loan note issued at AUD \$0.60 per note;
- Coupon 10% per annum capitalised over a term of 13 months;
- Convertible at the option of the holder on 1 for 1 basis;
- Redeemable by Graphitecorp at any time (with 10 business days notice), subject to payment of interest on full term; and
- The notes are not listed or tradeable.

Key Dates

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| • Tranche 1 settlement (\$7.7 million) | 7 March 2017 |
| • Shareholder meeting (indicative) | 7 April 2017 |
| • Tranche 2 settlement (\$7.8 million) | 10 April 2017 |

The key parameters of the transactions are summarized in the Annexure and the accompanying Investor Presentation released to ASX.

FOR FURTHER INFORMATION

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ABOUT GRAPHITECORP

Graphitecorp (ASX: **GRA**) aims to become a leading alternate, competitive, secure and sustainable supplier of ultra-high-purity battery materials, equipment and services suitable for EV-standard Lithium Ion Batteries in the global market.

ABOUT NOVONIX

NOVONIX is a specialized start-up company spun out of Dr. Jeff Dahn's lab at Dalhousie University. It has expertise in materials and cell testing, with a strong focus on the use of High Precision Coulometry (HPC) for lifetime evaluation of lithium-ion cells. NOVONIX manufactures high-precision battery testing equipment and offers cell testing services on its in-house high precision chargers, and sells high precision charger systems along with materials testing services. In less than three years, NOVONIX has deployed more than 1,000 of its HPC testing units in 11 countries across the world.

For more information on NOVONIX please visit its website at <http://www.novonix.ca>

ABOUT COULOMETRICS

Founded in 2008 by Dr Edward Buiel, Coulometrics is a leading US-based battery materials and battery cell development and testing company. Dr Buiel graduated from Dalhousie University (Jeff Dahn Lab) in 1998 with a PhD in Physics specializing in "**Development of Carbon Anode Materials for Lithium Ion Battery Applications**".

Coulometrics owns its own toll coating and converting line and specializes in battery and capacitor testing of all types. It has strong capabilities in qualification testing, development of specification sheets and validation of energy storage materials and technology. Coulometrics also works with system designers to select, model and test the optimal energy storage system for their application. It has expertise in materials characterization and processing, including coin/pouch cell fabrication, mixing and electrode fabrication and converting (slitting, calandering).

For more information on Coulometrics please visit its website at <http://coulometrics.com>

To view video footage of Dr Buiel and Dr Burns:

Dr Chris Burns (Novonix): <https://www.youtube.com/watch?v=UjEjv-uoiB4>

Dr Ed Buiel (Coulometrics): <https://www.youtube.com/watch?v=6vKTixWMddQ>

ANNEXURE – SUMMARY OF THE TRANSACTIONS

A summary of the transactions in respect of PUREgraphite and NOVONIX is set out below:

PUREgraphite

- Graphitecorp and Coulometrics propose to enter into an incorporated joint venture (50:50) to develop and commercialise high purity battery grade graphite for the electric vehicle and other energy storage markets.
- Graphitecorp will contribute USD 5 million to PUREgraphite, which will acquire the graphite related intellectual property from Coulometrics.
- Graphitecorp will contribute a further USD 5 million (over 12 months) to cover anticipated capital and operating costs (including the purchase of a production spheronizing system).
- Coulometrics will contribute various plant and equipment and services.
- Graphitecorp has the right to exploit excess capacity to the production of graphite anode material greater than 1,000 tonnes per annum (at its cost).
- PUREgraphite will be the exclusive vehicle through which Coulometrics (or its founder or related entities) conducts research and development and commercialisation of graphite for use in battery and energy storage and any services in the area of graphite materials.
- Graphitecorp has a call option to acquire half of Coulometrics' interest in PUREgraphite (25% of PUREgraphite) for USD 5 million (exercisable within two years).

NOVONIX

- Graphitecorp has agreed to acquire a two-third interest in NOVONIX from the two founding shareholders of NOVONIX (NOVONIX Founders), for a sale price of CAD 3,333,333.
- The NOVONIX Founders have elected to take part of that consideration in Graphitecorp Shares rather than 100% cash.
- The purchase is subject to a number of conditions precedent, including compliance with the NOVONIX shareholders' agreement. In particular, the agreement includes customary shareholder protections, such as pre-emptive rights, drag-along rights and tag-along rights. The other shareholder of NOVONIX, a lithium-ion EV battery manufacturer, has pre-emptive rights in relation to the sale, in addition to tag-along rights. The NOVONIX Founders and Graphitecorp have had positive initial discussions with the other shareholder of NOVONIX and further discussions and meetings are planned prior to a final outcome.

ⁱ Edward Buiel Consulting, LLC DBA **COULOMETRICS**.

ⁱⁱ Novonix Battery Testing Services Inc.