FOCUS GRAPHITE INC.

(An exploration stage Company)

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three month period ended December 31, 2015

FOCUS GRAPHITE INC.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE MONTH PERIOD ENDED DECEMBER 31, 2015.

The following Management Discussion and Analysis ("MD&A") of the operations, results, financial condition and future prospects of Focus Graphite Inc. ("Focus" or the "Company") are current as of February 25, 2016. It should be read in conjunction with the Company's interim unaudited financial statements and notes thereto for the three month period ended December 31, 2015, and the audited financial statements and the notes thereto for the year ended September 30, 2015 which were prepared in accordance with International Financial Reporting Standards ("IFRS"). The reporting currency is in Canadian dollars. All financial results presented in this MD&A are expressed in Canadian dollars unless otherwise stated.

This MD&A contains or may refer to certain statements that may be deemed "forward-looking statements". Forward-looking statements include estimates and statements that describe the Company's future development plans, objectives or goals, including words to the effect that the Company expects a stated condition or result to occur. Forward-looking statements may be identified by such terms as "anticipates", "believes", "could", "estimates", "predict", "seek", "potential", "continue", "intend", "plan", "expects", "may", "shall", "will", or "would" and similar expressions. Since forward-looking statements are based on assumptions and address future events and conditions, by their very nature they involve inherent risks and uncertainties. Forward-looking statements are not guarantees of future performance and actual results or developments may differ materially from those in forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include market prices for mineral commodities; exploration successes; new opportunities; continued availability of capital and financing; general economic, market or business conditions; and litigation, legislative, environmental or other judicial, regulatory, political and competitive developments. These and other factors should be considered carefully and readers should not place undue reliance on the Company's forward-looking statements. Focus does not undertake to update any forward-looking statement that may be made from time to time by Management or on its behalf, except in accordance with applicable public disclosure rules and regulations.

Nature of Business

Focus is a Canadian mineral exploration and development company incorporated under the *Canada Business Corporations Act*. The Company is engaged in the acquisition, exploration and development of mineral properties principally in Québec, with the aim of discovering commercially exploitable deposits of minerals (primarily graphite, rare earth elements ("REE")). The Company's main focus is to bring the Lac Knife graphite project into production.

Common shares of the Company are listed for trading on the Toronto Stock Exchange Venture Market (''TSX-V'') under the symbol "FMS" and on the OTCQX under the symbol "FCSMF". Focus' corporate office is located at 130 Albert Street, Suite 912, Ottawa, Ontario, K1P 5G4.

Going Concern Assumption

The financial statements accompanied by the management's discussion and analysis have been prepared on a going concern basis in accordance with International Financial Reporting Standards ("IFRS"). The going concern basis of presentation assumes the Company will continue to operate for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. The Company is in the exploration stage and has not earned revenue from operations. During the quarter ended December 31, 2015, the Company incurred a net loss of $1,440,150 (2014 - $736,567) and negative cash flows from operations of $372,918 (2014 - $163,294). In addition, the Company has a working capital of $263,790 and a deficit of $30,816,076.

The above factors raise significant doubt about the Company's ability to continue as a going concern. In assessing whether the going concern assumption is appropriate, Management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. This assessment is based upon planned actions that may or may not occur for a number of reasons including the Company's own resources and external market conditions.

The Company's ability to continue as a going concern, realize its assets and discharge its liabilities in the normal course of business, meet its corporate administrative expenses and continue its exploration activities in fiscal 2016, is dependent upon Management's ability to obtain additional financing, through

various means including but not limited to equity financing. No assurance can be given that any such additional financing will be available, or that it can be obtained on terms favorable to the Company. Failure to obtain additional financing results in material uncertainties that cast significant doubt as to the Company's ability to continue to operate as a going concern.

The financial statements do not reflect adjustments that would be necessary if the going concern assumption were not appropriate. If the going concern basis was not appropriate for these financial statements, then adjustments would be necessary to the carrying amounts of assets and liabilities, the reported expenses and the classifications used in the statements of financial position.

Given the current market conditions, there is no assurance that the Company will be successful in raising the additional required funds.

Alternatively to address its financing requirements and streamline operational costs, Management is considering the following options:

1. Potential sale of part of the Company's equity position in Grafoid Inc. (Focus holds 7,800,000 shares in Grafoid Inc. (`Grafoid`));
2. Potential sale of part or all of the Company's free trading shares in Mincom Capital Inc. (Focus currently has 2,500,000 shares of Mincom Capital Inc. (TSX-V:MOI) which is currently trading at $0.025 (previous close on February 18, 2016) on the TSX-V);
3. Potential sale or option of the Company's non-graphite related assets including the Eastmain-Léran/Alta Option and Eastmain-Léran Polymetallic properties in the James Bay territory of northern Québec;

The outcome of these measures cannot be predicted at this time and Management's ability to complete these measures will depend on market conditions and its ability to find buyers for these assets. The Company's Board of Directors has approved pursuing these measures.

During the quarter ended December 31, 2015, the Company closed a flow-through financing for gross proceeds of $1,533,380 by issuing 15,333,800 flow-through shares at $0.10 per share.

Corporate Development Highlights

Focus Confirms Significant Mineralization at Depth Below a Discovery of 88.5 m Grading 12.82% Graphitic Carbon at its Lac Tetepisca Project

On October 20, 2014, the Company announced that significant widths of graphitic mineralization ranging from 95 to 110 m in thickness were intersected in a new zone at its wholly owned Lac Tétépisca Project located southwest of the Manicouagan reservoir in Québec. Four fences of holes were spaced 200 m apart, covering a 600 m strike length of this new zone in a drill program designed to test surface mineralization found in trenches down to a vertical depth of approximately 100 m. The "Manicouagan-Ouest graphitic corridor" was discovered by Focus in 2012 and then exposed and channel sampled in two trenches in the fall of 2013. Assays up to 88.5 m @ 12.82% graphitic carbon (Cg) and 84 m @ 11% Cg were obtained.

Pre-Development Agreement with the Uashat Mak Mani-Utenam Innu First Nation

On October 28, 2014, the Company announced the signing of a Pre-Development Agreement (PDA) with the Uashat Mak Mani-Utenam Innu (ITUM) First Nation Band Council (refer to the October 28, 2014 news release available at www.focusgraphite.com and on www.sedar.com). The intent of the ITUM-Focus agreement is both parties to enter into a collaborative relationship in order to better understand the impacts of the project and to incorporate ITUM's concerns into the Lac Knife mine development project planning. The PDA further lays out the possibility that future negotiations could pave the way to a long-term partnership that would allow for the sustainable development of the project in the region as well as for innovative opportunities in the secondary transformation market, all the while working with ITUM to address the community's social needs and support its long term vision and aspirations.

Environmental and Social Impact Assessment (ESIA) Study

On December 1, 2014, the Company filed the complete Environmental and Social Impact Assessment (ESIA) study for the Lac Knife Project (refer to the December 1st, 2014 news release available at

www.focusgraphite.com and on www.sedar.com). Golder Associates completed the study and report. The ESIA is the main document used to communicate and discuss details of the project to all concerned regulators and community stakeholders regarding the project's impact, risk mitigation, and potential benefits. The Lac Knife ESIA was filed with Québec's provincial authorities at the *Ministère du Développement durable, de l'Environnement et de la Lutte contre les changements climatiques (MDDELCC)*. This is a precursor to obtaining a mining lease for the project and is considered one of the key milestones.

Focus Announces Potential Financing Arrangements with Caterpillar Financial Services Corporation for the Lac Knife Project

On January 6, 2015, the Company announced that Caterpillar Financial Services Corporation ("CAT Financial") expressed its formal interest to further evaluate the Company's Lac Knife Project in order to provide Focus with a financing solution for Lac Knife's development.

CAT Financial provides innovative financial solutions for clients across the globe including integrated project and structured financing solutions.

Closing of Private Placement

On February 9, 2015, the Company announced the closing of its private placement for gross proceeds of $423,500. The private placement was comprised of 847,000 units at a price of $0.50 per unit. Each unit is comprised of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share of the Company at a price of $0.60 per share until February 9, 2019. In connection with the financing, the Company paid cash finder's fees totaling $29,645 and issued, as additional consideration, 59,290 non-transferable broker warrants, each broker warrant entitling the holder to acquire one common share of the Company at a price of $0.60 until February 9, 2017.

Focus Announces Additional Debt Financing Interest in Lac Knife

On February 24, 2015, the Company announced that FLSmidth ("FLS") expressed its formal interest to further evaluate the Lac Knife Project in order to provide Focus with a "One Source" solution for engineering & technical services and supply of mineral processing equipment.

The initial set of Lac Knife mineral processing equipment being proposed by FLS bears a feasibility study level cost estimate of $12 million. The project scope may include a second component at a later date associated with dewatering, filtration, and conveyance equipment used for the de-watering and dry-stacking of tailings.

Focus included this revised tailings management system in the Environmental and Social Impact Assessment study report filed in November 2014 in order to reduce the environmental footprint of Lac Knife's general site layout.

FLSmidth is a Danish multinational corporation with annual revenues in excess of 3.6 billion euros. The company is a leading supplier of mineral processing equipment and mining services and is specialized in dry-stacked tailings management.

Focus Announces the Closing of $2,051,758 Financing

On March 16, 2015, the Company announced the closing of the first tranche of a private placement previously announced on March 2, 2015, raising gross proceeds of $2,051,758.10 and issuing 5,862,166 units at a price of $0.35 per unit. Each unit comprised of one common share and one half of one common share purchase warrant and each warrant entitling the holder to acquire one additional common share of the Company at a price of $0.55 per share until March 13, 2017.

The Company retained Stormcrow Capital Ltd. ("Stormcrow"), an exempt market dealer headquartered in Toronto, Ontario, as its agent for the offering. Stormcrow received a cash commission equal to $143,623 and 410,351 non-transferable broker warrants, each broker warrant entitling Stormcrow the right to acquire one common share of the Company at a price of $0.35 per share until March 13, 2017.

Focus Announces the Close of the Second and Final Tranche of Offering Raising of $883,800

On March 31, 2015, the Company announced the closing of the second and final tranche of a previously announced private placement raising gross proceeds of $883,799.70 by issuing 2,525,142 units at a price of $0.35 per unit and 1,271,571 warrants which may be exercised to acquire one additional common share $0.55 per share until March 27, 2017.

In connection with the closing of the second tranche of the Offering, the Company paid cash finder's fees totaling $61,866 and issued 176,759 non-transferable warrants with each warrant entitling the holder to acquire one common share of the Company at a price of $0.35 per common share until March 27, 2017.

Focus Announces a Feasibility Study for Value Added Graphite Products

On April 9, 2015, the Company announced the launch of a feasibility study for the construction of a transformation plant for value-added graphite products in the city of Sept-Iles, Québec. The Company's aim is to become the first Canadian producer and exporter of technology grade graphite to meet the rising global demand for highly purified and shaped graphite used to manufacture anodes for lithium-ion rechargeable batteries, targeted specifically for use in hybrid and electric vehicles for the growing energy storage market, as well as other potential high value applications.

The timing of the Company's announcement coincides with the launch of the Québec Government's Plan Nord action plan for 2015-2020 - its long-term economic and social development vision to sustainably develop the parts of Québec located north of the 49th parallel between now and 2035.

**** Cautionary notes related to the industrial transformation plant project:*** *Feasibility studies on any value-added industrial projects are not the same as feasibility studies for mineral projects as defined under NI 43-101 and CIM Definition Standards for Mineral Resources and Mineral Reserves. Although Focus continues to work towards its objective of developing value-added products using graphite concentrates to be produced at the Lac Knife project or obtained from other graphite concentrate producers, the Corporation reiterates its primary objective of advancing the Lac Knife mineral project towards production of large, medium and fine flake graphite concentrate as demonstrated in the Lac Knife Feasibility Study dated August 8, 2014 (a copy of which is available on SEDAR at www.sedar.com). The feasibility of a transformation plant for value-added products remains to be demonstrated and could be determined to be uneconomical and therefore not feasible for the Corporation. It is therefore possible that Focus never move forward with such transformation plant despite its corporate objective to do so. Readers are therefore cautioned against undue reliance on this corporate objective given its uncertainty at the present time. Focus intends to bring the Lac Knife deposit into production despite any potential negative decision on the fabrication of value-added products.*

Focus Announces Changes to its Management

On June 12, 2015 the Company announced that its Board of Directors had nominated Mr. Gary Economo as President and Chief Operating Officer on an interim basis. This announcement results from a decision to end the Company’s professional relationship with Mr. Don Baxter, due to a significant divergence of vision. Mr. Economo will continue to serve as Chief Executive Officer and Director of the Company.

The management change reflects the Board of Directors strong commitment to its leadership team and to the Company’s business development strategy and its execution. Focus Graphite is devoting all of its resources to achieve its objective to bring the Lac Knife project into commercial production, and then to bring to market value-added products for the Lithium-ion battery sector.

The Board of Directors has undertaken a recruitment process and expects a permanent appointment to be made in the coming months. The Company remains fully confident in its ability to continue to focus on the execution of its strategy and expects that the transition of responsibilities will not impact the Company's day-to-day operations.

Focus Announces Strategic Offtake Agreements with Grafoid Inc.

On June 22, 2015, the Company announced that it has entered into two offtake agreements with Grafoid Inc., a global leader in graphene application development. The first offtake agreement (the “Energy Offtake”) commits Grafoid to acquire, at its discretion, up to an annual maximum of 1,000 tonnes of

high-purity (98.3% total carbon “Ct”)* large flake (+80 mesh) graphite concentrate annually from the Lac Knife Project for 10 years, representing up to 6.8% of the projected annual production of 14,606 tonnes of high-purity large flake concentrate. Under the initial terms of the Energy Offtake agreement, Grafoid would pay Focus Graphite C$1 million over a 12-month period, with the first payment being on or before September 30, 2015, for the right of first refusal to purchase up to the annual maximum of 1,000 tonnes and would also give Grafoid the first right of refusal to extend and expand the offtake agreement for an additional 10-year period. The pricing for an additional 10-year period will be set at market price less 10%.

The second offtake agreement (the “Polymer Offtake”) commits Grafoid to acquire, at its discretion, up to 25,000 tonnes of 97.8% Ct (average concentrate grade for all flake sizes) graphite concentrate annually from the Lac Knife Project for 10 years, representing up to 56.4% of the projected total annual production of 44,300 tonnes (all flake sizes). Under the initial terms of the Polymer Offtake agreement, Grafoid would pay Focus Graphite C$1 million over a 12-month period, with the first payment being on or before September 30, 2015, for the right of first refusal to purchase up to the annual maximum of 25,000 tonnes of the projected total annual production of all flake size graphite concentrate. Grafoid would also have the first right of refusal to extend the offtake agreement for an additional 10-year period. The pricing for an additional 10-year period will be set at market price less 10%.

** 98.3% Ct purity is the average of 6 pilot plant runs. The pilot plant program was completed in 2013 by SGS Canada Inc., located in Lakefield, Ontario. See Focus news release dated August 21, 2013.*

The offtake agreements are conditional upon the satisfaction of a number of conditions precedent.

Focus Announces Non Brokered Offering and Closes First Tranche

On August 28, 2015 the Company announced the closing of the first tranche of a non-brokered private placement for gross proceeds of $429,829. The Company has issued 3,306,381 units at a price of $0.13 per unit, each unit being comprised of one (1) common share of the Company and one common share purchase warrant entitling the holder thereof to acquire one (1) additional common share of the Company at a price of $0.17 per share until August 28, 2019.

In connection with the closing of the first tranche of the Offering, the Company paid cash finder’s fees totaling $31,442.84 and issued 241,868 non-transferable warrants, each warrant entitling the holder to acquire one (1) common share of the Company at a price of $0.17 per common share until August 28, 2017.

Focus. and Grafoid Finalize Two Definitive, 10-Year Offtake Agreements for Lac Knife Graphite Concentrate

On Sept. 25, 2015 the Company announced it finalized two definitive offtake agreements with Grafoid, a graphene application development company, and a related party.

The first offtake agreement (the "Graphene Offtake," formerly the "Energy Offtake") commits Grafoid to acquire, at its discretion, up to an annual maximum of 1,000 tonnes of high-purity (98.3% total carbon "Ct")(1) large flake (+80 mesh) graphite concentrate annually from the Lac Knife Project for 10 years, representing up to 6.8% of the projected annual production of 14,606 tonnes of high-purity large flake concentrate. (Taken from *Technical Report on The Lac Knife Graphite Feasibility Study.)*

(1) 98.3% Ct purity is the average of 6 pilot plant runs. The pilot plant program was completed in 2013 by SGS Canada Inc., located in Lakefield, Ontario. See news release dated August 21, 2013.

The second offtake agreement (the "Polymer Offtake") commits Grafoid to acquire, at its discretion, up to 25,000 tonnes of 97.8% Ct (average concentrate grade for all flake sizes) graphite concentrate annually from the Lac Knife Project for 10 years, representing up to 56.4% of the projected total annual production of 44,300 tonnes (all flake sizes) (taken from: *Technical Report on The Lac Knife Graphite Feasibility Study).*

Graphene Offtake Agreement

If the Lac Knife Project comes into production, the Graphene Offtake is intended to supply Grafoid's needs for a range of next-generation graphene-based automotive batteries, batteries for consumer electronics, and energy storage applications. Customer requirements would come from Grafoid, its subsidiaries, acquisitions and/or joint venture partnerships.

Under the terms of the Graphene Offtake agreement, Grafoid will pay Focus Graphite C$1 million over a 12-month period, with the first payment of $83,333 being on or before September 30, 2015 (received), for the right of first refusal to purchase up to the annual maximum of 1,000 tonnes and will also give Grafoid the first right of refusal to extend and expand the offtake agreement for an additional 10-year period. The pricing for an additional 10-year period will be set at market price less 10%.

Polymer Offtake Agreement

If the Lac Knife Project comes into production, the Polymer Offtake is intended to supply Grafoid's needs for a range of graphite-based polymer applications for the automotive and aerospace industry. Customer requirements would come from original equipment manufacturers (OEMs) and Tier 1 or Tier 2 suppliers.

This area of commercial application development holds considerable promise for Grafoid as OEMs are looking for lighter and stronger composite materials to replace expensive carbon fiber and that ultimately reduce cost, increase fuel savings and build longer life into those components used in transportation industries.

The patented graphite-polymer process was developed by Grafoid's wholly owned subsidiary, Graflow Inc., in partnership with Rutgers University's AMIPP Advanced Polymer Center.

Under the terms of the executed Polymer Offtake agreement, Grafoid will pay Focus Graphite C$1 million over a 12-month period, with the first payment of $83,333 being on or before September 30, 2015 (received), for the right of first refusal to purchase up to the annual maximum of 25,000 tonnes of the projected total annual production of all flake size graphite concentrate. Grafoid will also have the first right of refusal to extend the offtake agreement for an additional 10-year period. The pricing for an additional 10-year period will be set at market price less 10%.

The definitive offtake agreements were approved by the independent directors of Focus. As Mr. Gary Economo and Mr. Jeff York are also directors and officers of Grafoid, both agreements constitute transactions with a "non arm's length party" under the rules and policies of the TSX Venture Exchange ("TSX-V") and are therefore subject to TSX-V acceptance.

Additional Terms of the Offtake Agreements

Both offtake agreements grant Grafoid a right of first refusal on the sale of Grafoid shares held by Focus to a third party with no mention of actual sale of Grafoid shares. Focus also plans to divest between 1,000,000 and 2,000,000 common shares of Grafoid from the 7,800,000 common shares of Grafoid the Company currently owns. The proceeds from the sale will be applied to ongoing development costs of the Lac Knife Project. Under the terms of both agreements, Grafoid has the right of first refusal to acquire those shares.

In the event the profit margin is less than 10% for Focus, the parties agree to review and renegotiate the annual quantity and purchase price of the concentrate.

Following the finalization of these two offtake agreements with Grafoid, Focus now has signed three offtake agreements whose terms are summarized in the following table:

Summary of Focus' Offtake Agreements

Offtake	Date of Agreement	Buyer	Minimum Quantity	Maximum Quantity	Products	Source of graphite concentrates and products	End date	Right to determine actual quantity
China offtake	December 19, 2013	Chinese industrial conglomerate	20,000	40,000	All flake sizes [1]	Lac Knife Project or other sources owned or controlled by Focus [2]	December 19, 2023	Focus
Graphene offtake	September 24, 2015	Grafoid Inc.	0	1,000	High purity (98.3% total carbon) large flake (>80 mesh) concentrate	Lac Knife Project or other sources owned or controlled by Focus [2]	10 years after commercial production start-up	Grafoid
Polymer offtake	September 24, 2015	Grafoid Inc.	0	25,000	All flake sizes [1]	Lac Knife Project or other sources owned or controlled by Focus [2]	10 years after commercial production start-up	Grafoid
TOTAL	-	-	**20,000**	**46,000**	-	-	-	-

Note:

(1) Estimated yearly production of 44,300 tonnes as per the Feasibility Study dated June 25, 2014
(2) Focus to determine in its sole discretion origin of graphite concentrate to be delivered

Focus Discloses Legal Action

On September 30, 2015 the Company announced it has been named as a defendant in a statement of claim filed on behalf of Mr. Donald Baxter, the Company's former President and Chief Operating Officer. The statement of claim alleges that Mr. Baxter was wrongfully dismissed by the Company and speculates on reasons why Mr. Baxter was terminated. Mr. Baxter is seeking alleged damages of $450,000 for, among other things, breach of contract, wrongful dismissal and punitive damages. The Company denies all of the allegations made by Mr. Baxter and believes the action to be without merit. The Company will vigorously defend itself against this claim and is presently considering all available actions that it may take in order to protect its rights and reputation, including seeking damages.

Focus Closes Second and Final Tranche of Non Brokered Offering

On October 2, 2015, the Company announced the closing of the second and final tranche of a non brokered private placement (the "Offering") for gross proceeds of approximately $487,324. The Company issued 3,748,646 units (the "Units") at a price of $0.13 per Unit, each Unit being comprised of one (1) common share of the Company and one common share purchase warrant (a "Warrant"), each Warrant entitling the holder thereof to acquire one (1) additional common share of the Company at a price of $0.17 per share until September 30, 2019.

In connection with the closing of the second tranche of the Offering, the Company paid cash finder's fees totaling $9,386 and issued 63,584 non-transferable warrants, each warrant entitling the holder to acquire one (1) common share of the Company at a price of $0.17 per common share until September 30, 2017.

Certain insiders of the Company participated in the Offering and subscribed for an aggregate of 2,692,308 Units representing an aggregate amount of approximately $350,000. Participation of insiders of the Company in the Offering constitutes a "related party transaction" as defined under *Regulation 61-101 respecting Protection of Minority Security Holders in Special Transactions* ("Regulation 61-101"). The Offering is exempt from the formal valuation and minority shareholder approval requirements of Regulation 61-101 as neither the fair market value of securities being issued to insiders nor the

consideration being paid by insiders will exceed 25% of the Company's market capitalization. The Company did not file a material change report 21 days prior to the closing of the Offering as the details of the participation of insiders of the Company had not been confirmed at that time.

The securities offered pursuant to the Offering will not be registered under the United States *Securities Act of 1933* (the "Act") and may not be offered or sold in the United States absent registration or an applicable exemption from the registration requirements of the Act.

In addition, the Company announces that the Shareholders of the Company have reconfirmed and ratified the Company's shareholders rights plan (the "Plan") dated January 6, 2012. A copy of the Plan is available at www.sedar.com.

Lac Knife High Purity Spherical Graphite Holds Potential to Extend Range in Lithium-Ion Cell Powered EVs

On November 25, 2015 the Company announced results from independent laboratory tests conducted to compare the long term cycling performance of Lac Knife surface coated spherical crystalline fine flake graphite with two commercial grades of coated crystalline flake graphite in the anodes of CR2016 coin cells.

The results presented are a follow up from data presented in Focus' February 26, 2015 news release where similar tests were run on "as-is" minus 200 mesh fines of Lac Knife graphite which also showed to have excellent long term cycling performance.

Highlights:

- Coin cell tests run on purified uncoated and coated standard grades of Lac Knife spherical graphite (SPG) showed that both grades exhibited essentially no loss in capacity up to the limit of the tests of 110 cycles
- Coin cell tests run under the same formulation and conditions showed that the two commercial grades of coated flake graphite exhibited capacity losses of 4.35% and 6.43% up to the limit of the tests of 110 cycles.

The Company's aim is to become one of the lowest cost producers of high-purity technology graphite. The purpose of its ongoing battery materials testing efforts is to validate the commercial viability of the high purity crystalline flake graphite recovered from its Lac Knife deposit, and to demonstrate that Lac Knife graphite holds the potential to improve the performance of anodes in Lithium Ion batteries. (See May 27th, 2014 and February 26th, 2015 Company News Releases).

**** Cautionary notes related to the industrial transformation plant project:*** *Feasibility studies on any value-added industrial projects are not the same as feasibility studies for mineral projects as defined under NI 43-101 and CIM Definition Standards for Mineral Resources and Mineral Reserves. Although Focus continues to work towards its objective of developing value-added products using graphite concentrates to be produced at the Lac Knife project or obtained from other graphite concentrate producers, the Corporation reiterates its primary objective of advancing the Lac Knife mineral project towards production of large, medium and fine flake graphite concentrate as demonstrated in the Lac Knife Feasibility Study dated August 8, 2014 (a copy of which is available on SEDAR at www.sedar.com). The feasibility of a transformation plant for value-added products remains to be demonstrated and could be determined to be uneconomical and therefore not feasible for the Corporation. It is therefore possible that Focus never move forward with such transformation plant despite its corporate objective to do so. Readers are therefore cautioned against undue reliance on this corporate objective given its uncertainty at the present time. Focus intends to bring the Lac Knife deposit into production despite any potential negative decision on the fabrication of value-added products.*

The properties of the flake graphite recovered from the Lac Knife high quality and high carbon content graphite deposit, allow for the recovery of concentrate that grades 98% C even in the finer size fractions down to 200 mesh (75 microns) that are usually the most difficult products to sell. This holds the potential for Focus to create a high-margin business opportunity by providing customers with a finer grade, lower cost, value-added graphite product.

Battery manufacturers require a cost competitive alternative to current sources of synthetic and natural flake graphite. China produces the majority of the world's purified SPG, using methods generally regarded as environmentally unsustainable.

Presentation of Data:

All Lac Knife flake graphite materials tested were purified, spheronized and sized for application in the anodes (negative electrodes) of Lithium-Ion batteries. The anodes for all samples tested consisted of 90% graphite, 7% PVDF binder and 3% carbon black and a copper coil current collector with a thickness of 20 microns. All cells were assembled and tested in a CR2016 coin cell configuration prepared with 1M LiPF6/EC/DMC electrolyte and lithium foil counter electrodes. The coin cells were then cycled between 0.003 and 1.5 volts. Formation was carried out with C/10 current density and cycling was carried out with the same voltage limits at C/10. To evaluate the cycling performance, half cells made with the lithium metal counter electrode were charged and discharged at a relatively low current density and cycled galvanostatically at a C/10 rate until the limit of the test was reached.

**** Cautionary notes related to proprietary industrial processes:*** *Testing was conducted at a globally recognized laboratory in Europe. The name of the laboratory is being withheld because of commercial and competitive confidentiality. The Corporation is not disclosing details of its in-house and proprietary purification technologies for competitive reasons. The results obtained through independent testing are preliminary and will require additional testing and evaluation. The capacity of Focus to produce graphite value-added products on a commercial scale remains to be demonstrated. Readers are therefore cautioned against undue reliance on these results given their preliminary nature. The scientific and technical information in this news release relating to coated spherical graphite has been prepared by the Company who is responsible for such disclosure. Joseph E. Doninger, PhD., M.Sc., B.Sc. (Chemical Engineering) a global expert in graphite processing and product development and Focus' Director of Manufacturing and Technology, supervised the Company's material testing program.*

Figure 1 below compares the long-term cycling performance of both the spheronized uncoated and surface coated standard grade of purified Lac Knife graphite. The standard sizing of the Focus Graphite's Lithium-Ion coated graphite has a d50 in the range of 23 to 29 micrometers. The surface area of the uncoated SPG was 5.25 m2/gram which actually is too high and not suitable for use directly in Lithium-Ion batteries.

The use of high surface area graphites have been known to contribute to thermal runaways and fires in Lithium-Ion batteries. It was this material that was coated with a passivating surface coating which reduced the surface area to less than 2.0 m2/gram to produce the standard grade of coated SPG and make it suitable for use in the anodes of Lithium-Ion batteries.

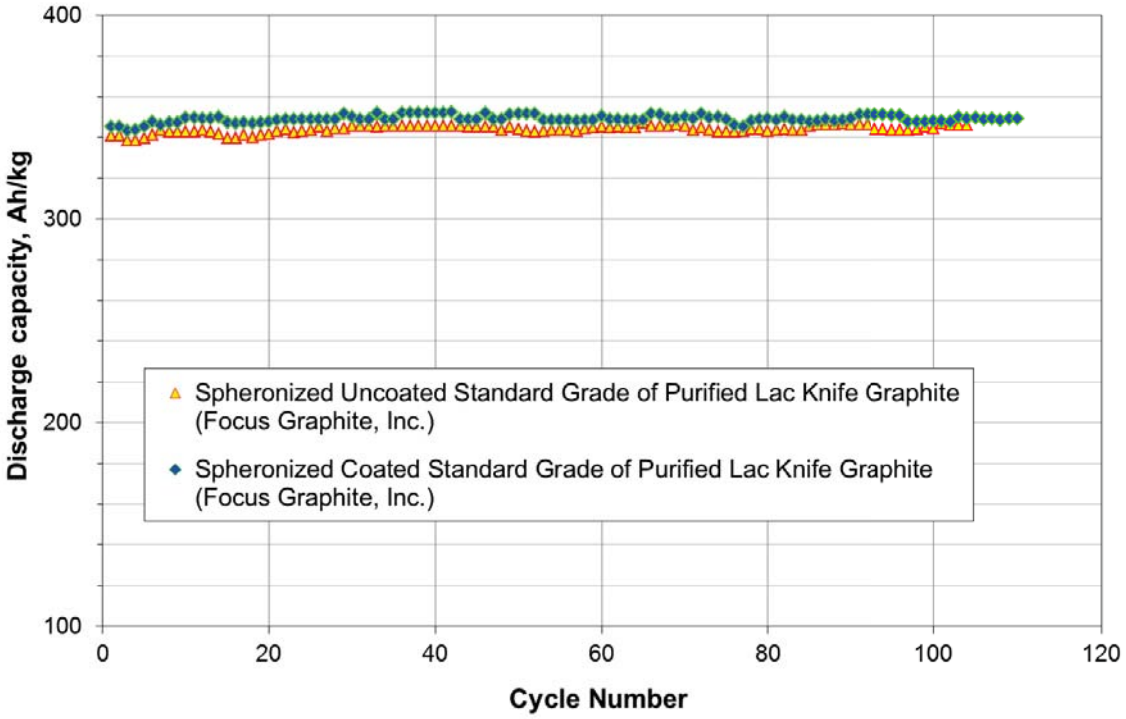


Figure 1. Long-term cycling performance of Lac Knife Purified Spheronized Standard Grade of natural crystalline flake graphite with and without surface coating (CR2016 cells, Li/Li+ counter electrode; C/10 cycling rate; reversible capacity only shown). http://file.marketwire.com/release/fms1125.jpg

As shown both the uncoated and coated standard Lithium-Ion grade of the Focus graphite exhibited essentially no capacity loss after 105 and 110 cycles, respectively which effectively was the end of both tests. What is important here is that, although the surface coating applied to the SPG is critical to the safety of Lithium-Ion batteries, it is the high quality of the Lac Knife graphite that provides the long term cycling stability to the Lithium-Ion battery. The data also show that the surface coating improves the reversible capacity of the Lac Knife SPG in the cell.

Figure 2 compares the long term cycling performance of the Lac Knife standard grade of coated SPG with two commercial Lithium-Ion grades of purified coated crystalline flake graphite. As noted previously both of these commercial Lithium-Ion grades were tested in CR2016 half cells under the same formulation and conditions of the Lac Knife cells.

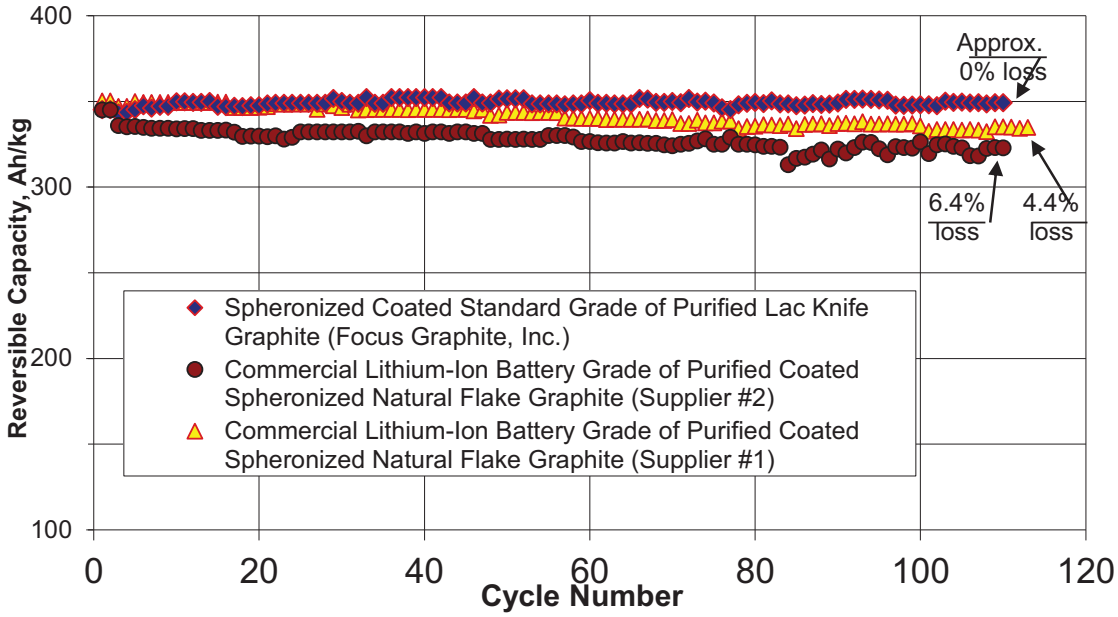


Figure 2. Long-term cycling performance of Lac Knife Purified Spheronized Coated Standard Grade of natural crystalline flake graphite compared to two commercial grades of purified coated spheronized natural flake graphites (CR2016 cells, Li/Li+ counter electrode; C/10 cycling rate; reversible capacity only shown). http://file.marketwire.com/release/fms21125.jpg

The long term cycling performance of the standard grade of coated SPG is the same as that in Figure 1 which showed that there is essentially no capacity loss after 110 cycles. Although the cells made with all three graphites start out with a reversible capacity of around 350 mAh/g (Figure 2), only the cell made with the Lac Knife standard grade of coated SPG showed essentially no loss in capacity after 110 cycles and the conclusion of the test. The long term cycling tests of the first commercial grade of Lithium-Ion grade flake graphite ended up with a reversible capacity of 335.16 mAh/g after 110 cycles and a capacity loss of 4.35%. A similar loss in performance is observed with the second commercial Lithium-Ion grade of flake graphite ending up with a reversible capacity of 322.84 mAh/g and a 6.43% capacity loss after 110 cycles.

The fact that the Lithium-Ion half-cells made with the standard coated grade of Lac Knife SPG showed essentially no loss in capacity after long term cycling is critical to the performance of Lithium-Ion batteries for all applications in the field. For example, these data suggest that the excellent long-term stability achieved in half cells with the use of Lac Knife graphite in Lithium-Ion batteries should ultimately result in an increase in the range of electric vehicles before they have to be re-charged.

Focus Closes a Private Placement

During the quarter ended December 31, 2015, on December 23, 2015 the Company announced the closing of a private placement (the "Offering"). In total, the Company issued 14,333,800 flow-through common shares at a price of $0.10 per common share for aggregate proceeds of $1,433,380.

In connection with the closing of the Offering, the Company paid cash finder's fees totaling $114,670.40 to Secutor Capital Management Corp. ("Secutor") and issued 1,146,704 non-transferable warrants to Secutor and Marquest Capital Markets, each warrant entitling the holder to acquire one (1) common share of the Company at a price of $0.10 per common share until December 23, 2017.

The securities issued in connection with the Offering are subject to a four month hold period ending on April 24, 2016. The proceeds of this Offering will be allocated to exploration work on the Company's mineral properties in Québec.

Additionally, the Company has granted options to its employees, consultants, directors and officers to purchase 4,800,000 common shares of the company at $0.10 a share over a period of five-years

pursuant to the Company's stock option plan; of which 3,500,000 options were granted to directors and officers of the company.

Focus Closes Additional Flow-Through Financing

During the quarter ended December 31, 2015, on December 31, 2015, the Company announced the closing of an additional flow-through financing (the "Offering"). The Company issued 1,000,000 flow-through common shares at a price of $0.10 per common share for aggregate proceeds of $100,000.

In connection with the closing of the Offering, the Company didn't pay any finder's fee. The securities issued in connection with the Offering are subject to a four month hold period ending on May 1st, 2016. The proceeds of this Offering will be allocated to exploration work on the Company's mineral properties in Québec. The Offering is subject to final approval from the TSX Venture Exchange.

An insider of the Company participated in the Offering and subscribed for an aggregate of 1,000,000 flow-through common shares representing an amount of $100,000. Participation of an insider of the Company in the Offering constitutes a "related party transaction" as defined under Regulation 61-101 respecting Protection of Minority Security Holders in Special Transactions ("Regulation 61-101"). The Offering is exempt from the formal valuation and minority shareholder approval requirements of Regulation 61-101 as neither the fair market value of securities being issued to insiders nor the consideration being paid by insiders will exceed 25% of the Company's market capitalization. The Company did not file a material change report 21 days prior to the closing of the Offering as the details of the participation of insiders of the Company had not been confirmed at that time.

Qualified Person

The above scientific and technical information regarding exploration activities as defined in National Instrument (NI) 43-101 s. 1.1, was either prepared, reviewed and approved by Marc-André Bernier, M.Sc., P.Geo. (Québec and Ontario), a consultant for the Company and a Qualified Person under NI 43-101 guidelines.

Exploration Activities

Three months ended December 31, 2015

	Lac Knife	Kwyjibo	Labrador Trough	Manicouagan	Other	Total
	$	$	$	$	$	$
Balance - beginning of period	14,750,570	5,931,836	233,517	1,236,718	480,653	22,633,294
Additions						
Drilling	1,013	-	-	-	-	1,013
Metallurgical analysis	-	529	-	-	-	529
Property maintenance	1,915	1,098	890	3,372	3,870	11,145
Feasibility studies	69,551	-	-	-	-	69,551
Environmental studies	31,282	-	-	-	-	31,282
	103,761	1,627	890	3,372	3,870	113,520
Balance - end of period	14,854,331	5,933,463	234,407	1,240,090	484,523	22,746,814

Three months ended December 31, 2014

	Lac Knife	Kwyjibo	Labrador Trough	Manicouagan	Other	Total
	$	$	$	$	$	$
Balance - beginning of period	13,819,793	6,029,360	232,841	1,345,870	585,411	22,013,275
Additions						
Drilling	371,569	11,961	-	44,013	-	427,543
Independent technical studies	1,536	-	-	-	-	1,536
Geophysical survey	-	-	-	(3,395)	-	(3,395)
Geological mapping	-	-	-	56,071	-	56,071
Metallurgical analysis	59,412	10,079	-	-	-	69,491
Property maintenance	712	-	-	5,782	3,791	10,285
Feasibility studies	108,549	-	-	-	-	108,549
Environmental studies	185,034	4,927	-	-	-	189,961
Pre-development agreements	20,000	-	-	-	-	20,000
	746,812	26,967	-	102,471	3,791	880,041
Tax credits and credit on duties	(77,749)	(7,544)	-	(18,327)	-	(103,620)
Balance - end of period	14,488,856	6,048,783	232,841	1,430,014	589,202	22,789,696

Kwyjibo Polymetallic (Fe-REE-Cu-(Au)) Project, Côte-Nord Administrative District of Québec

The Kwyjibo project, located in the Grenville Geological Province of northeastern Québec, hosts a Mesoproterozoic polymetallic (iron (Fe), copper (Cu), rare-earth elements (REE), gold (Au)) deposit which is considered to be one of the best iron oxide copper-gold (IOCG) exploration targets in Québec. IOCG-type mineralization has already been traced over at least 4 km.

The project, totalling 118 map-designated claims (CDC) and covering 6,278 ha, is located a few kilometers north of Manitou Lake and 125 km northeast of Sept-Îles, in the Côte-Nord administrative district of Québec. The claim block is also located 25 km east of the Québec North Shore and Labrador (QNSL) rail line and is accessible by air from the port city of Sept-Îles.

On August 3, 2010, the Company announced the signing of an option agreement with SOQUEM Inc., a wholly-owned subsidiary of the *Société générale de financement du Québec* (SGF) (in April 2011, the SGF merged with *Investissement Québec*), to acquire a 50% interest in the Kwyjibo project.

Under the terms of the agreement, Focus earned the right to acquire a 50% interest in the Kwyjibo project, by investing up to $3 million in exploration work over a period of 5 years of which $1 million had to be invested during the first 2 years. As of June 30, 2013, the Company has invested a total of $3,967,258 on the Kwyjibo project (net of tax credits and mining duties). Having fulfilled its

exploration commitments in August 2012, the Company earned its 50% interest in the project. All expenditures incurred on the Kwyjibo project are now split equally between Focus and SOQUEM. SOQUEM is the operator of the Kwyjibo exploration program.

Historical Exploration Programs

The Kwyjibo Fe-Cu-REE-(Au) mineralization system was discovered in 1993 during a follow-up of regional geochemical lake sediment anomalies. On surface, more than 10 polymetallic showings, including Josette and Malachite, were found over a strike length of 4 km at that time. Most of the showings discovered on the claim block consist of massive magnetite and breccia zones mineralized with copper and REE. Minerals of economic interest include magnetite, chalcopyrite, apatite, fluorite, allanite, britholite and kainosite. The dominant REE elements are neodymium (Nd) and yttrium (Y) (Strictly not a REE, yttrium is included in the suite of REE as its chemical properties and uses resemble those of heavy rare earths), both of which are included in the list of critical rare earth elements sought by industry as defined by the US Geological Survey.

Work performed in partnership by SOQUEM and IOC on the Kwyjibo exploration project from 1993 to 1996 consisted of airborne and ground geophysics (Mag, VTEM, induced polarization and radiometry), stream and soil sediments geochemical surveys, prospecting and mapping, and 39 shallow core drill holes totalling 5,807 m which tested the various mineralized zones discovered on the claim block. Following withdrawal of IOC in the project, SOQUEM completed 6 more drill holes in 1998 and mandated CERM (Centre d'étude en recherche minerale) of Québec to undertake petrographic and mineralogical studies as well as metallurgical testwork. SOQUEM completed a radiometric survey over the claim block in 2001 and mandated Geotech of Toronto to perform a VTEM survey in 2006. The Kwyjibo Fe-Cu-REE-(Au) mineralization system is still open in many directions and some of the geophysical anomalies (VTEM conductors) have not yet been drill tested.

Focus and SOQUEM Exploration and Development

Exploration work

2010 Prospecting, Channel Sampling and Re-assaying Program

Exploration work carried out by Focus and SOQUEM in 2010 comprised follow-up prospecting on geophysical anomalies outlined from the VTEM survey conducted over the claim block in 2006; channel and chip sampling of new trenches on six prospects/targets (Josette; Grabuge; Gabriel; 95-30; 2010-SP-08; and near Hole 95-37); mapping and GPS surveying of historical Cu-REE showings and of new magnetite-rich iron formation occurrences; and the re-logging and re-assaying of historical drill holes for the full range of REE (409 samples). The goal of the 2010 re-analysis of the best 1994-1998 drill core sections mineralized in REE was to bring the geochemical analysis database up to modern analytical standards using Inductively Coupled Plasma Mass Spectrometry (ICP-MS). This analytical method is accurate and highly sensitive for the whole range of REE and it is appropriately suited for minerals resistant to acid digestion, like some REE-bearing silicates. Previous geochemical analysis of drill core from the 1994-1998 period were mostly done by neutron activation, except for a few holes where X-Ray Fluorescence (XRF) was used, and in many holes not all REE were analyzed. The results from the 1994-1999 core re-assaying program have been published and highlights include an intersection* of 30 m grading 2.55% TREO**, 0.15% Cu, 3.70% P_2O_5 and 49.9% Fe_2O_3 at the Josette prospect (hole 1088-95-29, refer to Focus Press release dated March 11, 2011).

Hole 1088-95-29 Azimuth: N318° Dip: -45° Total length: 81.08 m 341146E; 5658075N UTM Nad83, zone 20		
	Unit	**Magnetitite**
From	m	29.15
To	m	59.13
Length*	m	**29.98**
TREO**	%	**2.55**
LREO	%	1.74
HREO	%	0.81
La2O3	%	0.34
Ce2O3	%	0.78
Pr2O3	%	0.10
Nd2O3	%	0.42
Sm2O3	%	0.09
Eu2O3	%	0.01
Gd2O3	%	0.08
Tb2O3	%	0.01
Dy2O3	%	0.09
Ho2O3	%	0.02
Er2O3	%	0.05
Tm2O3	%	0.01
Yb2O3	%	0.03
Lu2O3	%	0.00
Y2O3	%	0.52
Fe2O3	%	49.90
P2O5	%	3.70
Cu	%	0.15

TREO *(total rare earth oxides): La2O3+Ce2O3+Pr2O3+Nd3O3+Sm2O3+Eu2O3+Gd2O3+Tb2O3+Dy2O3+Ho2O3+Er2O3+Tm2O3+Yb2O3+Lu2O3+Y2O3*
LREO *(light rare earth oxides): La2O3+Ce2O3+Pr2O3+Nd3O3+Sm2O3*
HREO *(heavy rare earth oxides including yttrium): Eu2O3+Gd2O3+Tb2O3+Dy2O3+Ho2O3+Er2O3+Tm2O3+Yb2O3+Lu2O3+Y2O3*

** Intersections are expressed as core length in meters and not the true thickness. The Josette horizon is oriented N050° and dips at -45° to -50° to the southeast. The hole, oriented N318°, was drilled perpendicular to the Josette Horizon and crosscut the Josette horizon at high angle (dip -45°).*

*** Rare earth elements assays are expressed as total rare earth oxides (TREO) including yttrium oxide. Strictly not a rare earth element, yttrium is included in the total amount of REE because of the chemical behaviour and uses that are similar to the lanthanides.*

2011 Drilling Campaign

From August 31 to September 23, 2011, Focus and SOQUEM completed additional line-cutting and geological mapping. From September 23 to November 17, 2011, the Company and SOQUEM implemented a 12 hole (2,604 m) exploration diamond drilling program designed to test geophysical EM and VTEM anomalies; to verify down dip extensions of the Gabriel and Grabuge showings; and to also confirm the extension and thickness of the Josette mineralized showing. Hole 10885-11-57, was drilled on the Josette showing, and returned the best REE grades: 2.40% TREO** over 48.8

m*, including: 3.40% TREO** over 24.3 m and 6.83% TREO** over 1.1 m (refer to Focus press release dated March 13, 2012).

Hole 1088-11-57
Azimuth: N313°
Dip: -45°
Total length: 156 m
341215E; 5658059N
UTM Nad83, Zone20

	Unit	**Magnetitite**	*incl.*	*Incl.*
From	m	65.2	*68.5*	*82.7*
To	m	114	*92.8*	*83.8*
Length*	m	**48.8**	*24.3*	*1.1*
TREO**	%	**2.40**	*3.40*	*6.83*
LREO	%	1.62	*2.30*	*4.67*
HREO	%	0.78	*1.10*	*2.16*
La2O3	%	0.32	*0.44*	*0.90*
Ce2O3	%	0.73	*1.03*	*2.10*
Pr2O3	%	0.09	*0.13*	*0.27*
Nd2O3	%	0.39	*0.56*	*1.13*
Sm2O3	%	0.08	*0.12*	*0.24*
Eu2O3	%	0.01	*0.01*	*0.03*
Gd2O3	%	0.08	*0.12*	*0.23*
Tb2O3	%	0.01	*0.02*	*0.04*
Dy2O3	%	0.08	*0.12*	*0.23*
Ho2O3	%	0.02	*0.02*	*0.05*
Er2O3	%	0.05	*0.07*	*0.14*
Tm2O3	%	0.01	*0.01*	*0.02*
Yb2O3	%	0.03	*0.04*	*0.08*
Lu2O3	%	0.00	*0.00*	*0.01*
Y2O3	%	0.50	*0.70*	*1.36*

incl. *= including: high grade composites within larger composites*
TREO *(total rare earth oxides): La2O3+Ce2O3+Pr2O3+Nd3O3+Sm2O3+Eu2O3+Gd2O3+Tb2O3+Dy2O3+Ho2O3+Er2O3+Tm2O3+Yb2O3+Lu2O3+Y2O3*
LREO *(light rare earth oxides): La2O3+Ce2O3+Pr2O3+Nd3O3+Sm2O3*
HREO *(heavy rare earth oxides including yttrium): Eu2O3+Gd2O3+Tb2O3+Dy2O3+Ho2O3+Er2O3+Tm2O3+Yb2O3+Lu2O3+Y2O3*

** Intersections are expressed as core length in meters and not the true thickness. The Josette horizon is oriented N050° and dip at -45° to -50° to the southeast. The hole, oriented N313°, was drilled perpendicular to the Josette Horizon and crosscut the Josette horizon at high angle (dip -45°).*

*** Rare earth elements assays are expressed as total rare earth oxides (TREO) including yttrium oxide. Strictly not a rare earth element, yttrium is included in the total amount of REE because of the chemical behaviour and uses that are similar to the lanthanides.*

These new results also highlighted the significant content of critical rare earth elements at Kwyjibo (Nd+Eu+Tb+Dy+Y). This mineralisation typically contains a high 41-42% REOc*** (ratio of critical rare earth elements, please refer to Focus press release dated March 13, 2012).

**** The ratio of critical rare earth elements (REOc) is defined by The U.S. Department of Energy (DOE) as the sum of Nd+Eu+Tb+Dy+Y oxides divided by total rare earth oxides (TREO) : REOc = ((Nd2O3+Eu2O3+Tb2O3+Dy2O3+Y2O3)/TREO)*100. The REOc ratio is the*

expression of the importance of those REEs sought by the industry without considering the technological challenge to recover the REE and all the costs related to a mine development.

2012 Drilling, Channel Sampling and Geophysical Survey Program

The 2012 field season at Kwyjibo extended from July to mid-October and included line cutting (total: 40.46 line-km); the preparation of 26 diamond drill sites and 21 helicopter landing pads; additional channel sampling at the Josette horizon and in trenches identified as TR-95-29 and TR-95-30; a ground time-domain electromagnetic (TDEM) geophysical survey (total: 75.77 line-km) targeted selected 2006 VTEM anomalies; a borehole Pulse-TDEM geophysical survey (total of 5,492 m) spread between nine (9) historical holes (1994, 1995 and 1998), 12 holes from the 2011 drilling campaign and nine (9) holes from the 2012 campaign; mini bulk sampling of the Josette horizon for metallurgical testing and a new round of core drilling (31 holes for a total of 4,207 m) that targeted the Josette Horizon aimed at continuing to define the shape, size and REE-Fe-Cu grades of the mineralisation.

On February 6, 2013, the Company and SOQUEM reported new surface geochemical results from the re-sampling (channel sampling) of the Josette showing and of trenches TR-95-29 and TR-95-30. The new sampling was designed to test the mineralisation for the whole suite of REE using ICP-MS. Highlights of the re-sampling program included intersection* of: 2.95% TREO** and 1.44% Cu over 10 m, including a high-grade sub-zone of: 4.59% TREO** and 2.62% Cu over 2 m at the Josette showing (refer to Focus press release dated February 6, 2013):

Josette showing 2012 channel sampling			
	Unit	**magnetitite**	*incl.*
Length*	m	**10**	*2*
TREO**	%	**2.95**	*4.59*
LREO	%	2.15	*3.45*
HREO	%	0.80	*1.14*
La2O3	%	0.46	*0.78*
Ce2O3	%	1.00	*1.60*
Pr2O3	%	0.12	*0.18*
Nd2O3	%	0.46	*0.73*
Sm2O3	%	0.09	*0.15*
Eu2O3	%	0.01	*0.02*
Gd2O3	%	0.08	*0.13*
Tb2O3	%	0.01	*0.02*
Dy2O3	%	0.08	*0.11*
Ho2O3	%	0.02	*0.02*
Er2O3	%	0.04	*0.06*
Tm2O3	%	0.01	*0.01*
Yb2O3	%	0.03	*0.04*
Lu2O3	%	0.00	*0.00*
Y2O3	%	0.54	*0.76*
Fe2O3	%	60.48	*47.85*
P2O5	%	3.02	*3.23*
Cu	%	1.44	*2.62*

TREO *(total rare earth oxides): La2O3+Ce2O3+Pr2O3+Nd3O3+Sm2O3+Eu2O3+Gd2O3+Tb2O3+Dy2O3+Ho2O3+Er2O3+Tm2O3+Yb2O3+Lu2O3+Y2O3*
LREO *(light rare earth oxides): La2O3+Ce2O3+Pr2O3+Nd3O3+Sm2O3*
HREO *(heavy rare earth oxides including yttrium): Eu2O3+Gd2O3+Tb2O3+Dy2O3+Ho2O3+Er2O3+Tm2O3+Yb2O3+Lu2O3+Y2O3*

** Intersections are expressed as channel length in meters and not the true thickness. The channel sampling was oriented perpendicular to the Josette horizon. The Josette horizon dips at -45.*

*** Rare earth elements assays are expressed as total rare earth oxides (TREO) including yttrium oxide. Strictly not a rare earth element, yttrium is included in the total amount of REE because of the chemical behaviour and uses that are similar to the lanthanides.*

In March 2013, the Company and SOQUEM reported the results of the late summer 2012 core drilling program at Kwyjibo (31 holes for a total of 4,207 m). Most of the holes crossed the massive magnetitite horizon and/or associated magnetite breccia. A total of 1,531 samples (including split in half NQ drill core, duplicates, blanks and standards) were submitted to ALS Minerals of Val-d'Or and Vancouver for base metals, REE, and major and trace elements analysis. The results confirm the grades, thicknesses and continuity of the Fe-REE-Cu mineralization of the northeastern part of the Josette Horizon over a total strike length of 600 m and to a depth of 175 m. Moreover, the new drill results again demonstrate the high content of critical rare earth elements (REOc), in particular Nd, Y and Dy in the Josette mineralization. Highlight intersections* of the drilling program include 3.04% TREO** and 0.1% Cu over 36.0 m (from 99.0 to 135.0 m), including a high grade sub-interval of 6.67% TREO** and 0.19% Cu over 7.0 m (from 111.0 m to 118.0 m) in hole 10885-12-75, summarized in the following table (refer to Focus Press release dated March 28, 2013):

Hole 10885-12-75 Azimuth N320 Dip -45° Total length 156 m 341282E; 5658048N UTM Nad83, Zone20			
	Unit	**CMZ**	*incl.*
From	m	99	*111*
To	m	135	*118*
Length*	m	**36**	*7*
TREO**	%	**3.04**	*6.67*
LREO	%	2.02	*4.37*
HREO	%	1.01	*2.30*
La2O3	%	0.38	*0.77*
Ce2O3	%	0.90	*1.97*
Pr2O3	%	0.12	*0.27*
Nd2O3	%	0.51	*1.12*
Sm2O3	%	0.11	*0.24*
Eu2O3	%	0.01	*0.02*
Gd2O3	%	0.11	*0.24*
Tb2O3	%	0.02	*0.04*
Dy2O3	%	0.10	*0.23*
Ho2O3	%	0.02	*0.05*
Er2O3	%	0.06	*0.13*
Tm2O3	%	0.01	*0.02*
Yb2O3	%	0.03	*0.07*
Lu2O3	%	0.00	*0.01*
Y2O3	%	0.66	*1.50*
Fe2O3	%	35.34	*43.81*
P2O5	%	5.13	*12.15*
Cu	%	0.10	*0.19*

***CMZ** = Composite of mineralized zone: lower breccia, magnetitite (hydrothermal massive magnetite) and upper breccia*
***incl.** = including: high grade composites within larger composites*

TREO *(total rare earth oxides): La2O3+Ce2O3+Pr2O3+Nd3O3+Sm2O3+Eu2O3+Gd2O3+Tb2O3+Dy2O3+Ho 2O3+Er2O3+Tm2O3+Yb2O3+Lu2O3+Y2O3*
LREO *(light rare earth oxides) : La2O3+Ce2O3+Pr2O3+Nd3O3+Sm2O3*
HREO *(heavy rare earth oxides including yttrium) : Eu2O3+Gd2O3+Tb2O3+Dy2O3+Ho2O3+Er2O3+Tm2O3+Yb2O3+Lu2O3+Y2 O3*

** Intersections are expressed as core length in meters and not the true thickness. The Josette horizon is oriented N050 and dip at -45° to -50° to the southeast. The hole, oriented N320, was drilled perpendicular to the Josette Horizon and crosscut the Josette horizon at high angle (dip -45°).*

*** Rare earth elements assays are expressed as total rare earth oxides (TREO) including yttrium oxide. Strictly not a rare earth element, yttrium is included in the total amount of REE because of the chemical behaviour and uses that are similar to the lanthanides.*

2013 Drilling Program

The 2013 drilling program at Kwyjibo was extended from August 4 to September 28 and it was designed to extend the area that has been drill tested across the western part of the Josette horizon and to test this horizon at depth along its eastern part in the aim to get sufficient coverage to conduct an initial Mineral Resource Estimate at Kwyjibo. The Company and SOQUEM received the land use permit from the Québec Government on April 12th, 2013 and began camp construction on June 17, 2013. The drilling was performed by G4 Drilling of Val-d'Or, Québec under the supervision of SOQUEM. At the end of the two drilling rig program, 42 holes for a total of 8,481 m of infill drilling was completed (NQ size core) as well as 14 holes (HQ size core) for a total of 2,018 m of drilling for Phase II metallurgical testing program were also completed (total of 10,499 m). A total of 3,676 samples (including 3,205 half NQ drill cores from the 2013 summer drilling program, 474 half NQ and BQ drill cores not assayed from previous drilling programs, duplicates, blanks and standards) were submitted to Techni-Labs S.G.B. Abitibi Inc. (Actlabs) of Ste-Germaine-Boulé (Québec). Drilling at 50 m spacing is now complete over an area of 1.2 km by 200 m of the Josette Horizon. Most of the drill holes intercepted significant mineralization.

QA/QC program

As part of the QA/QC program related with the drill holes assays, Accurassay Laboratories of Thunder Bay has been contracted to verify the assays and review all the results from the past few years. Part of the mandate was to compare the performance of the two laboratories contracted to run the analyses (Actlabs and ALS Minerals) and to determine whether there is any offset between the ICP-MS and XRF methodologies that were used and check for any drift in measurement.

On July 31, 2014, the final report was received. In conclusion, both labs provided acceptable results and the historic ICP-MS results are generally reproducible, confirming the integrity and continuity of the historic data. The use of ICP-MS to measure rare earth elements as the most successful method for Kwyjibo material has been verified.

Metallurgical Testing Program

Initial Metallurgical Tests (Phase I)

On January 14, 2013, Focus and SOQUEM awarded a contract to the *Consortium de recherche appliquée en traitement et transformation des substances minérales* (COREM) of Québec-City to perform initial metallurgical tests (Phase I) on two representative composite rock samples from the Josette showing under the supervision of Roche Ltd of Québec-City. The objective of the test work was to produce concentrates for critical rare earths, copper and iron, respectively. The first composite was a bulk sample comprised of 97 kg of magnetitite from the Josette showing. The

second composite sample consisted of 235 kg of breccia-type mineralization from quarter-split NQ drill core samples from seven (7) holes drilled below trenches TR-95-29 and TR-95-30 in the main mineralized zone (northeast zone of the Josette Horizon). The breccia-type composite sample was comprised of a representative mixture of magnetitite (60%) and brecciated granitic gneiss (40%) with 20 to 50% of magnetite veins and REE-bearing calcosilicate mineral veins.

On January 15, 2014, Focus and SOQUEM received the final report for Phase I metallurgical tests from COREM of Québec City. Results indicate that there is a positive concentration of copper from the magnetitite mineralization (from 71.4% to 98.3% recovery @ 13.5% to 26.6% Cu), but these mineral samples were considered later to be marginal and not representative of the copper content of the overall main mineralized zone known as the Josette Horizon. It was also possible to produce high Fe magnetite concentrates with interesting Fe recovery (68.4% Fe with 92% of recovery rate for the magnetitite and 71.7% Fe with 86.9% of recovery for the breccia) and low silica content, but due to a high phosphorous and sulfur content in the concentrate, it would not be saleable under current market conditions.

A phosphate concentrate that includes rare earth elements can be produced from both samples. The mineralogical study reveals that the principal rare earth element bearing minerals are apatite and britholite (phosphate minerals) and allanite and kainosite (silicate minerals). There are also indications that there is a need to process the magnetitite and the breccia mineralization types individually. The test work also demonstrated that a magnetic separation of the sample after grinding allowed for a significant reduction in mass prior to further upgrading via flotation. The use of magnetic separation will thus help to limit the size of downstream flotation equipment in future test work.

Conceptual flowsheet and preliminary leaching tests (Phase II)

On August, 2013, the Company and SOQUEM awarded the Phase II metallurgical testing contract to COREM of Québec City. Testing included: grindability and abrasion tests, cleaning tests of iron concentrates, oriented flotation and concentration tests for rare earth elemental recovery for phosphate phases and silicate phases, a study of rare earth bearing minerals with the aim to identify which ones host critical rare earths elements and also leaching tests.

On August 1, 2014, Focus and SOQUEM received the final report of the Phase II metallurgical tests from COREM of Québec City. Results for grindability and abrasion tests show that the ore is considered soft to medium hard, which will impact positively the cost of the grinding circuit and its operating cost.

Results of Low Intensity Magnetic Separation (LIMS) shows that the magnetic iron concentrate still contains a high concentration of deleterious elements (phosphate or sulfide) and does not meet the industry specification limits. On the other hand, the magnetic separation is essential in the ore treatment as it eliminates up to 50% of the total mass that has to be processed by flotation with a very low rare earth element loss of a maximum of 10%.

Three different flotation methods results show that 84% to 90% of the rare earth elements are recovered, the two best methods being the conventional phosphate flotation or conventional phosphate flotation followed by the depression of silicates that carry rare earth elements with a fatty acid collector. The method using sulfonate collector did not perform as well as the two others and was therefore discarded.

Acid (HCl) lixiviation of the two concentrates allows recovery of 80% to 96% of the rare earth elements and shows that the majority of the rare earth elements bearing minerals are dissolved. The final developed flow sheet includes magnetic separation and desulfurization followed by flotation and lixiviation to produce two concentrates (phosphates and silicates) that contain rare earth elements.

On July 14, 2015, the Company received the final version of the summary report and recommendation from Roche Groupe-Conseil of Montréal mandated to supervise the metallurgical testing program conducted by COREM of Québec-City.

Roche's report highlighted the possibility of using two different conceptual flow sheets for the flotation and recovery of the rare earth elements bearing minerals. The two conceptual flow sheets are based on either conventional phosphate flotation or conventional phosphate flotation followed by the depression of silicates that carry rare earth elements. These 2 flow sheets gave comparable recoveries of rare earth elements with the exception that conventional flotation followed by the depression of silicates carrying rare earth elements, produced 2 different concentrates (phosphates and silicates concentrates) that would have different economic values. The final selection of the most appropriate flow sheet will depend on the economic value of the concentrates and on the capital and operating costs required to recover the rare earth units.

Although the leach test results are promising, it is clear that additional hydrometallurgical test work is required in order to be able to achieve a conceptual flow sheet for the hydrometallurgy plant. Additional leach tests are recommended to better define the kinetics and the different possible leach routes that are required to bring the project to a Preliminary Economic Assessment (PEA) level.

Environmental and Social Aspects

On October 23, 2013, Focus organized a Kwyjibo's project site visit with two members of the Uashat Mak Mani Utenam Innu First Nation on territory where the project is located. The aim of the visit was to present the nature of the work conducted on site and discuss the environmental concerns of the local Innu families.

In December 2013, the Company and SOQUEM received the final report regarding the monitoring of surface water quality completed by Roche Groupe-Conseil of Québec-City. This follow-up on surface water quality was conducted over the preceding 3 years during Focus-SOQUEM's fieldwork campaigns with the aim to be able to evaluate potential environmental impacts associated with drilling campaigns. In general the provincial and federal criteria for the quality of surface waters were met and the only minor incidents of exceeding water quality criteria that were noted could also be related to the natural environment.

Update for the Three Month Period Ended December 31, 2015

During the quarter ended December 31, 2015 the Company incurred exploration expenses totalling $1,627 on the Kwyjibo project, mainly related to property maintenance. Total capitalized exploration expenditures incurred on the claim block to date (net of tax credits and mining duties) are $5,933,463.

Metallurgical Testing Program

During the quarter ended December 31, 2015 on October 30, 2015, the Company and SOQUEM awarded the Phase 3 hydrometallurgical testing contract to Hazen Research Inc., located in Colorado, USA. The work included the production of 3 different concentrates of rare earth elements (REE) bearing minerals flotation products. These products will be leached in an acidic environment to recovery the REE. The objective of this project is to determine the most efficient leaching conditions for each concentrate.

Exploration and Development Outlook

In 2016, the Company and SOQUEM expect to complete the hydrometallurgical test work and an initial Mineral Resource Estimate.

Lac Knife Graphite Project, Côte-Nord Administrative District of Québec

The Lac Knife project comprises 57 map-designated claims covering 2,986.31 ha located in Esmanville Township (NTS map sheet 23B/11), 27 km south-southwest of the iron-mining town of

Fermont, in the Côte-Nord administrative district of Québec. Focus signed a letter of intent on August 19, 2010, and acquired a 100% interest in the claims titles in October 2010 when it acquired all of the issued and outstanding shares of 3765351 Canada Inc. Effective April 1, 2012, 3765351 Canada Inc. was liquidated and its assets were transferred to Focus. 3765351 Canada Inc. was formally dissolved effective September 30, 2012.

The Lac Knife project is host to the historical Lac Knife graphite prospect discovered during regional government geological surveying in 1959. The prospect is located in the Grenville geological province of Northeastern Québec. Graphite mineralisation is set in migmatized biotite-bearing quartz-feldspar gneiss belonging to the Nault Formation of the lower Proterozoic Gagnon Group. According to the Québec Ministry of Natural Resources (MRN), where this gneissic unit is sheared, brecciated and silicified, coarse graphite flakes and associated sulphide minerals make up 5-10% of the rock, with up to 20% or more in the more brecciated zones. Fuchsite and other iron-rich micas accompany the graphite and sulphide mineralisation in the more silicified horizons.

Historical Exploration Programs

The Lac Knife graphite prospect was the subject of a first detailed investigation by *Société Minière Mazarin Inc*. ("Mazarin") from 1987 to 1990. Between 1988 and 1990 Mazarin, through some 99 core drill holes defined three main graphite-bearing zones, extending more than 500 m in length and to a minimum depth of 125 m. Mazarin sponsored a first feasibility study on the Lac Knife project which was completed in 1989. An updated study was prepared by Cambior Inc. in 1991. Under this study, Cambior proposed an open-pit mining operation for six months of the year, which would supply enough graphite ore to feed a 400t per day concentrator on a year-round basis for an annual production of 23,000t of graphite concentrate.

In April of 2000, Mazarin concluded an agreement with Tennessee-based Ucar Graftech, a unit of Ucar International, and a leading manufacturer of high-quality natural graphite-based materials, whereby Ucar Graftech was to conduct a feasibility study for the Lac Knife graphite project, including the collection and testing of a 3,500 tonne graphite-bearing sample. All work on the project was suspended in 2001 because of a recession and a decline in graphite prices. In 2002, Graftech and Mazarin planned a joint venture with the goal of starting production in 2004. However, the graphite market again declined and the Project did not proceed. During those years IAMGOLD Management Quebec ("IAMGOLD") purchased Cambior which included the Lac Knife project. The registered owner of Lac Knife project was 3765351 Canada Inc., a subsidiary of IAMGOLD. On October 4, 2010, Focus announced the closing of the acquisition of all of the issued and outstanding shares of 3765351 Canada Inc., in exchange for (i) a cash payment of $250,000 and (ii) the issuance of 4,016,362 common shares and 2,008,181 warrants of the Company, each warrant entitling IAMGOLD to acquire an additional common share of the Company at a price of $0.10 for a period of 24 months.

Focus Exploration and Development Programs

Exploration work by the Company at Lac Knife started in 2010 with a geological and environmental due diligence evaluation of the project and a technical review of the historical project database by Roche Ltd. The results of which were used to plan a new core drilling campaign, the first at Lac Knife in over 20 years.

2010-2011 Drilling Campaign

During winter 2010-2011, the Company implemented a twelve-hole (1,233 m) core drilling program on the main graphite prospect which was designed to verify and replicate selected historical holes from the 1989 Mazarin drilling program. The results of the drilling served as a basis for the estimation by Roche of a first mineral resource estimate of the deposit. The final drill program report from IOS Services Géoscientifiques of Chicoutimi, Québec was received on January 15, 2013.

Mineral Resource Estimate

Note: These results related to the first Mineral Resource Estimate have been superseded by the results of the updated Mineral Resource Estimate disclosed January 28th, 2014 (see below).

On December 5, 2011, the Company released the results of the first Mineral Resource Estimate (MRE) on the Lac Knife graphite project completed in accordance with National Instrument 43-101. According to Roche of Montréal, the Lac Knife project hosts a Measured and Indicated Mineral Resource totalling 4.972 Mt grading 15.67% graphitic carbon (Cg) as crystalline graphite (637 kt @ 15.59% Cg of Measured Mineral Resource and 4,335 kt @ 15.68% Cg of Indicated Mineral Resource) with an additional Inferred resource of 3.000 Mt grading 15.58% Cg as crystalline graphite. This MRE is based on a database of 112 drill holes (total 8,904 m) comprised of 12 holes drilled by Focus in 2010-2011 and 99 holes drilled by Mazarin in 1989-1990. The resource estimate and accompanying technical report by Roche dated December 5, 2011 was filed on SEDAR (www.sedar.com) on January 18, 2012 and is available on the Company's website at (www.focusgraphite.com). The block model was developed using GEMS™ software by Gemcom. Mineralisation blocks are 5 m long, 7 m wide and 5 m high. A cut-off of 5% Cg was used. Five different graphite bearing zones are included in the resource estimation; all zones start from surface and extend to a maximum depth of 125 m, for total dimensions of 350 m width by 650 m strike length. Mineral resources are not mineral reserves and do not have demonstrated economic viability. The MRE served as the basis of a Preliminary Economic Assessment (PEA) on the Lac Knife project published in 2012.

Updated Mineral Resource Estimate

On January 28, 2014, the Company released an update of its Mineral Resource Estimate for the Lac Knife deposit (prepared by AGP Mining Consultant Inc. of Barrie, Ontario). The resource estimate is based on both the 2012 and 2013 additional exploration and definition drilling programs for a total of 9,103 m in 92 holes. This is in addition to 105 previous drill holes that totaled 9,217 m. The drilling successfully achieved the designed goal to upgrade the quality of existing Indicated and Inferred Mineral Resources into the Measured and Indicated categories.

The updated Measured and Indicated resources are estimated at 9.6 Mt grading 14.77% graphitic carbon (Cg) at a 3% Cg cut-off grade (432 kt @ 22.66% Cg of Measured Mineral Resource and 9,144 kt @ 14.35% Cg of Indicated Mineral Resource). Additionally there are 3.1 Mt of Inferred Mineral Resources at 13.25% Cg using a 3% cut-off as presented in Table 1. The Measured and Indicated Mineral Resources are inclusive of those Mineral Resources modified to produce the Mineral Reserves.

Table 1. Lac Knife Updated Mineral Resource Estimate*
@ 3.0 % graphitic carbon (Cg) cut-off

	Tonnage (t)	Cg (%)	In situ Graphite (t)
Measured	432,000	23.66	102,000
Indicated	9,144,000	14.35	1,312,000
Measured + Indicated	**9,576,000**	**14.77**	**1,414,000**
Inferred	3,102,000	13.25	411,000

** Mineral resources are not mineral reserves and do not have demonstrated economic viability. The Measured and Indicated Mineral Resources are inclusive of those Mineral Resources modified to produce the Mineral Reserve.*

Highlights

- Measured and Indicated Mineral Resources reported at a cut-off of 3.0% Cg increased in tonnage by 92% to 9.6 Mt grading 14.77% Cg compared

to the previous estimate of 4.9 Mt grading 15.76% Cg reported at a cut-off of 5.0% Cg.

- Upgraded 432,000 tonnes of Indicated Mineral Resources to the Measured resource category grading an average of 23.66% Cg using a 3% cut-off grade.
- The updated resource estimate increased the in-situ graphite content by 81%.
- The bulk of the 3.0 million tonnes previously classified as Inferred Mineral Resource was successfully upgraded to the Measured and Indicated categories.
- Delineation of an additional 3.1 million tonnes of Inferred Resources that is located within the southwest extension of the Lac Knife deposit

The updated Mineral Resource estimate is based on 197 diamond drill holes totaling 18,320 m of historic and recent drilling. This includes 104 surface diamond drill holes totaling 10,337 m completed by Focus Graphite since 2010. Mineral Resources have been reported within a constraining pit shell at a cut-off grade of 3.0% graphitic carbon (Cg). The results significantly increase the quality and tonnage of the resource. The Updated Mineral Resource Estimate details on the mineral resource estimation procedures are given in Focus' press release dated January, 28, 2014 which is available on the Company's website at (www.focusgraphite.com). The Updated Mineral Resource Estimate was used to determine the estimated mine life based on the mill feed rate for the Feasibility Study.

Preliminary Economic Assessment

Note: These results related to the Preliminary Economic Assessment (PEA) have been superseded by the results of the Feasibility Study disclosed June 25th, 2014 (see below).

On October 29, 2012, the Company released the highlights of its positive Preliminary Economic Assessment (PEA) of the Lac Knife project completed in accordance with the National Instrument 43-101. The PEA, prepared by RPA, in collaboration with Soutex (responsible for metallurgy and mineral processing) demonstrates that Lac Knife has a positive potential to become a profitable producer of graphite.

Operational Highlights*:

- Indicated Mineral Resources totalling 4.938 Mt grading 15.76% Cg and Inferred Mineral Resources totalling 3 Mt grading 15.58% Cg.
- Proposed 20 years of life of mine production of 6.0 Mt of mill feed at a grade of 15.66% graphitic carbon (Cg);
- Open pit operation at 300,000 tonnes per year;
- Average graphite recovery of 91.3% at Lac Knife processing plant;
- Life of mine production of 928,000 tonnes of concentrate at 92% Ct on average, or approximately 46,600 tonnes of concentrate per annum;
- Thermal purification upgrade of approximately 40% of the primary concentrate to 99.99% Cg by an existing producer with inherent purification losses of 15%;
- Life of mine project production of 868,000 tonnes of concentrate at 93.5% Cg on average, including 338,000 tonnes of high purity 99.95% Cg product.

Financial Highlights*:

- $246 million pre-tax Net Present Value (NPV) (at a 10% discount rate);
- 32% pre-tax Internal Rate of Return (IRR);

- $926 million pre-tax undiscounted cash flow;
- $3.7 billion total net revenue;
- Pre-tax payback period of 2.8 years;
- $154 million initial capital cost, inclusive of $33 million and $24 million in working capital and contingency (25%), respectively;
- $68 per tonne average unit operating cost at Lac Knife;
- $435 per tonne average unit operating cost, assuming thermal purification on a contract basis;
- PEA economics assessment for the Project calculated based on graphite market prices of $10,000, $1,300, and $800 per tonne of battery grade (>99.95% Cg, +100 mesh), medium grade (>90% Cg, -100+200 mesh) and fine grade (>80% Cg, -200 mesh) respectively, on a FOB mine basis.

** Note: The Lac Knife project PEA is considered to meet the requirements of a Preliminary Economic Assessment as defined in National Instrument 43‑101 – Standards of Disclosure for Mineral Projects (NI 43-101). 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. 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). Mineral resources that are not mineral reserves do not have demonstrated economic viability. There is no certainty that the reserves development, production, and economic forecasts on which the PEA is based will be realized*.

Full details of the data analysis and modeling, engineering and economic assessment parameters and assumptions used in the Lac Knife PEA are available in the RPA technical report filed on SEDAR (www.sedar.com) on October 31, 2012 and available on the Company's website at (www.focusgraphite.com).

Updated Preliminary Economic Assessment

Note: These results related to the updated Preliminary Economic Assessment (PEA) have been superseded by the results of the Feasibility Study disclosed June 25th, 2014 (see below).

On November 7, 2013 the Company announced updated results of the Preliminary Economic Assessment (PEA) for the Lac Knife Graphite Project The update was based on improved metallurgical results of the recent Pilot Plant test campaign using an optimized flotation and polishing circuit conducted at SGS Lakefield and announced on August 21, 2013.

The increase in concentrate grades and associated economic assessment results were updated in the project cash flow summary and were validated by RPA Inc. in consultation with Soutex Inc. of Québec-City. Inputs updated in the financial model included: final concentrate average grade increase from 92% Ct to 96.6% Ct within the new flake size distribution categories, a reduction in operating cost by $367 per tonne milled, due to the elimination of the need to purify the concentrate by a third party and the associated $27,600,000 in working capital requirements. Pricing is based on "run-of mine" concentrate prices, without the value added price prices used in the original PEA financial model. The original report was filed on October 29, 2012.

The Lac Knife project has a pre-tax internal rate of return (IRR) of 36.4% and of 28.6% after tax and a pre-tax net present value of $ 316.9 million and of $185.3 million after tax in the base case using a weighted average price of US$1,866 per tonne of run-of-mine concentrates. The cost of production is $458 per tonne of concentrate (refer to the November 7, 2013 news release available at www.focusgraphite.com and on www.sedar.com).

Highlights of PEA update are summarized below:

	Pre Tax Value ($ millions)	After Tax Value ($ millions)
Net Present Value		
8% discount rate	316.9	185.3
10% discount rate	250.1	143.3
12% discount rate	198.4	110.6
Capital Expenditure including a 25% contingency of $24m	125.95	125.95
Operating cost per tonne milled	$67.61	$67.61
Operating cost per tonne of concentrate produced	$458.20	$458.20
Pre-Tax IRR	36.4%	28.6%
Pre Tax Payback Period	2.4 years	2.8 years
Exchange rate	US$1.00 = C$1.00	US$1.00 = C$1.00
Strip Ratio	1.12	1.12

**Note: This PEA is considered by RPA to meet the requirements of a Preliminary Economic Assessment as defined in Canadian NI 43-101 regulations. The economic analysis contained in the technical report is based, in part, on Inferred Resources, and is preliminary in nature. Inferred Resources are considered too geologically speculative to have mining and economic considerations applied to them and to be categorized as Mineral Reserves. There is no certainty that the reserves development, production, and economic forecasts on which the PEA is based will be realized.*

Feasibility Study

On November 4, 2013, the Company retained the services of Québec-based Met-Chem Canada Inc. (“Met-Chem”) to complete a Feasibility Study and Mine Closure Plan to bring the Lac Knife graphite project closer to a production decision.

The Feasibility Study scope of work involves a comprehensive review of all project characteristics - from process validation to capital costs, operational costs, and basic engineering leading to the detailed engineering, marketing, environmental, health & safety, and other considerations in order to further validate and integrate the various technical aspects of the project.

On June 25, 2014, the Company reached a significant milestone in the development of the project when it released the highlights of its positive Feasibility Study (FS) of the Lac Knife project completed by Met-Chem Canada Inc. Results from the FS indicate that the Lac Knife Project is viable economically based on a 25-year mine life that resulted in a Pre-tax Net Present Value (NPV) of $383 million calculated at a discounted cash flow (DCF) rate of 8%. The financial model has an Internal Rate of Return (IRR) of 30.1% and a capital payback period of 3.0 years. The after tax financial model has an NPV of $224 million calculated at a DCF rate of 8%, with an IRR of 24.1% and a capital payback of 3.2 years.

Table 1: Lac Knife's Feasibility Study - Net Present Values Calculated at Various Discounted Cash Flow Rates for the Base Case Production Scenario and the Forecasted Average Price/t in 2016

Lac Knife Feasibility Results (Pre-Tax)	**Base Case**	**2016 Forecast**	**Units**
Average Price / Tonne of Concentrate:	**$1,713**	**$2,256**	**US$**
Internal Rate of Return (IRR)	**30.1**	**41.8**	**%**
Net Present Value @ 6% Discounted Cash Flow	510	809	$ million
Net Present Value @ 8% Discounted Cash Flow	**383**	**624**	**$ million**
Net Present Value @ 10% Discounted Cash Flow	291	488	$ million
Payback Period	**3**	**2.1**	**Years**
Lac Knife Feasibility Results (After-Tax)	**Base Case**	**2016 Forecast**	**Units**
Internal Rate of Return (IRR)	**24.1**	**32.8**	**%**
Net Present Value @ 6% Discounted Cash Flow	304	476	$ million
Net Present Value @ 8% Discounted Cash Flow	**224**	**364**	**$ million**
Net Present Value @ 10% Discounted Cash Flow	165	280	$ million
Payback Period	**3.2**	**2.4**	**Years**

All monetary values are in Canadian Dollars ("CDN") except where specified otherwise

Results from the FS indicate that the Lac Knife Project is viable economically with a base case scenario that includes a concentrator production line rate of 44,300 tonnes of concentrate annually at an average mill feed rate of 323,670 tonnes per year of Mineral Reserves over a 25-year mine life. A concentrator availability of 93% was used for the study. The additional Measured, Indicated, and Inferred Mineral Resources will continue to be evaluated to develop the mid and long term growth profile for the Company.

Highlights:

- Reduced operating costs from PEA estimate of $458 per tonne of concentrate to $441 per tonne.
- Mining costs are 126.95 $/t of concentrate ($17.85 per tonne of ore) with the major component associated contract mining costs. Contract mining versus lower cost owner mining will be revisited with further evaluation of mine equipment leasing and associated owner's costs.
- Processing costs for the concentrator are, on average, over the life of mine $239.37 per tonne of concentrate produced, based on yearly average processing costs of $33.66 per tonne of ore processed. The low cost hydroelectric power supplied by Hydro Québec contributes to overall low production costs.
- Detailed engineering is planned to start in 2014 and further analysis of each of these cost components will continue during the detailed engineering stage.
- Life of Mine Plan resulted in an overall average strip ratio of 1.8 to 1 for 25 years.
- The open pit design includes 429 kt of Proven Reserves and 7,428 kt of Probable Reserves for a total of 7,857 kt of Proven and Probable Mineral Reserves grading 15.13% graphitic carbon (Cg). The Mineral Reserves which account for mining dilution and ore loss are reported at a cut-off grade of 3.1% Cg. The Mineral Reserve is included within the Measured and Indicated Mineral Resources of 9,576 kt grading 14.77 % Cg (432 kt of Measured Mineral Resources grading 23.66 % Cg and 9,144 kt of Indicated Resources grading 14.35 % Cg). The reference point for the Mineral Reserve Estimate is the mill feed.
- Average prices used in the financial model do not include value added products that can be produced using the typically lower valued finer natural flake

graphite. These finer graphite concentrates can be further processed into value added products for the Lithium Ion battery market because of their high carbon content of 98% carbon and realize a higher margin for a reasonable capital investment and operating cost over and above those outlined in this release. Based on these results it has become an important objective to outline the scope of this secondary transformation project for electrifying transportation and for use by other lithium battery end users

Today, the prices for the Lac Knife graphite concentrates average US$1,713 per tonne based on the size distribution and high carbon grade. Also included in the table above are the results using forecasted prices for 2016 where the average price for the same concentrates is estimated to increase to US$2,256 per tonne. These prices are estimated by Industrial Minerals Data of the UK, who are recognized in this field as an independent source of accurate, detailed information for the natural flake graphite market.

Met-Chem's financial model does not include potential value-added, purified, spheronized, and coated battery-grade graphite in its financial and operational calculations.

The exchange rate used is 0.91 US Dollars per Canadian Dollar. Table 1 provides the Net Present Values calculated at various discounted cash flow rates for the Base Case production scenario of 44,300 tonnes of graphite concentrate produced annually. The financial analysis in the FS study used the 24 month price of US$1,713 per tonne that is a weighted average for the various graphite concentrates that are classified by flake size and also valued by their carbon content.

The annual milling capacity is 323,670 tonnes per year to produce 44,300 tonnes of concentrate annually at a cost of $441 per tonne of concentrate. The concentrate will grade 97.8% graphitic carbon (Cg) on average for a 25-year open pit mine life based on current open pit reserves. All graphite concentrate produced with flakes larger than 200 mesh contain more than 98% Cg.

The FS is based on the pilot plant test work run by SGS Mineral Services in Lakefield, Ontario, during the spring of 2013 and announced in a news release on August 21, 2013. The concentrator process flow sheet is based on standard flotation circuits followed by a series of polishing mills that upgrade the carbon content by cleaning impurities present in the ore that are generally found on the graphitic carbon flake surfaces of the Lac Knife mineralization. Pilot plant recovery was 91%, full scale, consistent operations should improve on the mill process recovery. Flake size distribution is expected to increase in favor of larger flake as the full scale plant will start with a SAG mill which is better suited to mitigate flake damage as opposed to crushing and grinding methods used in the pilot plant.

Lac Knife is unique in that all natural flake graphitic concentrates produced with flake size above 200 mesh (75 microns) size are more than 98% total carbon. This allows Focus to divert finer sized products that would typically be difficult to sell due to their flake size to higher value added products such as spherical graphite for batteries due to the high carbon content of 98% (See "Lithium Battery Coin Cell Test Results" below).

Proven and Probable Mineral Reserves:

The open pit design includes 429 kt of Proven Reserves and 7,428 kt of Probable Reserves for a total of 7,857 kt of Proven and Probable Mineral Reserves grading 15.13% graphitic carbon (Cg). The Mineral Reserves which account for mining dilution and ore loss are reported at a cut-off grade of 3.1% Cg. In order to access these reserves, 2,746 kt of overburden, 10,926 kt of waste rock and 231 kt of Inferred Mineral Resources must be mined. This total waste quantity of 13,903 kt results in a stripping ratio of 1.8 to 1. Table 2 presents the Lac Knife open pit mineral reserves that were estimated for the Feasibility Study.

The Mineral Reserves are included in the Measured and Indicated Mineral Resources of 9,576 kt grading 14.77 % Cg (432 kt of Measured Mineral Resources grading 22.66 % Cg and 9,144 kt of

Indicated Mineral Resources grading 14.35 % Cg). The reference point for the mineral reserve estimate is the mill feed. The remaining Measured and Indicated Mineral Resources within the Lac Knife deposit will help to develop the mid and long-term growth profile for the company (See Table 5 for MRE).

Table 2: Lac Knife's Open Pit Mineral Reserves Estimated

Table 2		
Lac Knife Open Pit Mineral Reserves*		
Category	**Tonnage (kt)**	**Cg Grade (%)**
Proven	429	23.61
Probable	7,428	14.64
Proven and Probable	**7,857**	**15.13**

**The Measured and Indicated Mineral Resources are inclusive of those Mineral Resources modified to produce the Mineral Reserve. The reference point for the Mineral Reserve Estimate is the mill feed.*

A pit optimization analysis was carried out using the MS-Economic Planner module of MineSight® which ran the Lerchs-Grossmann algorithm to determine the economic limits of the deposit. The analysis showed that the open pit design for the Feasibility Study should be based on a 25-year mine life that includes approximately 82% of the Measured and Indicated Mineral Resources.

The open pit design incorporates 10 m high benches and follows the pit slope recommendations from the 2014 geotechnical investigation. The pit is 700 m long and 400 m wide at surface and has a maximum pit depth of 100 m.

Mining will be carried out by a mining contractor who will use conventional open pit mining methods that include drilling and blasting followed by a hydraulic excavator loading a fleet of 46-tonne haul trucks. The mine will be operated seasonally (7 months of the year) and a front-end wheel loader will be used to feed the processing plant from an ore stockpile during the winter months.

The study was conducted with engineering and estimation methods appropriate to target an estimate accuracy of 15% that is standard and realistic for capital and operating cost estimates in a Feasibility Study. Based on an extensive risk review exercise the contingency is 11.5%. The Capital Expenditures in Table 3 outline what is needed to construct the mine, processing plant, power line and all associated infrastructure that is estimated at a total of $165.55 million.

Table 3: Outline of Financial Resources Required to Construct The Mine

Table 3	
Lac Knife Capital Expenditure - Cost Centers	**CDN$ millions**
Mine equipment, infrastructure, and pre-stripping	4.21
Infrastructure	11.62
Primary Crushing	7.02
Concentrator	62.24
Environmental and Tailings Management	8.22
Power and Communication at mine site	15.4
Indirect Costs	39.77
Contingency (11.5%)	17.07
Sub Total	**165.55**

The operating costs per tonne of concentrate produced are $441 (see Table 4 below). This is an improvement over the updated Preliminary Economic Assessment (PEA) that showed $458 per tonne of concentrate produced. One key variable to low production costs is Lac Knife's project location giving relatively easy access to low cost hydroelectric power from Hydro Quebec at the intersection of the access road and Provincial Highway 389.

Table 4: Operating Expenditures Cost Centers

Table 4	
Lac Knife Operating Expenditures (25 year average) Cost Centers	**$/Tonne of Concentrate**
Mining	126.95
Processing Costs (Concentrator)	239.37
General Administration Mine Site	74.70
Total Operating Costs	**441.02**

On August 8, 2014, the Company filed the complete Feasibility Study (FS) report of the Lac Knife project on SEDAR (www.sedar.com) in accordance with the National Instrument 43-101. The Feasibility Study was completed by Met-Chem Canada Inc. with contributions from AGP Mining Consultants, Journeaux Associates and Golder Associates. The FS report is also available on the Company's website at www.focusgraphite.com.

> *The technical information related to the Feasibility Study was approved by Project Leader Mary-Jean Buchanan Eng., and Jeffrey Cassoff Eng., Lead Mining Engineer, and Ewald Pengel P. Eng., Senior Metallurgist, who was responsible for concentrator design, all from Met-Chem Canada Inc., and all individuals that are Qualified Persons under NI 43-101 guidelines and all independent of the issuer. Pierre Desautels P.Geo. of AGP Inc. completed the NI 43-101 Mineral Resource Estimate report and is also independent of the issuer.*

Off-Take Agreement with a Chinese Industrial Conglomerate

On Dec, 20, 2013, The Company announced that it had entered into an offtake agreement for the future production from Lac Knife's graphite resource located 27 km southwest of Fermont, Quebec.

The strategic agreement for up to 40,000 tonnes per year, with a minimum amount of 50% of production of graphite concentrate and value added products produced was signed on December 19, 2013 by the Company with an industrial conglomerate, comprised of heavy industry, manufacturing and technology companies located in Dalian City, Liaoning Province, China. The 10-year agreement calls for the supply of up to 40,000 tonnes per year of large, medium and fine flake graphite concentrate and value added graphite products from the proposed Lac Knife mining and processing facility.

On March, 6, 2014, the Company reported that the terms of the agreement announced in December 2013 bind the parties to a minimum floor purchase of 20,000 tonnes per year in addition of the supply ceiling of 40,000 tonnes per year of future production from its Lac Knife graphite deposit. This announcement highlighted the availability of graphite flake concentrate for other strategic offtake buyers.

The specific terms of the agreement, including pricing and renewal rights, are confidential for competitive reasons.

Site Plan and Infrastructure Layout

On February 20, 2013, the Company received from Groupe Synergis of Shawinigan a letter report regarding the constraints related with the utilization of the Hydro Québec road as a Lac Knife project access road.

A contract was awarded to BBA Engineering, an independent consulting engineering firm in Québec in the second quarter of 2013. The mandate awarded includes the determination of any additional physical elements in the aim to complete the environmental baseline study, including site access road design and general mine site infrastructure layout. Part of this exercise was to determine various options for the installation of the concentrator, waste dumps, and tailings impoundment. Also included in the BBA Engineering mandate is a re-design of the project access road in order to abide by Hydro Québec regulations. This is required in order to have regular vehicle circulation during construction and operations without infringing on safety perimeters of the current electrical towers and infrastructure. This was a precursor to meeting with Hydro Québec to initiate discussions regarding the potential connection to the local power grid to service the Lac Knife mill and related project infrastructure. The cost was compared to generating electricity on site as a second option. Connecting to Hydro Quebec's power grid is the recommended option.

Filtered Tailing Management Conceptual Design Report

On September 25, 2014, the Company received the preliminary version of the conceptual design of a filtered tailings and waste rock management facility report from AMEC Americas Ltd. The filtered tailings and waste rock management design was developed as an alternative to the concept presented in the feasibility study to reduce risk to the environment and to address the requests of the stakeholders.

The concept is to use 10 m high waste rock berms around the exterior of the pile and fill the interior with the filtered tailings (dry tailing). The pile area can be drained south in a manner of keeping the drainage within the Lac Knife watershed instead of draining in the direction of the more sensitive *rivière aux Pékans* watershed which is part of the proposed *rivière Moisie* aquatic reserve. Subsequent to the reporting period in November, the concept has been presented to the *Association de protection de la rivière Moisie*.

Metallurgical Testing Program

Phase I Metallurgical Testwork

On April 11, 2012, the Company announced the results of the first phase of metallurgical testing for the Lac Knife project. The test work was conducted on a 250 kg sample by SGS Metallurgical Services of Lakefield, Ontario. The results of the initial metallurgical testing showed the deposit holds 46.1% large flake (+48 mesh to +100 mesh); 39% medium flake (+150 mesh to +200 mesh) with an overall global recovery test rate of 85.9%. The Company received the final report for the Phase I testing at SGS on January 4, 2013.

Dense Media Separation (DMS) Testing Program

On February 28, 2013, the Company received the results from a trial dense media separation (DMS) testing program conducted by Metchib Metallurgical Laboratories of Chibougamau, Québec from November 5, 2012 to February 15, 2013. The test work was performed on a total of 300 kg of medium-grade graphite mineralisation collected from a surface blast at the Lac Knife deposit in 2012. A total of 53 different tests were carried out on the sample to assess critical parameters such as crushing and grinding behaviours and degree of graphite particle liberation and particle shape and size distribution; and DMS cyclone design, pressure, cyclone feed conditions and concentrate recoverability. Select findings from the trial DMS testing program have been incorporated into the design of the flow sheet for the pilot plant testing program which began at SGS on April 17, 2013 (see below).

Phase II Variability Flotation Program

The contract for Phase II metallurgical testing at SGS was signed on September 24, 2012. Phase II testing program was designed to improve graphite flake recovery and to generate additional data required to finalize the operational parameters for the configuration of the pilot flotation plant. In November 2012, a total of seven composite 100-kg samples of low to high grade mineralised P-sized half-core from the Lac Knife deposit were prepared by IOS and then expedited to SGS in preparation for the variability flotation program. Phase II metallurgical testing at SGS began in December 2012 and was completed on March 25, 2013.

On March 4, 2013, The Company released preliminary Phase II locked cycle test* (LCT) results for the Lac Knife project. The testing was performed on 4 composites core samples comprised of low-grade and semi-massive graphite mineralisation with a large proportion of large flakes (+80 mesh) in the graphite concentrates that ranged between 35% and 58%.

On July 9, 2013, the Company reported that the results of the final Phase II locked cycle test* (LCT) metallurgical results performed at SGS in Lakefield, Ontario, continued to confirm an average concentrate grade of 96.4% total carbon (Ct) and a high average flake graphite recovery of 92.5% (see Company's July 9, 2013 news release available at www.focusgraphite.com). SGS has completed all 6 Phase II LCTs on composite core samples comprised of low-grade, semi-massive, and massive graphite mineralization with a head grade ranging between 6.0% Ct and 25.0% Ct.

Highlights of these test results are as follows:

- The carbon content of graphite concentrates produced from the 6 composites averaged 96.4% Ct, including the finest graphite flake concentrate (-200 mesh) produced. This is a 4.4% increase over Phase I LCTs completed in mid-2012.

- The average graphite flake recovery for the overall deposit following the final Phase II LCT's increased to 92.5% which confirms the previous 4 tests and increases the recovery by 0.3% from the previous results.

- The proportion of large flakes (+80 mesh) recovered from the low grade, semi massive, and massive types of mineralization (total: 6 graphite concentrate samples) ranged between 35% and 58%.

- In addition, a LCT was completed on a composite sample of the deposit's host rock grading 1% Ct. The concentrate grade obtained was also very good at 96% Ct with a flake graphite recovery of 94.5%. These results suggest that mining dilution would not impact the recovery nor the final concentrate grade and quality in a negative way.

** A locked cycle test is a repetitive batch flotation test conducted to assess concentrator flow sheet design. It is the preferred method for arriving at a metallurgical projection from laboratory testing. The final cycles of the test are designed to simulate a continuous, stable flotation circuit*

Pilot Flotation Plant Program

On April 17, 2013, the Company announced the commissioning of its pilot flotation plant (designed, built and operated by SGS in Lakefield, Ontario) and the start-up of circuit testing for the production of high-grade graphite concentrates from the Lac Knife deposit. The principal objectives of the pilot plant test work are to confirm the results from Phase II bench scale LCTs; to assess the technical viability and operational performance of the processing plant design; to generate tailings for environmental testing, and; to produce a range of graphite raw materials for customer assessments and for further upgrading. The test work will also generate data needed for scale up of relevant processing equipment and to identify those critical controls required to maintain consistency of graphite concentrate recovery and purity. The grinding and flotation components of the circuit have

been configured specifically to minimize flake wear and breakage and to ensure the maximization of the medium and large graphite flake size recovery content.

Two bulk graphite composites were provided to SGS by the Company to use as feed material for the pilot plant that was designed to operate in continuous mode at a feed rate of 200 kg per hour. The first is a 21.6 tonne bulk sample of weathered semi-massive grade graphite mineralisation that was collected from surface. The second bulk composite sample was assembled from drill core and consists of a 23.3 tonne blend of representative core samples from the massive, semi-massive and low-grade mineralisation types within the Lac Knife deposit. The proposed mine plan for the deposit would not segregate the different mineralization types. Composite drill core samples were used for the pilot plant flotation program as a representative selection of the different types of mineralization throughout the deposit. Results of the earlier stage locked cycle tests demonstrated that there is no benefit in developing different flow sheets for each mineralization type. Both composites were crushed and homogenized by SGS prior to the pilot plant campaign to ensure consistent feed. Once the pilot plant circuit was dialled-in using the surface bulk sample, the composite core sample was introduced into the circuit. The results from the processing of the bulk drill core sample were used to establish the processing plant flow-sheet design. Graphite flake samples produced from the pilot plant was submitted to potential customers for quality evaluations and purification trials designed to generate final saleable products.

On August 21, 2013 the Company reported pilot plant test results from Lac Knife. The average total carbon (Ct*) head grade of the bulk sample was lower than the deposit average grade at 11.8% Ct in order to be able to increase the amount of mineralized material available for pilot plant testing at that time. Even with the lower head grade, the metallurgical results were excellent confirming the robustness of the concentrator flowsheet design. Refer to the August 21, 2013 news release available at www.focusgraphite.com and on www.sedar.com

Highlights:

- The average grade of the coarse size fraction (+ 80 mesh) was 98.3% total carbon* (Ct) compared with 97.4% Ct in the Phase II locked cycle tests** (LCTs**)
- The average grade of the medium size fraction, less than 80 mesh and greater than 150 mesh in size, was 98.2% Ct compared with 97.4% Ct in the Phase II LCTs
- The average grade of all size fractions greater than 200 mesh was 98.0% Ct compared with 97.2% Ct in the Phase II LCTs
- The average carbon content of the pilot plant campaign was 96.6% Ct compared to 96.4% Ct reported in the Company's July 9, 2013 press release on the final results of the Phase II LCTs. It is important to note that these results were achieved despite the fact that the less than 200 mesh fraction was not subjected to another cleaning circuit in the pilot plant run as was done in the LCTs, meaning the carbon content of the overall sample would likely have been even higher.
- These results indicate that all three concentrate size fractions may be easier and more cost effective to beneficiate into technology grade graphite due to the high grade carbon content obtained from the pilot plant testing. Higher concentrate grades translates into reduced levels of impurities that have to be removed in the thermal or hydrometallurgical purification processes.

**All carbon analyses were performed by SGS Canada Inc. ("SGS") and are reported as total carbon (Ct). The analytical methods that were used to determine the metallurgical results included total carbon analysis by Leco on*

the final concentrates. The lower grade tailings products were analyzed by the graphitic carbon (Cg) method to discount the organic carbon and carbonate carbon in the samples.
*** A locked cycle test (LCT) is a repetitive batch flotation test conducted to assess flow sheet design. It is the preferred method for arriving at a metallurgical projection from laboratory testing. In a LCT the intermediate products are incorporated in the following cycles, thus simulating a continuous flotation circuit on a laboratory scale.*

The fact that the medium and large graphite flakes could be upgraded to average grades ranging between 98% Ct and 98.3% Ct by flotation only suggests that the impurities are attached to the surface of the graphite flakes. Therefore, the concentrate has the potential to be purified to levels required by battery grade graphite manufacturers. The objective of the pilot plant testing was to produce the highest quality large flake graphite concentrate.

Exploration Work

LiDAR Topographic Survey

In August 2012, the Company sponsored a remotely sensed Light Detection and Ranging (LiDAR) topographic survey of the entire Lac Knife claim block which was supplemented by optical air photography coverage. The Helicopter-supported survey was carried-out by Mosaic 3D of La-Pêche, Québec. Deliverables included a high resolution georeferenced LiDAR image; an ASCII database of XYZ elevation points; a georeferenced air photo mosaic; and a georeferenced topographic contour map in digital format. The high resolution LiDAR survey data will be used for future detailed engineering and site infrastructure studies as well as for the planning of the access road work for the project.

2012 Infill, Deposit Margin and Exploration Drilling Programs

In September 2012, the Company completed a second round of infill, deposit margin and extensional core drilling on the Lac Knife graphite deposit. The drilling was performed by G4 Drilling of Val-d'Or, Québec under the supervision of IOS. A total of 56 PQ-sized core holes (total: 5,638 m) were drilled to collect sufficient data on graphite grades and mineral continuity to upgrade the current Inferred mineral resources in the southeastern part of the Lac Knife deposit to the Indicated category; to map the limits of the deposit; and to provide sufficient mineralised feed material for Phase II locked cycle tests (LCTs) and for the pilot plant campaign. A further 13 exploration NQ-sized core holes (total: 1,674 m) were drilled to test the extensions of the deposits to the South (12 holes) and iron formation in the northern part of the project (one hole).

Representative core samples were collected from all holes and shipped to IOS facilities for sample preparation (crushing and grinding). Prepared samples were sent to COREM in Québec City for graphitic carbon (Cg) and total sulphides analysis using LECO induction. In regards to QA/QC program, 10% of the samples were also analyzed by COREM for total, organic, inorganic and graphitic carbon as well as for total sulphides. Selected core samples were also sent to ACTLABS analytical service provider for total, organic, inorganic and graphitic carbon, total sulphides and for 35 multi-element analysis using ICP methods. IOS introduced standards, duplicates and blank samples as part of its QA/QC program. Final analytical results from the 2012 drilling campaign were received in February 2013.

On March 5, 2013, the Company released the results of the exploration drilling program for the 12 core holes (total: 1,384 m) that were drilled to test the strike-length extension of the Lac Knife graphite deposit up to 375 m to the South of the deposit's West limb. The 12 exploration holes were spread over 4 drill fences spaced 100 m apart. Hole LK-12-170 drilled 175 m south of the deposit on Line 900 S returned the best graphitic carbon (Cg) intersection:

Hole LK-12-170: 66.8 m* grading 14.68% Cg** (from 54.9 to 121.7 m), including 8.0 m grading 21.73% Cg (from 54.9 to 62.9 m), 21.7 m grading 17.99% Cg (from 70.0 to 91.7 m) and 21.3 m grading 18.22 % Cg (from 100.4 to 121.7 m)

**Intersections are expressed as core length because the host rocks are highly metamorphosed and locally migmatized and folded. However the drill holes cross-cut the mineralization envelope at a high angle. The interpretation is based on historical data including Focus' drill holes.*
***All core sample carbon analyses were performed by COREM and delivered as graphitic carbon (Cg) results, internal analytical code LSA-M-B10, LECO high frequency combustion analytical method with an infrared measurement system.*

Significant graphite intercepts*** are still encountered up to 375 m south of the deposit as evidenced by Hole LK-12-174 drilled on Line 1100 S which intersected 20.9 m grading 19.31% Cg (from 20.0 to 40.9 m), indicating that the deposit remains open to the south. All the significant intercepts*** are summarized in table form in the Company's March 5, 2013 news release available at www.focusgraphite.com. On July 4, 2013, the Company received the final report of the exploration drilling campaign from IOS.

On April 9, 2013, the Company released the results of the infill and deposit margin drilling program for the 56 PQ-sized core holes (total: 5,638 m). Hole LK-12-128 drilled on Line 500 S targeted the western zone of the deposit and returned one of the best graphitic carbon (Cg) intersections of the program:

Hole LK-12-128: 42.8 m* grading 20.43% Cg** (from 60.7 to 103.5 m), including 11.8 m grading 36.08% Cg (from 79.7 to 91.5 m)

Most of the drill holes intercepted significant graphite intersections*** along the strike length of West, Central and East zones of the deposit as evidenced by the following Holes:

Hole LK-12-135: drilled on section 675 S: 60.5 m grading 17.88% Cg (from 61.0 to 121.5 m), including 13 m grading 32.33 % Cg (from 70 to 83 m) and 11.8 m grading 26.39 % Cg (from 106.7 to 118.5 m)

Hole LK-12-147: drilled on section 375 S: 42.8 m grading 17.59% Cg (from 12.4 to 55.2 m), including 5.4 m grading 39.56 % Cg (from 15.4 to 20.8 m)

**Intersections are expressed as core length because the host rocks are highly metamorphosed and locally migmatized and folded. However the drill holes cross-cut the mineralization envelope at a high angle. The interpretation is based on historical data including Focus' drill holes.*
***All core sample carbon analyses were performed by COREM and delivered as graphitic carbon (Cg) results, internal analytical code LSA-M-B10, LECO high frequency combustion analytical method with an infrared measurement system.*
**** Significant intercepts are defined as Cg >5% over a minimum of 6 m; maximum internal dilution of 6 m; maximum external dilution of 0 m.*

All the significant intercepts are summarized in table form in the Company's April 9, 2013 news release available at www.focusgraphite.com. On May 27, 2013, the Company received the final report of the definition drilling campaign from IOS.

On April 30, 2013, the Company received the results of an external QA/QC audit of the complete database of all three drill campaigns on the project (1989-1990, 2010-2011 and 2012). The results

of the audit provided a framework for establishing the design of the 2013 infill drilling program on the Lac Knife Project.

Horizontal Loop Electromagnetic ("HLEM") Ground Geophysical Survey

From August 13th to October 4th, 2012, G.L. Géoservice Inc. of Rouyn-Noranda, Québec, completed a magnetic and horizontal loop electromagnetic (HLEM) ground geophysical survey on the Lac Knife Project. The magnetic survey covered 202 line-km and the electromagnetic survey was performed over 182.2 line-km. The line spacing for both geophysical surveys was 100 m. The Company received the survey and the interpretation reports (submitted by Géophysique Camille St-Hilaire of Rouyn-Noranda) in December 2012. The geophysical anomalies identified by the surveys have been followed up during the course of the summer 2013 exploration program and exploration drilling program.

2013 Infill and Exploration Drilling Programs

Two drilling programs with one drill rig were conducted from July 6th until the closing of the exploration camp on October 25th. A total of 5,932 m distributed in 54 holes was completed by Forages M. Rouillier Inc. of Amos, Québec under the supervision of IOS Services Géoscientifiques of Chicoutimi, Québec. The drilling was uploaded to the resource model in order to update the Mineral Resource Estimate.

The first of two 2013 drilling programs at Lac Knife started on July 6th and finished on August 24th and included 1368 m of definition drilling (a total of 24 PQ-sized holes) within the deposit, 713 m of twin hole drilling (a total of 8 PQ-sized holes) as well as an extra 630 m of drilling for metallurgical testing purposes (a total of 6 PQ-sized holes) for a total of 2711 m of drilling (30 holes). The objective of the definition drilling was to upgrade the existing Indicated and Inferred Resources into the higher quality Indicated and Measured Resource estimate categories. An additional 2,208 m of exploration drilling (a total of 16 NQ-sized holes) was also completed as part of the first drilling program to test several geophysical targets, including interpreted adjacent south-east extensions of the deposit and a high priority target located about 200 m west of the deposit.

The second 2013 drilling program, conducted exclusively for exploration, started on October 9th and was ended on October 16, 2013. It included 1013 m of exploration drilling (a total of 8 NQ-sized holes) to test some observed showings and geophysical anomalies located north of the deposit.

Representative core samples were collected from definition holes (1310 samples) and exploration holes (474 samples) and then shipped to IOS facilities for sample preparation (cutting, crushing and grinding). Prepared samples were sent to COREM in Québec City for graphitic carbon (Cg) and total sulphides analysis using LECO induction. In regards to the QA/QC program, 10% of the samples have also been analyzed by COREM for total, organic, inorganic and graphitic carbon as well as for total sulphides. Around 10% of additional selected core samples have been sent to ACTLABS to be analyzed for total, organic, inorganic and graphitic carbon, total sulphides and for a 35 multi-element analysis using the ICP method. IOS introduced approximately 20% of standards, duplicates and blank samples as part of the QA/QC program (288 samples for definition holes and 146 samples for exploration holes).

On December 4, 2013, the Company released the results of the infill drilling program. All the definition holes intercepted mineralization as expected. Hole LK-13-187 drilled on Line 500 S targeted the western zone of the south part of the deposit and returned one of the best graphitic carbon (Cg) intersections of the program:

Hole LK-13-187: 67.8 m* grading 21.10 % Cg** (from 17.4 to 85.2 m)

All the drill holes (except LK-13-203) intercepted significant graphite intersections*** along the strike length of the deposit as evidenced by the following holes from different parts of the deposit:

Hole LK-13-209: drilled on section 425 S in central part of the deposit: 7.2 m grading 27.03% Cg (from 21.5 to 28.7 m) and 25.3 m grading 30.94 % Cg (from 38.2 to 63.5 m)

Hole LK-13-201: drilled on section 250 S in northern part of the deposit: 34.7 m grading 19.34% Cg (from 22.0 to 56.7 m)

**Intersections are expressed as core length because the host rocks are highly metamorphosed and locally migmatized and folded. However the drill holes cross-cut the mineralization envelope interpreted from the historical data and Focus' drill holes at a high angle.*
***All core sample carbon analyses were performed by COREM and delivered as graphitic carbon (Cg) results, internal analytical code LSA-M-B10, LECO high frequency combustion analytical method with an infrared measurement system.*
**** Significant intercepts are defined as Cg >5% over a minimum of 6 m; maximum internal dilution of 6 m; maximum external dilution of 0 m.*

All 36 significant intercepts and a location map of the drill holes are summarized in table form in the Company's December 4, 2013 news release available at www.focusgraphite.com. On March 12, 2014, the Company received the final report of the definition and exploration drilling campaigns from IOS Services Géoscientifiques.

2014 Infill and Exploration/Condemnation Drilling Program

A Camp construction permit was received from the Caniapiscau MRC on June 5 while the land use permit was received from the MERN on June 19. Construction of the 2014 temporary exploration camp started on June 23, 2014 and was completed on July 6 by IOS Service Géoscientifique of Chicoutimi. The drilling program with one drill rig was conducted from July 17, to October 2nd, 2014 and the exploration camp was closed on October 10, 2014. In addition to IOS, the Company hired two Innu workers from the Uashat mak Mani-Utenam (ITUM) First Nation community.

A total of 7,565 m of drilling (62 holes) were completed including 4,523 m of infill drilling (39 holes) in the southwest extension of the deposit with the aim to upgrade the existing 3.1 million tonnes of Inferred Resources (refer to Focus news release dated January 28, 2014) into the higher quality Indicated and Measured Resource estimate categories. Almost all the infill drill holes have intersected mineralization as expected by the resource model. An additional 3,041m of exploration/condemnation drilling was also completed to test several geophysical targets located below or nearby the proposed mine infrastructure in the southwest extension of the deposit, west of the deposit and in the northern part of the claim block. The drilling was performed by G4 Drilling of Val-d'Or, Québec under the supervision of IOS Service Géoscientifique of Chicoutimi.

Representative core samples were collected from all holes and shipped to IOS facilities for sample preparation (cutting, crushing and grinding). Prepared samples were sent to COREM in Québec City for graphitic carbon (Cg) and total sulphides analysis using LECO induction. For the QA/QC program, 10% of the samples will also be analyzed by COREM for total, organic, inorganic and graphitic carbon as well as for total sulphides. Around 10% of additional selected core samples were also sent to ACTLABS to be analyzed for total, organic, inorganic and graphitic carbon, total sulphides and for a 35 multi-element analysis using the ICP method. IOS introduced standards, duplicates and blank samples as part of the QA/QC program. Assays results are pending.

Environmental and Social Aspects of the Lac Knife Project

Environmental Baseline Studies

During the course of the summer 2012 exploration program, the Company commenced the monitoring of the natural, physical and chemical aspects of the environmental baseline studies as

the initial components of an Environmental and Social Impact Assessment (ESIA) on the Lac Knife project. The ESIA is a comprehensive assessment of all potential impacts that could occur throughout the life-cycle of a proposed mining project and it recommends measures to prevent and mitigate these impacts. The start of the ESIA process reflects the Company's commitment to comply with or exceed all Federal, Provincial and municipal regulatory requirements for mine development. The contract to design, implement and manage the environmental baseline studies was awarded to Groupe Synergis Inc. ("Synergis") of Shawinigan, Québec. In addition of managing the environmental baseline studies, Groupe Synergis was in charge of the natural habitat aspect, while the physical and chemical aspects was realized by Terrapex of Brossard, Québec and the social aspect was realized by Del Degan, Massé & Associés Inc. ("DDM") of Québec-City. The data acquisition phase of the environmental baseline study was completed in winter 2014 and all the related reports were received in spring 2014.

Natural Habitat Aspect of the Environmental Baseline Studies

In September 2013, Groupe Synergis completed the Phase I collection of information over the claim block with respect to biological components (aquatic and terrestrial) of the environmental baseline studies. The different components regarding aquatic aspect include characterization of water, sediments, fish and benthic fauna for all lakes and streams. The different components regarding the terrestrial aspects included the characterization of ecosystems, the observation of birds, mammals, amphibians and reptiles. Groupe Hémisphère delivered the final report on land vegetation on December 4th 2013.

Phase II of data collection by Synergis was completed in the fall of 2013, including the completion of an aquatic and bird inventory over the Lac Knife Project area. The data acquisition also included the complete aquatic and terrestrial environmental characterization along the current project access road. In order to determine the current noise levels that characterize the project site before its development, a field campaign was also realized in fall 2013. This fieldwork was considered necessary as no data about the noise levels were available for the project site.

In the beginning of 2014, the Company received all the reports related with the natural habitat aspects of the environmental baseline studies from Groupe Synergis of Shawinigan. The herpetofauna (amphibians and reptiles) and bird observation reports were received in February while the fish, fish habitat, bottom lake sediments and surface water quality observation and characterization report was received in May 2014. The report regarding noise level characterization was also received in January 2014.

In April 2014, a survey was performed by Golder Associates regarding the potential frequentation of the Woodland Caribous during winter and early spring, in the Lac Knife Project area. No caribou were observed and preliminary results suggest that the site was not frequented by the caribou during winter and early spring in the recent years.

Physical and Chemical Aspects of the Environmental Baseline Studies

Fieldwork for the physical and geochemical study components of the environmental baseline study were undertaken by Terrapex during fall 2012. The physical and geochemical aspects that were examined as part of the Phase I of the study included: 1) The soil cover (humus and B-horizon) and compositional characteristics; 2) basic hydrogeological characteristics of the area targeted for the proposed open pit ; 3) a review of general climatology conditions of the area; 4) hydrology of the proposed mine infrastructure sites; 5) preliminary evaluation of acid mine drainage (AMD) and metal leaching (ML) potentials of mineralized rock (composite samples of low grade, semi-massive and massive mineralization) and host rocks and of acidic soil samples in the old surface pitting areas. With respect to acid mine drainage and metal leaching potential, a series of composite samples (about 5.0 kg each) representative of the mineralisation types and waste rock close to mineralization tested at SGS laboratories in Mississauga for Lock Cycle Tests (LCTs) were prepared by IOS Service Geoscientifiques of Chicoutimi and sent to Terrapex in Brossard. Sub-samples were split (about 1.5 kg) and sent for complete lithogeochemical characterization and static testing (ABA =

acid base accounting) at ALS Minerals. The left-over pulps and rejects were recuperated for follow-up leaching tests (3 leaching protocols: TCLP 1311, acid rain 1312 and water CTEU-9) which were performed at Exova laboratory in Point- Claire in January 2013, under the supervision of Terrapex.

On February 15, 2013, the Company received the final report from Terrapex on the multi-element geochemistry of humus and B horizon soil samples collected as part of the fall 2012 environmental soil survey. This report addresses two of the objectives of the analysis which are to assess the potential for graphite mineralization on other parts of the project based on soil geochemistry, and to evaluate the potential of the project to host other types of mineral deposits.

Two other reports were submitted in line with the environmental baseline studies in early 2013: 1) a report on hydrology of the Lac Knife watershed and climatology aspects dated March 25, 2013; and 2) the main report on physical and chemical aspects (Phase I) covering soil geochemistry characterization, hydrogeology and environmental characterization of mineralized zones, waste rocks and soils, dated April 25, 2013.

A winter geotechnical drilling program was undertaken by Terrapex in collaboration with IOS (in charge of field logistic) from March 18 to April 5, 2013. A total of 16 drill holes, including four observation wells for a total of 211 m, were drilled in the sector of the proposed waste rock and tailings impoundment site south of the Lac Knife deposit to evaluate the nature of the soils below the peat and the quality of the basement and in the small lake proposed to act as a polishing pond during the mine operational period. A total of 128 soils samples were collected. The final report was received on April 11, 2014.

Phase II of the Physical and Chemical Aspects of the environmental baseline studies was also awarded to Terrapex (June 13, 2013). The mandate included additional data collection for hydrology, hydrogeology, climatic conditions, groundwater quality, and evaluation of acid mine drainage and metal leaching (AMD/ML) potential for waste rocks, mineralized rocks, tailings and acidic soils. These AMD/ML tests were used to quantify the geochemical characteristics of the graphite mineralization and various types of unaltered and oxidized waste rock that was sampled close to the mineralization. The characterized tailing material was obtained from the pilot flotation plant testing that generated sample material. In September 2013, Terrapex of Brossard, Québec completed the Phase II data acquisition of the physical and chemical aspects of the environmental baseline studies consisting of: 1) additional soil sampling in 3 specific sites where acidic soil samples were identified in 2012 in the proposed open pit area; 2) water level in boreholes, groundwater quality sampling in boreholes, pumping tests, hydraulic conductivity tests and sampling of monitoring wells located around the future open pit; 3) measurement of flow at the effluent of Lac Knife and other tributaries; 4) meteorological data compilation from the Wabush and Fermont stations.

A second geotechnical drilling program was undertaken by Terrapex in collaboration with IOS (in charge of field logistics) from September 9 to September 30, 2013. The program was designed to evaluate the nature of the soils and the potential to use these as material for dam and dyke construction. Drilling was located in two areas of potential options for the future waste rock and tailings impoundment sites and in the proposed future open pit location. A total of 32 geotechnical drill holes were completed and sampled. Five monitoring wells were installed in holes surrounding the proposed open pit location. The final report was received on April 15, 2014.

On March 4, 2014, the Company received the final report from Terrapex, of Brossard, Québec regarding hydrology, climatology, hydrogeology and the groundwater quality. A separate detailed report on the geochemical characterization and acid mine drainage and metal leaching potential (AMD/ML) of mineralized and host rocks, tailings and acidic soils was received on February 15, 2014.

From March 31 to May 2, 2014, the Company completed a combined geotechnical, environmental and exploration/condemnation winter drilling program under the supervision of IOS Services Géoscientifiques of Chicoutimi. The land use permit was received from Québec Government on

March 19th. A drilling contract was awarded to G4 of Val-d'Or on March 24th to complete four (4) oriented drill holes for the open pit mine slope stability study, two (2) drill holes were performed for geotechnical study purposes of the proposed concentrator plant site, six (6) drill holes were completed for geotechnical/environmental study purposes related with the proposed tailings impoundment site, four (4) drill holes were performed for environmental purposes related with water and soils characterization and three (3) exploration/condemnation drill holes related with the proposed tailings impoundment site. A total of 10 piezometers have been installed in the environmental drill holes and in some of the geotechnical drill holes.

No significant mineralization was intersected in the 3 exploration holes (total of 375 m). This drilling program was conducted to complete data acquisition related to the Feasibility Study and the ongoing Environmental and Social Impact Assessment (ESIA) study.

Social Aspects

On October 12, 2012, the Company held a first meeting with senior representatives of the Takuaikan Uashat Mak Mani-Utenam Innu First Nation ("ITUM") of Uashat and Mani-Utenam, located near Sept-Îles, Québec. The Lac Knife graphite project lies on land designated as traditional territory by ITUM. A second follow-up meeting was held in Sept-Îles on December 13, 2012 during which future communications and information dissemination protocols between the parties were established and potential business opportunities for the community in connection with the development of the Lac Knife project were discussed.

At this early stage of dialogue, the intent of the Company and of the ITUM Innu is that the social, environmental, educational and economic interests and long term development vision of the community be integrated into the planning of the Lac Knife project. Both parties desire to create a unique sustainable development partnership project at Lac Knife that will enable the mineral diversification of the region and provide lasting economic benefits to the community while supporting mutual environmental and social responsibility objectives.

In the winter of 2013, Synergis in collaboration with consulting firm Del Degan, Massé & Associés inc. ("DDM") of Québec-City commenced assisting the Company in preparing a public information base and organising a first series of community consultation meetings on the Lac Knife project. The principal intent of the meetings was to present the project and the Company, report on the status of the environmental baseline studies and listen to communities' concerns and needs of a social, economic or environmental nature.

As part of the assessment of the social consideration of the Lac Knife project, on May 22, 2013, DDM held a meeting with the Mayor and Councillors of the city of Fermont. This is the closest community to the Lac Knife Project. During the meeting, DDM and the Company presented the scope and development timeline of the project. The presentation was well received and considered to be an excellent start to the public information and consultation process.

The project presentation illustrated the difference between Lac Knife and the more common iron ore mines in production in the area. In comparison to the last iron ore mine built at Bloom Lake in 2010 where approximately 20-25 million tonnes of Run of Mine (ROM) material are sent to the concentrator, Lac Knife will have an annual ROM of 300,000 tonnes, approximately 1% of comparable throughput at Bloom Lake. Resulting mill concentrates are also quite different, with the Bloom Lake mine scale of producing 7-8 million tonnes of concentrate, whereas Lac Knife will produce less than 50,000 tonnes annually. A diagram of the surface area of comparable footprints was used to illustrate that the Lac Knife project will probably cover 1% or less of the surface area compared to the historical and active iron ore mines in the area. In the last 5 years, the community has witnessed a significant increase in mineral development activity and related demands on the community.

A second meeting was held on May 28, 2013, with the citizens of Fermont. At this meeting, the broad elements of the project were presented and DDM and the Company answered questions from

members of the community. This was the first public information and consultation meeting and the questions and comments that were raised will be integrated into the ESIA.

In September 2013, the Company completed the baseline work for the components related to the social environment. In October 2013, the Company and DDM went to Sept-Iles to meet the community and some stakeholders to present the project and continue to collect information about the project.

In the beginning of May 2014, the Company met the Mayor and the Councilors of the City of Fermont as well as the General Director of the MRC of Caniapiscau. They also held an open house meeting in Fermont. More meetings with Takuaikan Uashat Mak Mani-Utenam Innu First Nation ("ITUM") Band Council of Uashat and Mani-Utenam, the Innu community and the Association de la protection de la rivière Moisie were organized in Sept-Iles. The Company collected comments from stakeholders, and more meetings are planned following the feasibility study.

On June 18 and 19, 2014, the Company met the Gregoire family which is identified as the principal land user of the traditional Innu territory where the mine is planned. The Gregoire family gave information about the past and actual use of the land by the Innu. They communicated their expectations regarding employment, contracts, education and communication. More meetings are planned with the family in the coming months. A committee composed of former chiefs of ITUM was also met with on June 18 by representatives of Focus Graphite. The chiefs also gave their expectations for the development of the territory. Following these meetings a video (french/Innu) was prepared by Focus Graphite to explain the project. This video is available on line (www.innuwebtv.com) to make sure that the Innu community has all the information related to the Lac Knife project.

During the meetings held in June 2014, the Company was informed by the stakeholders that the protection of the *rivière aux Pékans* which is part of the proposed *rivière Moisie* acquatic reserve located west of the claim block is of high importance. Stakeholders requested that Focus Graphite avoid, if possible, the construction of the tailings facility within the watershed of the *rivière aux Pékans*, which discharges in the *rivière Moisie* 55 km downstream. Taking into account these requests, Focus Graphite awarded a contract to AMEC of Dorval, Québec to evaluate alternatives regarding the deposition of the tailings and the management of waste rock and water. AMEC will propose alternatives to the concept presented in the feasibility study to make sure that all the options are analyzed and that the one presenting the lowest risk for the environment, at reasonable cost will be chosen.

Pre-Development Agreement with the Uashat Mak Mani-Utenam Innu First Nation

On October 28, 2014, the Company announced the signing of a Pre-Development Agreement (PDA) with the Uashat Mak Mani-Utenam Innu ("ITUM") First Nation Band Council (refer to the October 28, 2014 news release available at www.focusgraphite.com and on www.sedar.com). The intent of ITUM-Focus agreement is to enter into a collaborative relationship in order to better understand the impacts of the project and to incorporate ITUM's concerns into the Lac Knife mine development project planning. The PDA further lays out the possibility that future negotiations could pave the way to a long-term partnership that would allow for the sustainable development of the project in the region as well as innovative opportunities in the secondary transformation market, all the while working with ITUM to address the community's social needs and supporting its long term vision and aspirations.

Environmental and Social Impact Assessment (ESIA) Study

In February 2014, the Company awarded the contract for the writing of the Environmental and Social Impact Assessment (ESIA) study report to Golder Associates' Montréal office. The scope of the project is to process all information gathered in the field over the last two years and compile the data in a comprehensive report that meets governmental regulations in order to obtain the Global

Certificate of Authorisation for the Lac Knife Project from the *Ministère du Développement durable, de l'Environnement et de la Lutte contre les changements climatiques (MDDELCC)* of Québec.

On December 1, 2014, the Company filed the complete Environmental and Social Impact Assessment (ESIA) study report for the Lac Knife (refer to the December 1st, 2014 news release available at www.focusgraphite.com and on www.sedar.com). Golder Associates completed the study and the report. The ESIA is the main document used to communicate and discuss details of the project to all concerned regulators and community stakeholders regarding the project's impact, risk mitigation, and potential benefits. The Lac Knife ESIA was filed with Québec's provincial authorities at the *Ministère du Développement durable, de l'Environnement et de la Lutte contre les changements climatiques (MDDELCC).* This is a precursor to obtaining a mining lease for the project and is considered one of the key project milestones.

Project Regulatory Permitting

Lac Knife Project Notice (Avis de Projet)

As part of the environmental permitting process, a formal Project Notice (Avis de Projet) describing the Lac Knife mining project was prepared by Groupe Synergis (Synergis) Shawinigan, Québec, in collaboration with Terrapex and was submitted to the MDDEFP (*Ministère du Développement durable, de l'Environnement et des Parcs; now MDDELCC*) on April 3, 2013. The Company received the environmental study guidelines for the project from the MDDEFP on April 12, 2013.

The Lac Knife Mine Project Permitting Process

In February 2014, the Company had retained the services of Golder Associates to assist the Company in obtaining the required federal, provincial and municipal permits and authorizations to develop the Lac Knife Project towards the Company's goal of full commercial production. The mine permitting process in Québec comprises various federal, provincial and municipal authorizations for mine pre-development, permitting (Mining Lease application and the "Mine Closure Plan" per the requirements of the Québec Mining Act), road construction, mine construction, ore processing, camp installation and other considerations all of which lead to a request to the Québec *MDDELCC* for a Global Certificate of Authorization for the project, per the requirements of the Québec Environmental Quality Act.

On April 16, 2015, the Company received, the first series of questions from the *Ministère du Développement durable, de l'Environnement et de la Lutte contre les changements climatiques (MDDELCC)* regarding details of the Environmental and Social Impact Assessment ("ESIA") for the Lac Knife project. The Company is currently preparing responses to the questions.

Update for the Quarter Ended December 31, 2015

During the quarter ended December 31, 2015, the Company incurred exploration expenses totalling $103,761. Total capitalized exploration expenditures incurred on the project to date (net of tax credits and mining duties) are $14,854,331.

Exploration and Development Outlook

In 2016 the Company anticipates receiving the complete assays results for the 2014 core drilling program. Work is well underway on the Mine Closure Plan. Process flow sheet development and engineering is ongoing at the feasibility level. Focus continues to communicate, meet, and listen to local communities and will be increasing these efforts now that the ESIA study is completed and the impacts are known. The optimization of the production of spherical graphite is under feasibility study*.

**** Cautionary notes related to the industrial transformation plant project:*** *Feasibility studies on any value-added industrial projects are not the same as feasibility studies for mineral projects as defined under NI 43-101 and CIM Definition Standards for Mineral Resources and Mineral Reserves.*

Although Focus continues to work towards its objective of developing value-added products using graphite concentrates to be produced at the Lac Knife project or obtained from other graphite concentrate producers, the Corporation reiterates its primary objective of advancing the Lac Knife mineral project towards production of large, medium and fine flake graphite concentrate as demonstrated in the Lac Knife Feasibility Study dated August 8, 2014 (a copy of which is available on SEDAR at www.sedar.com). The feasibility of a transformation plant for value-added products remains to be demonstrated and could be determined to be uneconomical and therefore not feasible for the Corporation. It is therefore possible that Focus never move forward with such transformation plant despite its corporate objective to do so. Readers are therefore cautioned against undue reliance on this corporate objective given its uncertainty at the present time. Focus intends to bring the Lac Knife deposit into production despite any potential negative decision on the fabrication of value-added products.

Environmental and Social Impact Assessment (ESIA)

Throughout the reporting period, the Company continued preparing responses to the Ministère du Développement durable, de l'Environnement et de la Lutte contre les changements climatiques' (MDDELCC) questions on the Lac Knife project ESIA study. A series of questions centered on the changes in the design of the tailing management system reported in the ESIA report after the Lac Knife project Feasibility Study was completed and filed on www.SEDAR.com. The tailing management system was changed from a conventional slurry-tailing pond to a co-mingled "dry stacked" waste rock and tailings stockpile. This change in design allows for more re-circulation of water back to the concentrator and less demand on fresh water. This change was made in response to stakeholder concerns regarding the tailings slurry pond's proximity to the Pekan River. An additional benefit is that this concept reduces the footprint of the mine site infrastructure.

The tailings from Lac Knife are easier to thicken and filter as the average liberation grain size in the mill is 400 micron, similar to a very fine grained sand which is much coarser than typical base metal mine tailings, is more amenable to settling in the thickeners and is also easier to filter due to the coarser grain size when compared to finer tailings in the 50-100 micron particle size range.

There are also ongoing kinetic tests at SGS laboratories to measure any leachable metals from the tailings and the results from these tests will help to design any water treatment required. As well, a mine closure plan is being developed to be submitted as part of this environmental permitting process.

The Company anticipates completing the responses to the MDDELCC's questions on the Lac Knife project ESIA study during the next quarter.

Labrador Trough Polymetallic (Cu-Ni-PGE) Projects, Labrador Trough Region of Québec

The Labrador Trough projects, located in Nunavik, Québec, consist of four claim blocks: Minowean (14 claims), Otelnuk (12 claims), Lemming (26 claims) and Diana (17 claims), totalling 220 claims covering a surface area of 9,917 ha.

Previous exploration work was conducted by Focus on these projects and was limited to a geological reconnaissance program conducted in 2009 which confirmed base and precious metal showings from historical reports but did not unearth any new significant mineralization occurrences.

In the 2012 fiscal year, the Company implemented the first phase of a new program designed to re-assess the base and precious metal potential of the Labrador Trough projects and to identify new targets for ground follow-up. Geotech Ltd. of Aurora, Ontario, was awarded the contract to conduct a high definition airborne TDEM and magnetic survey over all five projects. The 1,414.3 line-km airborne geophysical survey was completed in June 2012, the logistical report was submitted in July 2012, and the interpretation report was delivered in December 2012.

On September 27, 2013, the Company announced that it has entered into a letter agreement with Mincom Capital Inc. ("Mincom"), pursuant to which Focus will sell to Mincom all of its rights, titles and interest in its Romer project. On May 8, 2014, the Company announced the closing of its sale of the Romer project (see news release available at www.focusgraphite.com).

No work was conducted on the projects during the quarter ended December 31, 2015. To date, the Company has incurred exploration expenditures (net of tax credits and mining duties) totalling $234,407.

The Company is currently reassessing its mineral exploration strategy for the four remaining Labrador trough projects.

Manicouagan Reservoir Area Graphite Projects, Côte-Nord Administrative District of Québec

The Manicouagan Reservoir area graphite projects are comprised of 3 claim blocks. Two of these 3 claim blocks were acquired in August 2011 (Lac Tétépisca and Lac Guinécourt), while the third claim block (Lac Tétépisca-Nord) was staked in fiscal year 2012.

The projects are located in the north eastern part of the Grenville geological province of Québec, in the Gagnon Group which is characterized by various gneisses and meta-sediments that were metamorphosed to the upper amphibolite and granulite facies. The graphite and iron-rich meta-sedimentary formations of the Gagnon Group were derived from the Paleoproterozoic Labrador Trough sedimentary basin. These projects are located within 10 to 20 km from the Lac Guéret graphite deposit.

During the year quarter December 31, 2015, the Company incurred exploration expenditures totalling $3,372 on the Manicouagan Reservoir area projects. To date, exploration expenditures (net of tax credits and mining duties) total $1,240,090.

Lac Tétépisca Project

The Lac Tétépisca claim block now consists of 87 contiguous map-designated claims covering 4,692.82 ha. The project is located in the southwest Manicouagan reservoir area, 234 km north-northwest of the city of Baie-Comeau. The area is accessible year-round by logging roads which starts from Route 389, and is part of SOQUEM Inc. and Quinto Technology Inc.'s former Lac Guéret-Nord project. Focus purchased 100% of the mineral rights in the Lac Tétépisca project in August 2011(67 claims). In August to November 2013, Focus added 29 contiguous map-designated claims to the claim block. During the year ended September 30, 2014, 6 claims were transferred from the Lac Tétépisca Nord project to the Lac Tétépisca project, increasing the number of claims to 102. During the year ended September 30, 2015, the Company wrote down the cost of the Lac Tétépisca by $173,414 subsequent to it allowing its interest in 15 claims to lapse as the results of the exploration work completed to date on the claims in question were not encouraging and did not support further exploration. This reduced the number of mineral claims that make up the Lac Tétépisca Project from 102 to 87 at September 30, 2015.

Exploration Work

2012 Prospecting Program

On November 15, 2012, the Company announced the discovery of a new graphite bearing corridor. Reconnaissance bedrock sampling carried out during the summer of 2012 identified a 900 m long and 100 m wide graphite bearing corridor on the claim block. A total of 25 mineralized grab samples were collected from the new "Manicouagan-Ouest" graphitic corridor, 17 of which host graphitic carbon (Cg) grades in excess of 5.59% Cg (range: 5.59% to 45.80% Cg). The remaining eight grab samples which delineate the graphitic trend show Cg grades below 5.00%.

The Manicouagan-Ouest graphitic corridor is hosted in meta-sedimentary rocks of the Nault Formation, which is part of the Gagnon Group. The graphite-bearing outcrops within the corridor are

composed of fine to medium grained quartz-feldspar-biotite schists with local occurrences of garnet and kyanite. Fine to coarse graphite flakes and associated sulphides compose 10% to 20% of the rocks, and up to 50% in strongly mineralized zones.

2013 Airborne Geophysical Survey

In March 2013, the Company awarded a contract to Novatem Inc. of Mont Saint-Hilaire, Québec to perform an airborne Mag-TDEM geophysical survey to cover the claim block. A total of 476 line-km were surveyed with 100 to 200 m flight line spacing. The survey started on April 24, 2013 and was completed on May 2, 2013. The final report was received in May 2013 and the survey identified two important electromagnetic conductors, one over the area of the Manicouagan-Ouest corridor and another anomaly in the southern part of the claim block.

2013 Trenching and Prospection Programs

From July 1 to July 21, 2013 and from August 6 to August 15, 2013, the Company conducted a comprehensive follow-up exploration program over the best EM anomalies delineated from the MAG-EM survey. Fieldwork consisted of prospecting using portable electromagnetic survey equipment (Beep-Mat™ and VLF) and grab sampling over of the Manicouagan graphitic corridor as well as follow-up prospecting in other areas of the claim block. Thirty-three (33) grab samples were collected from outcrops, sub crops and boulders. They were sent to ALS Minerals in Val d'Or for preparation and then to ALS in Vancouver for graphitic carbon (Cg) and total sulphides analysis using LECO induction and for 48 multi-element analysis using ICP methods. Twelve (12) of which host grades in excess of 5.00% Cg (range: 6.33% to 56.10% Cg). The remaining 21 grab samples show Cg grades below 5.00%. With respect to the QA/QC program, 10% of blanks and standards were introduced. This work helped to more accurately delineate the Manicouagan Ouest graphitic corridor and help to design a trenching and channel sampling program.

From September 17 to October 5, 2013, the Company completed a trenching program on the Manicouagan-Ouest showing to confirm thickness and grade of the mineralized zone. Two trenches were dug on previously delineated targets and named MO-TR-01 and MO-TR-02. The contract was awarded to IOS Services Géoscientifiques of Chicoutimi, Québec and supervised on site by the Company.

The trenches, MO-TR-01 and MO-TR-02, measured 175 m and 167 m, respectively. The trenches are perpendicular to the graphitic corridor and are spaced at 225 m. A total of 104 representative 1.5 m long channel samples from the trench MO-TR-01 and 98 samples from the trench MO-TR-02 were collected and shipped to IOS facilities for sample preparation (crushing, grinding and sub-sampling). Prepared samples were sent to ALS Minerals in Vancouver for graphitic carbon (Cg) and total sulphides analysis using LECO induction. One for every three samples was also sent to ALS for a 48 multi-element analysis using ICP methods. With respect to the QA/QC program, blanks, standards and duplicates were introduced, representing roughly 15% of the analyses.

A disseminated to semi-massive graphitic mineralization was observed in both trenches over significant widths** of 84 and 88.5 meters. Subsequent to the reporting period, on October 20, 2014, the Company announced the assays results for the two trenches (refer to the October 20, 2014 news release available at www.focusgraphite.com and on www.sedar.com).

TABLE 1: 2013 TRENCHING PROGRAM RESULTS							
Trench	**Azimuth**	**Total Length (m)**	**Intercepts**	**From (m)**	**To (m)**	**Intersection Length (m)****	**Cg (%)**
MO-TR-01	N 128	175	**Intersection**	**78.0**	**162.0**	**84.0**	**11.01**
			Including	*78.0*	*127.5*	*49.5*	*15.03*
			Intersection	**39.0**	**45.0**	**6.0**	**6.49**
MO-TR-02	N 128	167	**Intersection**	**45.0**	**133.50**	**88.5**	**12.82**
			Including	*69.0*	*78.00*	*9.0*	*16.51*
			Including	*94.5*	*133.50*	*39.0*	*18.04*

***Intersections are not true thicknesses but expressed as channel sample lengths. However, the trenches crosscut the strike of the mineralized zone envelope at a high angle. Mineralized Intersections are calculated with Cg > 5% over a minimum of 6 m; maximum internal dilution was 3 m; there is no external dilution considered.*

2014 Ground Geophysical Survey

On May 15, 2014, the Company awarded a contract to Abitibi Géophysique of Val-d'Or, Québec to conduct a ground combined magnetic-time domain electromagnetic geophysical survey (MAG-TDEM) with 100 m line spacing over the "Manicouagan-Ouest" graphitic corridor area with the IMAGEM system.

On September 6, 2014, Abitibi Geophysics, completed the survey that covered 47 km of grid-lines over the "Manicouagan-Ouest graphitic corridor" and over its southwestern extension. This time domain IMAGEM geophysical system has a high spatial resolution to allow for a more detailed analysis of the EM conductors within the anomalous zone. The final report was received on October 8, 2014. A total of 452 EM anomalies were identified and interpreted as well as several magnetic zones mostly associated with the Manicouagan-Ouest graphitic corridor.

2014 Prospecting Programs

From July 23, 2014 to July 31, 2014, a total of five days of fieldwork consisting of prospecting using portable electromagnetic survey equipment (Beep-Mat™) and grab sampling over 4 different areas in the northern part of the claim block was completed. A conductor has been followed over 1.8 km of strike length on the opposite limb of the regional fold that contains the Manicouagan-Ouest graphitic corridor.

In February 2015, the Company received the results from assays and lithogeochemical sampling. A total of 22 samples were collected from outcrops and sub crops within the principal horizon of paragneiss (from a total of 24 outcrops and sub crops of observed paragneiss). The samples were sent to ALS Minerals in Val d'Or for preparation and then to ALS in Vancouver for graphitic carbon analysis using LECO induction (Cg; ALS internal code: C-IR18) and 48 multi-element analysis using combined ICP-AES and ICP-MS methods (ALS internal code: ME-MS61). With respect to the QA/QC program, 10% of blanks and standards were introduced.

The graphitic carbon (Cg) content of the eleven (11) outcrops and sub crops grab samples* located in the western limb of the regional fold varies from 3.86% to 54.20% with 7 of them containing over 16% Cg. These geological mapping and prospection work enable the recognition of the same stratigraphic units as for the Manicouagan Ouest graphitic corridor area. With the grab samples covering about 900 m in strike length within the paragneiss horizon, the western limb area of the fold appears to have potential to host significant graphitic mineralization. Moreover, the grab samples are also associated with a conductive electromagnetic zone of 20 to 120 m of thickness that have been defined using a portable electromagnetic device (Beep Mat™).

**Grab samples are selected samples collected to determine the presence or absence of mineralization and are not intended to be representative of the material sampled. Channel sampling or drilling are required to determine representative grades.*

2014 Exploration Drilling Programs

The exploration drilling contract was awarded to Forage Rouillier of Amos, Québec, on May 22, 2014. On July 2, 2014, the Company received a land use permit from the MERN, the industrial lease from the MERN was granted on July 7, 2014 and the certificate for camp construction from the Manicouagan MRC was issued on July 8, 2014. The temporary camp construction under the supervision of IOS Services Géoscientifiques commenced on July 14, 2014 and was completed on July 24, 2014.

From August 18 to September 11, 2014 the Company completed an exploration drilling program with one drill rig. Exploration drilling included 1875 m of drilling in 16 drill holes oriented perpendicular to the strike of the km-long EM conductor defined by a combined MAG-EM airborne geophysical survey conducted in the spring of 2013. The periphery of the zone was more accurately outlined by ground geophysics using a portable Beep Mat™ instrument in the summer of 2013 and by the MAG-IMAGEM ground survey completed the following summer in 2014. Based on these geophysical survey results, 4 fences of drill holes spaced 200 m apart were positioned, covering a 600-m strike length of this new zone. The drill program was designed to test surface mineralization found in trenches down to a vertical depth of approximately 100 m. The Company supervised the drilling campaign that was performed by Forage Rouillier of Amos, Québec with the logistical support of IOS Services Géoscientifiques of Chicoutimi.

Representative core samples were selected from all holes and shipped to IOS facilities for sample preparation (cutting, crushing and grinding). Prepared samples were sent to COREM in Québec City for graphitic carbon (Cg) and total sulphides analysis using LECO induction. For the QA/QC program, 10% of the samples will also be analyzed by COREM for total, organic, inorganic and graphitic carbon as well as for total sulphides. Around 10% of additional selected core samples were also sent to ACTLABS to be analyzed for total, organic, inorganic and graphitic carbon, total sulphides and for a 35 multi-element analysis using the ICP method. IOS introduced standards, duplicates and blank samples as part of the QA/QC program. Assays results are pending.

On October 20, 2014, the Company announced that significant widths of disseminated to semi-massive graphitic mineralization ranging from 95 to 110 m in thickness* were intersected in each of the 4 fences of holes. The drill intercepts correlate very well with the EM anomalies and the mineralization previously observed in trenches. The discovery zone that was drilled has a geophysical signature that extends for more than 200 m to the northeast and over 700 m to the southwest for a total strike length of 1500 m. The mineralization is open at depth. Drilling results confirm the significant widths of mineralization observed in trenches and the potential that this new discovery may hold.

**Intersections of graphitic mineralization are expressed as core length; however the drill holes always crosscut the envelope of the mineralized zone strike and dip at a high angle.*

Metallurgical and Mineralogical Studies

With the aim to get a more complete picture of the mineralization, the Company awarded a contract to SGS Canada of Lakefield, Ontario in November, 2013 to conduct a scoping level evaluation of one 10 kg composite graphite sample. Work included batch cleaner test and flake size fraction analysis. The final report was received on March 29, 2014. The results show a high head grade of 20.5% total carbon (Ct), a good carbon recovery of 94.2% and a very good response to concentration yielding a very good purity of 91.3% Ct for all fractions including 97.7% Ct for +80 mesh flake, a quality that is critical to the lithium ion battery market.

Notably, the combined carbon recovery into the flash and rougher concentrates was 98.1% total carbon suggesting that only a coarse primary grind is required to release the flakes. While the

sample did not contain a substantial amount of large and medium flakes, the very high grades achieved in a preliminary cleaner flotation test suggests that impurities are only attached loosely at surface of the flakes and that a secondary polishing and cleaning could improve the concentrate grade. Further tests are warranted, as this gives Focus a second option to enhance the Company's mid-term growth profile and show a potential for a larger quantity of spherical graphite.

The company also granted IOS Services Géoscientifiques de Chicoutimi, Québec a mandate to conduct a petrographic study of two samples from the Lac Tétépisca trenches in the aim to characterize the *in-situ* content of big graphite flakes in the mineralized rocks. The final report was received on April 4, 2014. Visual observation under the microscope shows that both samples contain approximately 25% of graphite with a high proportion of large and very large flakes (> 200 microns or > 48 mesh). The important amount of large flakes observed in the rocks (80% and 74% respectively) contrasts the low content of large flakes observed in the concentrate suggest again that only a coarse primary grind is likely required to release and separate the large flakes from their mineralized rocks.

Social Aspect

On June 3, 2014, the Company had an initial meeting with the band council of the Pessamit Innu First Nation located near Baie-Comeau, Québec. The Manicougan graphite projects of Focus lie on land designated as traditional harvesting territory. During the meeting, the representatives of Focus presented the Company and the Lac Tétépisca project and established a base for further communication. Future communication and information dissemination protocols between the parties were also established and potential business opportunities for the community in connection with the development of the Lac Tétépisca project were discussed. In line with the business opportunities for the community, the Company hired workers from the Pessamit community on July 28, 2014 for woodcutting, access trails clearing and drill rig pad preparation.

Exploration and Development Outlook

In 2016 the Company anticipates receiving the complete assays results for the core drilling program and it plans to conduct further metallurgical studies including open and locked cycle flotation tests to design a preliminary concentrator process flow sheet for Lac Tétépisca mineralization. The exploration drilling and metallurgical results will provide key information to further evaluate the potential of the property to host economic grade graphite mineralisation. The Company also plans to complete an exploration drilling program to test the lateral extensions of the known mineralisation.

Lac Guinécourt Project

The Lac Guinécourt graphite claim block consists of 42 map-designated claims covering 2,277.37 ha located 20 km southwest of Manicouagan Reservoir and about 210 km to the North of the city of Baie-Comeau. Focus purchased 100% of the mineral rights in the Lac Guinécourt project in August 2011(74 claims). In 2013, a total of 14 claims with no potential for an economic discovery were allowed to lapse reducing the number of claims to 60. From August to October 2015 additional 15 claims with no potential have been allowed to lapse reducing the number of mineral claims to 42. During the year ended September 30, 2015, the Company wrote down the cost of the Lac Guinécourt by $101,837 subsequent to it allowing its interest in 18 claims to lapse as the results of the exploration work completed to date on the claims in question were not encouraging and did not support further exploration.

A geological reconnaissance program was executed on the Lac Guinécourt project and was completed in July 2012 that included the surveying and sampling of a series of historical and new graphite occurrences. Assay results show that from the 50 grab samples, 24 of them contain over 5% graphitic carbon (from 6.12% to 46.90% Cg). The historical Graphi-Centre showing is particularly interesting with 22 of the 32 chosen samples containing 3.10% to 45.90 % Cg.

Following the initial reconnaissance program, G.L. Géoservice Inc. of Rouyn-Noranda, Québec, was awarded a contract to lay out a ground geophysical survey grid (totalling 41 line-km) and conduct a horizontal loop electromagnetic (HLEM) ground geophysical survey over the central part of the Lac Guinécourt project (the Graphi-Centre showing area). The survey was completed on November 5th, 2012 and the Company received the survey report on December 17, 2012. The survey outlined the presence of 9 electromagnetic conductors.

From July 1 to July 21, 2013, and from August 6 to August 15, 2013, the Company conducted a comprehensive follow-up exploration program over the best HLEM anomalies delineated from the ground survey. The fieldwork was comprised of prospecting using portable electromagnetic equipment (Beep-Mat™) and grab sampling of priority HLEM geophysical anomalies. The principal objective was to delineate the thickness of the 2-km long conductor associated with the historical Graphi-Centre showing. Fieldwork also included geological reconnaissance on the western part of the Lac Guinécourt project. A total of 24 samples were collected from outcrops, sub crops and boulders. They were sent to ALS Minerals in Val d'Or for preparation and then to ALS in Vancouver for graphitic carbon (Cg) and total sulphides analysis using LECO induction and a 48 multi-element analysis using ICP methods. Twelve (12) of which host graphitic carbon (Cg) grades in excess of 5.00% (range: 5.60% to 59.60% Cg). The remaining 12 grab samples show Cg grades below 5.00%. With respect to the QA/QC program, 10% of blanks and standards were introduced. The results of the ground geophysical work, prospecting, and sampling outlined the presence of several relatively thin horizons approximately up to a few meters-thick that host high grade graphitic horizons in the area of Graphi-Centre showing.

No work was conducted on the project during the quarter ended December 31, 2015. The Company is currently reviewing its options for exploration work on the property.

Lac Tétépisca Nord Project

The Lac Tétépisca Nord graphite claim block consists of 51 contiguous map-designated claims covering 2,747 ha located 5 km to the north of the Company's Lac Tétépisca project. The claim block (57 claims) was map-staked during the fall of 2012 following the publication of a new government airborne geophysical survey data, which identified graphite, and iron-rich meta-sedimentary formations similar to those encountered at Lac Tétépisca and Lac Guinécourt. During the year ended September 30, 2014, six claims were transferred from Lac Tétépisca project to the Lac Tétépisca Nord project, decreasing the number of the claims to 51.

From July 1 to July 21, 2013, and from August 6 to August 15, 2013, the Company conducted an initial geological reconnaissance field program on the Lac Tétépisca-Nord project. Fieldworks comprise of ground geophysical prospecting using portable electromagnetic equipment (Beep-Mat™ and VLF) and grab sampling. A total of 25 grab samples were collected from outcrops, subcrops and boulders. They were sent to ALS Minerals in Val d'Or for preparation and then to ALS in Vancouver for graphitic carbon (Cg) and total sulphides analysis using LECO induction and a 48 multi-element analysis using ICP methods. Fourteen (14) of which host graphitic carbon (Cg) grades in excess of 5.00% (range: 5.09% to 29.20% Cg). The remaining 11 grab samples show Cg grades below 5.00%. In regards to QA/QC program, 10% of blanks and standard were introduced.

On May 15, 2014, the Company awarded a contract to Abitibi Géophysique of Val-d'Or, Québec to conduct a ground combined magnetic-time domain electromagnetic geophysical survey (MAG-TDEM) with 100 m line spacing over the previously defined graphitic horizon with the IMAGEM system. The survey was completed on August 24, 2014 and the final report was received on September 19, 2014. A total of 288 EM anomalies and several magnetic zones are interpreted. The EM survey results were used to design a trenching and channel sampling program to test the lateral continuity, the thickness and the grade of the graphitic mineralization outlined by the previous 2013 ground prospecting program.

On July 11, 2014 the Company received the land use permit for trenching from the MERN. The same temporary camp under the supervision of IOS Services Géoscientifiques as for the Lac Tétépisca project was used for the Lac Tétépisca Nord Project 2014 field work. The trenching program was under the supervision of the Company with the logistic support of IOS Services Géoscientifiques of Chicoutimi. One trench was dug over a length of 84 m from September 24 to September 27, 2014. Channel sampling and geological mapping were completed on September 30, 2014. Disseminated to semi-massive large to fine graphite flakes were observed. A total of 49 channel samples that vary in length from 0.5 to 1.5 m for a total of 53 sampled m were taken for assaying.

Representatives samples were taken with a rock saw and put in a bag with identification tag and shipped to IOS' facilities in Chicoutimi for sample preparation (cutting, crushing and grinding). Prepared samples were then sent to COREM in Québec City for graphitic carbon (Cg) and total sulphides analysis using LECO induction. For the QA/QC program, 10% of the samples will also be analyzed by COREM for total, organic, inorganic and graphitic carbon as well as for total sulphides. Around 10% of additional selected core samples were also sent to ACTLABS to be analyzed for total, organic, inorganic and graphitic carbon, total sulphides and for a 35 multi-element analysis using the ICP method. IOS introduced standards, duplicates and blank samples as part of the QA/QC program. Two rock saw duplicates were also sampled in the trench for the QA/QC program. Assays results are pending.

No work was conducted on the project during the quarter ended December 31, 2015. In 2016, the Company plans to receive the complete assays results from the trenching program and then evaluate the possibility of completing a first exploration drilling campaign to test the graphitic mineralisation at depth.

Laurentides and Mauricie Administrative Districts Graphite Projects, Québec

The Laurentides and Mauricie area projects comprise three (3) graphite claim blocks acquired from a third party in August 2011 (Lac au Sorcier project, located in the Mauricie district, 10 claims) and January 2012 (Asbury and Island projects, located in the Laurentides district, 17 claims on each project). The Lac au Sorcier project contains 2 claims that cover 118.21 ha., the Island projects contains 8 claims for 474.33 ha and the Asbury project contains 17 claims for an area of 1,012.62 ha.

No work was conducted on the projects during the year ended September 30, 2015. During the year ended September 30, 2015, the Company wrote down the cost of the Lac au Sorcier by $37,927 subsequent to it allowing its interest in 8 claims to lapse as the results of the exploration work completed to date on the claims in question were not encouraging and did not support further exploration.

During the quarter ended December 31, 2015, the Company wrote down the cost of Island project by $41,088 subsequent to it allowing its interest in 9 claims to lapse as the results of the exploration work completed to date on the claims in question were not encouraging and did not support further exploration.

Asbury and Island Projects

Best results from the 2012 reconnaissance geological surveying and surface rock sampling summer program were associated to the Island project (9 samples with 2.14 to 8.65 % graphitic carbon) and the Asbury project where the graphitic horizon associated with the former Asbury Mine was identified over 2 km.

Subsequent to the 2012 reconnaissance program, in March 2013, the Company awarded a contract to Prospectair of Gatineau, Québec to perform an airborne Mag-TDEM geophysical survey over the Asbury and Island projects of the Outaouais administrative district. The survey was designed using a 100-m line spacing. A total of 266 line-kms covering the Asbury claim block and a total of 177 line-

kms over the Island project were surveyed on March 12th, 2013. Survey results identified one isolated anomalous zone of 600 X 500 m for the Island project and a multi-kilometric long anomalous zone over the Asbury project.

From June 14 to 21, 2013, the Company conducted a comprehensive follow-up exploration program over the best airborne TDEM anomalies on the Island and Asbury projects. The field work was comprised of prospection with portable electromagnetic devices (Beep-Mat™) and sampling.

The Company is currently reassessing its mineral exploration strategy for the Asbury and Island projects.

Lac au Sorcier Project

From June 5 to 13, 2013, the Company completed a geological reconnaissance program (started in 2012) over the Lac au Sorcier project of the Mauricie administrative district. The fieldwork comprised prospecting using portable electromagnetic equipment (Beep-Mat™) and grab sampling. The 2013 program resulted in discovering several occurrences of flake graphite and relocating of the historical Dugré showing (41% graphite; source: SIGEOM database). The best 11 surface grab samples assays contained a range of 5.26% to 36.90 % graphitic carbon.

The Company is currently reassessing its mineral exploration strategy for the Lac au Sorcier project.

Eastmain-Léran/Alta Option and Eastmain-Léran Polymetallic (Cu-Au-Zn) Projects, James Bay Territory, Québec

On October 12, 2012, the Company secured the exclusive rights to exercise a purchase option to acquire a 100% interest in the Eastmain-Léran project from Ressources Minières Alta Inc. ("Alta"). On October 16, 2013, the Company entered into a claims titles acquisition agreement with Alta to purchase 100% interest of the Eastmain-Léran/Alta Option project. In consideration for the purchase of the 100% interest in the project, the Company paid the Vendor a total of $50,000 in cash and issued 689,655 common shares. The Company granted a 2% net smelter return (NSR) royalty that can be purchased at any time by paying $500,000 to the vendor.

The Eastmain-Léran/Alta Option claim block consists of 32 mineral claims covering an area of 1,679 ha. The copper-gold project is located 25 km north-east of the Otish Mountains, directly north of the Eastmain River in James Bay Territory, northern Quebec. The project is 10 km east of the new Otish Mountains access road (HWY 167 extension), which link Chibougamau and Mistissini to Stornoway's Renard diamond project.

In October 2012, following the signing of the letter agreement with Alta, the Company staked an additional 241 contiguous claims covering 12,625 ha along the northeast extension of the Eastmain-Léran/Alta Option claims. This new claim block constitutes the Eastmain-Léran project.

Both the Eastmain-Léran/Alta Option project and Eastmain-Léran project have the potential to host volcanogenic polymetallic targets and precious metal mineralization as well as the potential to host kimberlite pipes that host diamond mineralization. The claim blocks host several copper-gold occurrences in quartz veins (ie. Norducan showing: 6.8 g/t Au and 2% Cu; Freewest and Fancamp Resources, 1993, GM 52249) or are associated to sulphide-rich horizons such as the main Alta Eastmain copper showing (1.72% Cu/7.62 m; Nethery, W.A., 1959, GM 09871-A). The Eastmain-Léran/Alta Option and Eastmain-Léran projects are part of the Wahemen volcano-sedimentary greenstone belt traceable over a distance of 60 km and having a width of about 6 to 10 km. The mafic, ultramafic and felsic volcanic rocks are intercalated with arkose, greywacke and quartzite. The former Eastmain Gold Mine, currently owned by Eastmain Resources Inc. is located about 30 km south of the two projects and Stornoway's flagship Renard diamond project is located about 38 km north towards the North.

On November 7, 2013, the Company awarded a contract to Geotech of Toronto to perform an airborne Mag-VTEM^{Plus} geophysical survey over the Eastmain-Léran/Alta Option and Eastmain-Léran projects. The survey was designed using 50-m line spacing. A total of 3,361 line-kms covering the both projects were surveyed from November 10 to December 7, 2013. The final report was received in February 2014. Based on the geophysical results obtained, a number of anomalous electromagnetic zones typical of polymetallic massive sulphides as well as structural NE-SW conductors have been identified on both projects.

No work was conducted on the projects during the quarter ended December 31, 2015.

The Company is currently assessing its mineral exploration strategy for the Eastmain-Léran/Alta Option and Eastmain-Léran projects.

Qualified Person

The above scientific and technical information regarding exploration activities as defined in National Instrument (NI) 43-101 s. 1.1, was either prepared, reviewed and approved by Marc-André Bernier, M.Sc., P.Geo. (Québec and Ontario), a consultant for the Company and a Qualified Person under NI 43-101 guidelines.

Financial Information

The following selected financial data is derived from the interim unaudited financial statements of the Company, which were prepared in accordance with IFRS.

Selected Financial Information

	Three months ended December 31, 2015	Three months ended December 31, 2014	Three months ended December 31, 2013
			$
Statements of Comprehensive Income			
Loss from Operations	**(905,513)**	**(844,227)**	**(2,289,579)**
Interest Income	**2,398**	**1,937**	**40,813**
Net loss and Total Comprehensive Loss	**1,440,150**	**736,567**	**(2,110,176)**
Basic and Diluted Net Loss per Common Share	**(0.01)**	**(0.01)**	**(0.02)**
Basic and Diluted Weighted-Average Number of Common Shares Outstanding	**129,067,000**	**110,942,837**	**106,714,521**
Statements of Cash Flows			
Net Cash Used in Operating Activities	**(372,918)**	**(163,294)**	**(2,991,201)**
Net Cash Provided By (Used in) Investing Activities	**87,418**	**(1,927,109)**	**(3,321,893)**
Net Cash Provided by Financing Activities	**1,381,976**	-	-
Increase (Decrease) in Cash	**1,096,476**	**(2,090,403)**	**(6,313,094)**
As at	**December 31, 2015**	**December 31, 2014**	September 30, 2014
	$	$	$
Statements of Financial Position			
Cash	1,496,919	110,231	400,443
Mineral Exploration Properties	1,394,074	1,521,487	1,394,074
Exploration and Evaluation Assets	22,746,814	22,789,696	22,633,294
Shareholders' Equity	25,697,074	25,815,171	25,589,476
Total Assets	27,507,326	28,552,541	27,291,714

Dividend Payment

Since its incorporation, the Company has not paid any cash dividends on its outstanding common shares. Any future dividend payment will depend on the Company`s financial needs to fund its exploration and development programs, future growth, and any other factors the board may

Net Loss For The Three Month Period Ended December 31, 2015

During the three month period ended December 31, 2015, the Company realized a net loss of $1,440,150 ($0.01 per share) compared to $736,567 ($0.01 per share) for 2014. The net loss was comprised of the following:

- Dilution gain on investment in an associate totalling $Nil for the three month period ended December 31, 2015, compared to $494,507 in 2014. The Company lost control over Grafoid on July 3, 2013 further to the dilution of its equity position. Focus continued to have significant influence over Grafoid, as such its investment in Grafoid was recorded as an investment in an associate and accounted for using the equity method. The Company's share of Grafoid's net loss for the three month period ended December 31, 2015 is $499,535, compared to $436,453 for 2014.

Operating Expenses

During the three month period ended December 31, 2015, the Company realized a loss from operations of $905,513 compared to $844,227 for 2014. This increase in the operating expenses is mostly attributed to the following:

- Stock-based compensation was $319,110 for the for the three month period ended December 31, 2015, compared to $Nil incurred in 2014. The SBC was recognised following the grant of 4,800,000 options to employees, directors, officers and various consultants.

- Management and consulting fees were $218,611 for the for the three month period ended December 31, 2015, compared to $162,510 incurred in 2014. The increase in fees is attributed to officers previously engaged as employees now providing services as consultants

Quarterly Information

The following summarized financial data has been prepared in accordance with IFRS.

Quarter Ended	Other Income	Net Earnings (Loss)	Earnings (Loss) per Share
	$	$	$
31/12/15	(534,637)	(1,440,150)	(0.01)
30/09/15	(1,424,747)	(2,421,175)	(0.02)
30/06/15	(223,548)	(1,025,128)	(0.01)
31/03/15	(53,401)	(832,463)	(0.01)
31/12/14	107,660	(736,567)	(0.01)
30/09/14	(88,928)	(727,710)	(0.006)
30/06/14	283,401	(1, 012,598)	(0.010)
31/03/14	(177,043)	(2, 200,218)	(0.02)
31/12/13	179,403	(2, 110,176)	(0.02)
30/09/13	3, 247,106	1, 115,450	0.01

Liquidity and Capital Resources

As at December 31, 2015, the Company had a working capital of $263,790, including $1,496,919 in cash and current liabilities totalling $1,810,252. The Company will require additional financing, through various means including but not limited to equity financing, to continue exploring, evaluating, and developing its projects. There is no assurance that the Company will be successful in raising the additional required funds. Refer to the 'Going Concern Assumption' section of the MD&A. During the quarter ended December 31, 2015, in December 2015, the Company closed a flow-through private placement for gross proceeds of $1,533,380. The flow-through private placement was comprised of 15,333,800 flow-through shares at a price of $0.10 per share. Refer to 'Corporate Development Highlights' section of the MD&A.

Commitment and Proposed Transactions

As of December 31, 2015, and as of the date of this report, the Company did not have any commitments outstanding other than the offtake agreements previously disclosed. There are no undisclosed pending proposed transactions that would materially affect the performance or operation of the Company.

Contractual Obligations and Off-Balance Sheet Arrangements

As of December 31, 2015, the Company has no off-balance sheet arrangements and contractual obligations other than the offtake agreements previously disclosed in the 'Corporate Development Highlights' and 'Technical' sections of the MD&A.

Changes In Accounting Policies and Early Adoption
The IASB has issued the following new standards, which are applicable to the Company in the current year.

IFRIC 21, Levies

In May 2013, the IASB issued IFRIC 21, Levies which provides guidance on accounting for levies in accordance with the requirements of IAS 37, Provisions, Contingent Liabilities and Contingent Assets. The interpretation defines a levy as an outflow from an entity imposed by a government in accordance

with legislation. It also notes that levies do not arise from executor contracts of other contractual arrangements. The interpretation also confirms that an entity recognizes a liability for a levy only when the triggering event specified in the legislation occurs. This IFRIC is effective for annual periods beginning on or after January 1, 2014 and is required to be applied retrospectively. The adoption of this standard did not have an impact on the Company's financial statements.

Issued Not Yet in Effect

The IASB has issued the following new and revised standards and amendments, which are not yet effective which may have future applicability to the Company.

IFRS 9, Financial Instruments ("IFRS 9")

On July 24, 2014, the IASB issued the complete IFRS 9 (IFRS 9 (2014)). IFRS 9 (2014) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2014), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. The standard introduces additional changes relating to financial liabilities. It also amends the impairment model by introducing a new "expected credit loss" model for calculating impairment. IFRS 9 (2014) also includes a new general hedge accounting standard which aligns hedge accounting more closely with risk management. IFRS 9 (2014) is to be applied retrospectively for annual periods beginning on or after January 1, 2018. Early adoption is permitted. The Company's Management have yet to assess the impact of this new standard.

Transactions with Related Parties

Related parties include the Board of Directors and key management personnel, as well as, close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions.

JAG Sky Inc.

During the three months ended December 31, 2015, the Company was charged $Nil by JAG Sky Inc. ("JAG") (2014 - $36,800), a private air charter services company wholly-owned by an Officer and Director of Focus, for air travel. In fiscal 2015, the Company prepaid an amount of $55,000 to JAG, for air travel to be used at a later date. As at December 31, 2015, the Company had a remaining prepaid balance of $33,070 ($33,070 as at September 30, 2015), included in prepaid expenses.

The corporation's principal assets are located in remote areas of the Province of Quebec. As its officers and employees must travel to these remote areas, sometimes on short notcie and for a short period of time, using commercial airlines or chartering a plane can be very expensive. The corporation therefore decided to purchase a plane in order to save on travel costs. Shortly thereafter, given that other companies with similar management also were interested in using the plane and given the fact that the Corporation did not want to assume the obligations related to aircraft maintenance and all other obligations related thereto, the Corporation decided to sell the plane at cost to JAG Sky Inc. in order for such obligations to be assumed by an entity other than the Corporation. The Corporation continues to have access to the plane to travel its officers and employees at considerably low rates, thereby meeting its primary objective to save on travel costs for its personnel.

Alcereco Inc.

During the three months ended December 31, 2015, the Company was charged $3,990 by Alcereco Inc., a private company which shares common management, for research work (2014 - $Nil). As at December 31, 2015, $Nil was included in accounts payable and accrued liabilities ($2,935 as at September 30, 2015).

2390540 Ontario Inc.

Under a lease agreement between the Company and 2390540 Ontario Inc. ("2390540") (Note 18), a privately-held company wholly-owned by an Officer and Director of Focus, the Company leases laboratory space in Kingston, Ontario. During the three months ended December 31, 2015, the Company was charged a total of $13,871 for rent (2014 - $Nil). As at December 31, 2015, $26,687 was included in accounts payable and accrued liabilities ($10,449 as at September 30, 2015).

Shared costs

During the year ended September 30, 2015, the Company charged Mincom Capital Inc. and Stria Lithium Inc., both of which share common management, $10,000 and $10,000, respectively, for accounting and administrative services and other administrative expenses. As at December 31, 2015, balances of $Nil and $11,300 ($11,300 and $11,300 as at September 30, 2015), respectively, are included in amounts due from related parties.

As at December 31, 2015, included in amounts due from related parties was an amount of $28,637 ($30,199 as at September 30, 2015) due from the following companies, which are wholly or partially owned by an Officer and Director of the Company, related to general shared costs:

	December 31, 2015	September 30, 2015
	$	$
2390540 Ontario Inc.	**2,029**	3,821
2395141 Ontario Inc.	**-**	-
8479909 Canada Inc.	**-**	-
Althean Ltd.	**897**	897
JAG Sky Inc.	**19,423**	19,238
JAG Gourmet Food Inc.	**-**	-
SPI Technologies Inc.	**841**	796
SP2 Wafer Pte Ltd.	**5,447**	5,447
	28,637	30,199

As at December 31, 2015, included in amounts due from related parties was an amount of $33,482 ($33,013 as at September 30, 2015) due from the following companies, which share common management, related to general shared costs:

	December 31, 2015	September 30, 2015
	$	$
Grafoid Inc. (including subsidiaries)	**29,748**	28,805
Stria Lithium Inc. (1)	**3,734**	4,208
	33,482	33,013

(1) Excludes amounts receivable in respect of charges for accounting/administrative services and other administrative expenses described above.

Transactions with Key Management Personnel

The following table reflects compensation of key Management personnel, including the CEO, CFO and Directors:

	Three months ended December 31, **2015**	2014
	$	$
Salaries (including bonuses) (1)	**40,000**	251,000
Consulting fees	**120,624**	-
Benefits	**2,061**	3,795
Stock-based compensation	**262,123**	-
	424,808	254,795

(1) Includes director's fees which have been included in *Management and consulting fees* in the statements of comprehensive loss.

(2) The figures above have not been adjusted to reflect the allocation of salaries and short-term benefit compensation paid to key Management personnel that the Company charged out to Mincom Capital Inc. and Stria Capital Inc.

Mining Property Book Value

At the end of each reporting period, management reviews the carrying values of its resource properties and intangible assets to determine whether any write-downs are necessary. Following this analysis, management determined that no write-downs were required for the three month period ended December 31, 2015.

Financial Instruments

The Company's financial instruments consist of cash, amounts receivable (net of sales taxes receivable), amounts due from related parties, long-term investment, accounts payable and accrued liabilities and deposit. The long-term investment is carried at fair value. The fair value of the other financial instruments approximates their carrying value due to their short-term nature.

The long-term investment was recognized on May 8, 2014, further to the sale of the Company's Romer project to Mincom, whereby the Company received 2,500,000 common shares in Mincom, valued at $450,000. The fair value of the shares received was based on the quoted market price on the closing date of the transaction. Given the significant decline in the fair value of the shares, below its cost, management deemed the investment to be impaired as at September 30, 2014 and an impairment loss of $225,000 was recognized. The shares are classified as available-for-sale financial assets and are measured at fair value. The Company does not exercise significant influence over Mincom.

Outstanding Share Data

Common shares and convertible securities outstanding at February 25, 2016 consist of the following:

Securities	Expiry Date	Range of Exercise Price	Number of Securities Outstanding
Common shares	-	-	142,965,972
Warrants	Up to September 2019	$0.10 to $0.60	18,198,177
Options	Up to December 2020	$0.10 - $1.55	11,695,000

Risk Exposure and Management

The Company is exposed to a certain amount of risks at different levels. The type of risk and the way the exposure is managed are described hereafter.

Market Risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Credit, Liquidity, Interest Rate, and Price Risk

The Company thoroughly examines the various financial risks to which it is exposed and assesses the impact and likelihood of those risks. These risks include credit risk, liquidity risk and interest rate risk. Where material, these risks are reviewed and monitored by the Board of Directors.

Credit Risk

Credit risk is the risk of an unexpected loss if a party to its financial instruments fails to meet its Credit risk is the risk of an unexpected loss if a party to its financial instruments fails to meet its contractual obligations. The Company's financial assets exposed to credit risk are primarily composed of cash, amounts receivable (excluding sales taxes receivable) and amounts due from related parties and

maximum exposure is equal to the carrying values of these assets, totalling $1,667,454 at December 31, 2015 ($590,021 at September 30, 2015). The Company's cash is held at several reputable financial institutions with high external credit ratings. The exposure to credit risk for the Company's receivables is considered immaterial. It is Management's opinion that the Company is not exposed to significant credit risk. No impairment loss has been recognized in the periods presented.

None of the Company's financial assets are secured by collateral or other credit enhancements.

Management considers that all the above financial assets that are not impaired or past due for each of the reporting dates are of good credit quality. There are no financial assets that are past due but not impaired for the periods presented.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages its liquidity needs by carefully monitoring cash outflows due in day-to-day business. As at December 31, 2015, the Company had a working capital of $263,790. During the three months ended December 31, 2015, the Company had negative cash flows from operations of $372,918. The Company's ability to realize its assets and discharge its liabilities in the normal course of business, meet its corporate administrative expenses and continue its exploration activities for the next twelve months, is dependent upon Management's ability to obtain additional financing, through various means including but not limited to equity financing. No assurance can be given that any such additional financing will be available, or that it can be obtained on terms favorable to the Company.

The Company has financial liabilities of $1,810,252, all of which are due within twelve months.

Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company has limited exposure to financial risk arising from fluctuations in foreign exchange rates given that its transactions are carried out primarily in Canadian dollars.

Interest Rate Risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's financial assets exposed to interest rate risk include cash held in investment savings accounts bearing variable interest rates. The Company has not entered into any derivative contracts to manage this risk. The Company's policy as it relates to its cash balances is to invest excess cash in highly liquid, low-risk, short-term interest-bearing investments with maturities of 360 days or less from the original date of acquisition. As at December 31, 2015, the Company had cash balances of $1,496,919 ($400,443 as at September 30, 2015) and interest income derived from these investments during the three months ended December 31, 2015 was $2,398.

The Company has limited exposure to financial risk arising from fluctuations in variable interest rates earned on cash given the low interest rates currently in effect and the low volatility of these rates.

Other Price Risk

The Company holds publicly listed shares of a company in the mineral exploration industry. The Company is exposed to other price risk regarding these shares as unfavorable market conditions could result in the disposal at less than their value at December 31, 2015. As at December 31, 2015, the value of these listed shares was $87,500. At December 31, 2015, had the bid price for these publicly listed shares been 10% lower, the comprehensive loss for the year would have been $8,750 higher. Conversely, has the bid price been 10% higher, the comprehensive loss would have been $8,750 lower.

Capital Management

The Company manages its capital to ensure its ability to continue as a going concern and to provide an adequate return to its shareholders as well as ensuring that all flow-through monies obtained are utilized in exploration activities and spent by the required deadline. In the management of capital, the Company includes the components of shareholders' equity. As long as the Company is in the exploration stage

of its mining properties, it is not the intention of the Company to contract additional debt obligations to finance its work programs. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares. When financing conditions are not optimal, the Company may enter into option agreements or find other solutions to continue its activities or may slow its activities until conditions improve. While the Company is not subject to any external capital requirements, neither regulatory nor contractual, funds from flow-through financings to be spent on the Company's exploration properties are restricted for this use. In order to facilitate the management of its capital requirements, the Company prepares annual budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

Properties Titles

According to the mining law and regulations of the Province of Quebec, the Company, to renew its claims, must do a minimum of exploration expenditures and pay to the Quebec government a rent per claim for every 2 year renewal period. To ensure the Company's mineral claims are kept in good standing, the Company engaged the services of a third party professional mineral claim management entity to manage the renewal of its mineral claims.

Additional Financing

The Company requires additional funds to finance the exploration or development work on the Company's properties, to pay for the renewal of the claims forming the properties and to cover the costs of managing the Company. The main sources of funds available to the Company are the issuance of additional shares or the sale of interests in its properties. There can be no assurance that the Company will be successful in its efforts to arrange additional financing on terms satisfactory to the Company. Refer to the 'Going Concern Assumption' section of the MD&A.

Conditions of the Industry in General

The exploration and development of mineral resources involves significant risks. Although the discovery of a deposit can prove extremely lucrative, few properties where exploration and development work are conducted progress to producing mines. Significant expenditures are necessary to find and establish ore reserves, out the metallurgical processes and build the processing plant and mining operations. It is not possible to provide assurance that the exploration and development programs contemplated by the Company will generate a profitable mine.

Economic viability of a deposit depends on many factors, of which some are due to the particular characteristics of the deposit, in particular its size, its average grade, and its proximity to infrastructures as well as the cyclic character of the prices of metals as well as governmental regulations, royalties, limits of production, import and export of minerals and protection of the environment. The impact of these factors cannot be evaluated in a precise way, but their effect can negatively impact the project's potential profitability.

Mining activities comprise a high risks. The activities of the Company are subject to all the dangers and the risks usually dependent on the exploration and the development, including the unusual and unforeseen geological formations, explosions, collapses, floods and other situations which can occur during drilling and the removal of material and of which any could cause physical or material or environmental injuries and, possibly, legal responsibility.

Government Regulation

The activities of the Company are subject to, among others, various federal, provincial and local laws, which relate to the exploration and development, tax, standard of work, disease and occupational safety, the safety in mines, toxic substances, and protection of the environment.

The exploration and development activities are subject to legislative measures mandated by federal, provincial and local governments to the protection of the environment. These laws impose high standards on the mining industry, in order to control the waste material from the exploration, development, production, and processing related activities on projects and reduce or eliminate possible environmental impacts.

Risks of Lawsuits and No Insurable Risks

The Company could be held responsible for pollution or for other risks against which it could not be insured or against which it could choose not to be insured, being given the high cost of the premiums or for other reasons. The payment of sums in this respect could involve the loss of the assets of the Company.

Conflicts of Interests

Some of the directors and officers of the Company are also engaged as directors or officers of other company's involved in the exploration and development of mineral resources. Such engagement could result in conflicts of interest. When a conflict of interest exists, the affected directors and/or officers declare their interest and abstain to vote on any resolution in which they have a conflict of interest.

Permits, Licences, and Authorizations

The activities of the Company require obtaining and maintaining permits and licences from various governmental authorities. The Company considers that it holds all the permits and licences required for its exploration activities; it currently carries on, in accordance with the relevant laws and by-laws. Changes brought to the by-laws could affect these permits and licence. Nothing guarantees that the Company can obtain all the permits and all the necessary licences in order to continue its exploration and development activities, to build mines and processing plants and exploit any future reserves.

Moreover, if the Company begins the exploitation of a project, it will have to obtain the necessary mine permits and licences and to conform to all the required obligations concerning the use of water, removal of waste etc. It cannot be guaranteed that the Company will be able to obtain these permits and licences, nor that it will be able to conform to their requirements.

Dependence on the Management

The Company is dependent on its management team. The loss of its services could have an unfavorable impact on the Company.

Price of Graphite

The price of the Company's common shares, its financial results, and its future exploration and development activities may be negatively impacted by a fall of the price of graphite. This may also impact the Company's ability to finance its activities on favorable terms. The Company has no control over the fluctuation of graphite prices which may be affected by the sale or the purchase of graphite and graphite end products by end users, brokers, central banks and financial institutions, interest rates, foreign exchange rates, the rates of inflation, of deflation, the fluctuations in the value of the Canadian dollar and the currencies, the regional and global supply and demand of graphite, regional and global economic policies, particularly in China and other countries that produce graphite.

Additional Information and Continuous Disclosure

This Management's Discussion and Analysis has been prepared as of February 25, 2016. Additional information on the Company is available through regular filings on SEDAR (www.sedar.com).

(s) Gary Economo	*(s) Judith T. Mazvihwa-MacLean*
Chief Executive Officer	Chief Financial Officer