FOCUS GRAPHITE INC.

(An exploration and development stage Company)

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and nine month periods ended June 30, 2014

FOCUS GRAPHITE INC.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE AND NINE MONTH PERIODS ENDED JUNE 30, 2014.

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 August 29, 2014. It should be read in conjunction with the Company's interim unaudited financial statements and notes thereto for the three and nine month periods ended June 30, 2014, and the audited financial statements and the notes thereto for the year ended September 30, 2013 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") and base metals), which can either be placed into production by the Company or disposed of for a profit to companies that wish to place such deposits into commercial production. The Company intends to be pro-active in the search, evaluation and acquisition of new graphite, REE and base metals minerals opportunities within its current areas of operations in the Côte-Nord and Nord-du-Québec administrative regions of Québec, and in other emerging mineral districts of the Province and abroad.

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

In assessing whether the Company's 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. Management is aware, in making its assessment, of material uncertainties relating to events or conditions that are out of its control, which may cast significant doubt upon the entity's ability to continue as a going concern. The carrying amounts of assets, liabilities and expenses presented in the financial statements and the balance sheet classifications have not been adjusted as would be required if the going concern assumption was not appropriate. If the going concern assumption was not appropriate for the financial statements, adjustments to the carrying value of assets and liabilities and expenses and balance sheet classification, which could be material, may be necessary.

As at June 30, 2014, the Company had a working capital surplus of $571,409, including $2,081,776 in cash. The Company will require additional financing, through various means including but not limited

to equity financing, to meet costs associated with undertaking exploration and pre-development programs on its projects and meeting its general and administrative expenses for the next twelve months. 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, the Management is considering the following options:

1. Potential sale of part of the Company's equity position in Grafoid Inc. (Grafoid is currently conducting a private equity financing at US$5.00 per share and Focus holds 7,800,000 shares in 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 which is currently trading at $0.15 (previous close on August 28, 2014) 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 these measures.

Corporate Development Highlights

Focus Announced the Closing of Its Sale of the Romer Property to Mincom Capital Inc.

During the quarter ended June 30, 2014, on May 8, 2014 the Company announced the closing of its transaction with Mincom Capital Inc. ("Mincom"), a Capital Pool Company ("CPC") trading on the TSX-V for the sale of Focus' Romer Property located in the Labrador Trough territory of Quebec.

Under the terms of the property acquisition agreement, Mincom acquired all of Focus' rights, title and interest in a series of 149 contiguous and 2 isolated map-designated mining claims located in the Labrador Trough Territory of Quebec, and collectively referred to as the Romer property, for the following consideration:

a. Cash payment of $250,000 to Focus; and
b. The issuance of 2,500,000 Mincom common shares to Focus at a deemed price of $0.30 per share for a total of $750,000.

All securities issued in connection with the transaction are subject to a regulatory four (4) month hold period ending on September 9, 2014. In accordance with Exchange policies, all of the shares issued to the Company are be subject to escrow over a period of 36 months. The sale of the Property was subject to approval of the Exchange.

Following the close of this transaction, Focus now directly and indirectly owns 2,500,000 common shares of Mincom representing approximately 14.38% of the issued and outstanding common shares of Mincom.

Independent Test: Focus Announces It Succeeds in Producing Extremely High-Performing Coated Spherical Graphite For Lithium Ion Batteries and Creates the Potential for High Value Sales in the Li-Ion Battery Sector

During the quarter ended June 30, 2014, on May 27, 2014 the Company announced the results from coin cell tests for the lithium ion battery market recently performed on Lac Knife Spherical Graphite ("SPG").

Testing was conducted by a globally recognized, North American laboratory with particular expertise in processes related to lithium ion battery technologies. Its clients are some of the most advanced technology-related corporations in the world. The laboratory completed its testing and measured the performance properties of Lac Knife's materials on an environmentally sustainable basis. Focus Graphite withheld the name of the laboratory for reasons of commercial and competitive confidentiality.

Highlights of the Test

- Lac Knife SPG battery tests evaluated three proprietary formulations that responded very well to CR2016 coin cell performance testing
- Large, medium and fine micron size produced outstanding performance metrics
- Testing results on the premium medium and fine grades exceeded the performance of benchmark commercially available grades by significant percentages.
- Tests confirmed the Company's capability to tailor lithium ion battery anode grade graphite and value added products to meet the most stringent customer specifications

Focus Graphite Coin Cell Test Samples	**Reversible Capacity (Ah/kg)**	**Irreversible Capacity Loss (%)**	**Surface Area (m2/g)**
Coarse Carbon Coated SPG Grade (D90=42um)	362.1	6.80 %	0.64 %
Medium Carbon Coated SPG Grade (D50=24um)	363.7	1.44 %	0.48 %
Fine Carbon Coated SPG Grade (D50=17um)	365.1	1.01 %	1.14 %

A benchmark commercial grade of SPG provided a reversible capacity (RC) in the range of 345 to 355 Ah/kg and an irreversible capacity loss (ICL) of 6.5 %, a significantly higher loss compared to the 1.44% and 1.01% ICL for Lac Knife's medium and fine grade samples shown above.

Below is a detailed summary of the SPG tests:

SPG grades developed by Focus may help to solve one of the more difficult challenges holding back market growth for Li Ion batteries**,** "Increasing cycling capacity**.**" One of the problems in using carbon based materials in Li Ion batteries is that it results in the formation of a Solid Electrolyte Interface ("SEI") layer which produces an irreversible capacity loss which generally ranges between 5 and 10% for benchmark SPG grades currently available in the market place.

Irreversible capacity loss means that a portion of the valuable lithium and graphite is wasted. Thus the efficiency is reduced and the cost increased. Lac Knife anode graphite is unique in having such a low loss.

Two premium (medium and fine) grade SPG's developed by Focus have achieved First Cycle Irreversible Capacity Losses of 1.44% and 1.01%, respectively. These lower ICL values of the SPG grades produced by Focus can lead to the production of higher capacity and longer life Li Ion batteries.

Furthermore, the low surface areas of the premium coated grades of SPG at 0.48 and 1.14% m2/g can help to improve the safety of Li Ion batteries. The use of higher surface area carbons in these batteries can cause the temperature of the battery to increase and possibly result in the occurrence of thermal runaways.

This material has demonstrated a reversible capacity of 365.08 Ah/kg and an irreversible capacity loss of an ultra-low 1.01%. The performance metric is calculated between the two curves in the chart above is the difference between 368.8 and 365.08 on a percentage basis. Approximately an 80% improvement over commercial benchmark grades was achieved.

The unique properties of the Lac Knife high carbon content concentrate that grades 98% C even in the finer grade products down to 200 mesh (75 microns) that are usually the most difficult products to sell. This holds the potential to allow Focus market access to significantly higher margin value added products with a finer grade lower cost product creating a unique opportunity. Additionally, Focus plans to offer the higher value large flake to other growing markets.

The -100 mesh size (150 microns), 98% C and +65 mesh size (230 microns) flake products spheronize very well establishing a unique Lac Knife concentrate quality.

Potentially these excellent Irreversible Capacity Loss ("ICL") results from the Lac Knife high quality flake uncoated concentrate are due to low reactivity at the flake edges compared to other graphite concentrates underlying its inherent value as a feed to the secondary battery market in a green technology revolution.

Also included in the study is a scanning electron photomicrograph of the 99.98 % purified high purity large flake graphite produced on both a laboratory and pilot plant scale from 98% C Lac Knife +65 mesh flake concentrate. This photomicrograph indicates that the Lac Knife concentrates are uniquely suited to produce high purity lithium ion battery grade graphite. What is important to note is that Lac Knife graphite concentrate consists of very pure graphite flakes with impurities located on the surface of the flakes.

Such surface impurities can be removed by using less expensive technologies. In the most competitive concentrates on the market, the impurities are intercalated or sandwiched within the layers and are more difficult to remove requiring higher cost processing methods during purification.

The quality of the Lac Knife concentrate is continuing to create the potential for increased margins through to value added products and confirms the Company's plan to evaluate the potential of secondary transformation for as much of the Lac Knife production as is possible. The potential for increased margins from the secondary transformation of graphite concentrate is not included in the current Preliminary Economic Assessment for the project.

Current prices for coated, spherical graphite are at the $8,000 per tonne point. This compares to $20,000 per tonne for battery grade synthetic graphite, the only alternative for the anode in the battery.

Battery manufacturers require a cost competitive alternative to current sources of natural SPG. China produces about 90% of the world's purified natural SPG, utilizing methods that are generally regarded as environmentally unsustainable.

Focus Graphite's Lac Knife Project's Benchmark Feasibility Study Reports

During the quarter ended June 30, 2014, on June 25, 2014, the Company announced the results of its Feasibility Study for the Lac Knife Project performed by Met-Chem Canada Inc.

The study was based on a 25-year mine life that produced a Pre-tax Net Present Value ("NPV") of $383 million calculated at a discounted cash flow ("DCF") rate of 8% Pre-tax, 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%, and with an IRR of 24.1% and a capital payback of 3.2 years. A National Instrument 43-101 technical FS report was filed on SEDAR on August 8, 2014, 45 days of the news release.

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

Table 1			
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	**3.0**	**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 Resources will continue to be evaluated to develop the mid and long term growth profile for the Company.

Highlights:

- Reduced operating costs from $458 per tonne of concentrate to $441 per tonne within close range of the Updated PEA study released November 7th, 2013.
- 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 can 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 Quebec 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.
- 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 the study. 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 favour 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% Cg. 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% carbon (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% 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 FS. The remaining Measured and Indicated 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 For FS

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**

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
Additional Infrastructure	15.4
Indirect Costs	39.77
Contingency (11.5%)	17.07
Sub Total	**165.55**

The company is currently in discussion with vendors to define financing packages for equipment. This will result in a reduced up front capital and add to the basket of financing options currently being investigated. Another financing option currently under due diligence is Supply Chain Financing ("SCF") based on an offtake agreement signed in December 2013 for a minimum of 50% of Lac Knife's production. SCF is a non-dilutive alternative to equity financing and is not as encumbering as traditional debt, or royalty financing. Future off-take agreements will contain a financial component as well.

This project-financing alternative could include equity and low interest debt as well as a signing bonus to execute an offtake agreement. These options have the potential to enhance future project economic metrics, and the company continues to discuss with several interested parties on various options.

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**

The operating costs per tonne of concentrate produced are $441 (See Table 4 above). 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.

Permitting is well underway with the ESIA to be submitted by the end of the summer and the Mine Closure Plan is planned for submission mid-summer. Focus continues to communicate, meet, and listen to local communities and will be increasing these efforts now that the feasibility is completed and the impacts are known.

The National Instrument 43-101 ("NI 43-101") Mineral Resource Estimate ("MRE") was performed by Pierre Desautels of AGP Inc. and was announced January 28, 2014. It increased the Measured and Indicated Resources by 92% for the Lac Knife Deposit. The MRE is based on both the 2012 and 2013 additional exploration and definition drilling programs for a total of 92 holes, and 9,103 meters that successfully achieved the designed goal to upgrade the quality of existing Indicated and Inferred Resources to the Measured and Indicated Resource categories. This is in addition to 105 previous drill holes that totaled 9,217 meters.

Measured and Indicated Resources are estimated at 9.6 million tonnes grading 14.77% at a 3% Cg cut-off grade. Additionally there are 3.1 million tonnes of Inferred Resources at 13.25 % Cg using a 3% cut-off in this updated resource estimate presented in Table 5.

Table 5: Updated Resource Estimate (3% Cg Cut-off Grade)

Table 5			
Lac Knife Mineral Resource Estimate Categories	**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. *(See Table 2 above for Reserves).*

Lithium Battery Coin Cell Test Results

On May 27, 2014, the Company announced it "Succeeded in Producing Extremely High-Performing Coated Spherical Graphite for Lithium Ion Batteries". The results from coin cell performance testing performed on Lac Knife Spherical Graphite ("SPG") produced outstanding performance metric results. The benchmark products have a typical irreversible capacity loss ("ICL") of 6-10% ICL. Lac Knife SPG showed two ICL test results measuring 1.01% and 1.44%, truly remarkable results. Essentially these battery performance tests illustrated that the Irreversible Capacity Loss ("ICL") was reduced by 75% compared to the benchmark products available in the market today.

These tests confirm Focus' capability to tailor lithium ion battery anode grade SPG and value added products to meet the most stringent customer specifications

Lac Knife anode SPG is unique in having such a low ICL performance metric, this could be attributed to the unique properties of the Lac Knife high carbon content concentrate that grades 98% C, even in the finer flake size concentrate products down to 200 mesh (75 microns) that are usually the most difficult products to sell. This holds the potential to allow Focus market access to significantly higher margin value added products with a finer grade lower cost product creating a unique opportunity.

Subsequent to the quarter ended June 30, 2014, 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

Qualified Persons

The technical information within this news release 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.

The technical information in this news release was prepared by Mr. Don Baxter, P. Eng., Focus President & Chief Operating Officer, a Qualified Person as defined by NI 43-101 guidelines, who has reviewed and approved the technical content of this news release.

Exploration Activities

Three Months Ended June 30, 2014

	Lac Knife	Kwyjibo	Labrador Trough	Manicouagan	Other	Total
	$	$	$	$	$	$
Balance - beginning of period	10,451,607	5,880,124	512,037	499,340	760,537	18,103,645
Additions						
Drilling	250,996	7,542	-	15,142	-	273,680
Independent technical studies	741	-	-	-	2,251	2,992
Geophysical survey	-	-	-	2,859	306	3,165
Geological mapping	-	22	-	9,825	58,741	68,588
Metallurgical analysis	114,649	53,620	-	-	-	168,269
Resource estimate	1,563	-	-	-	-	1,563
Property maintenance	-	-	8,254	-	1,015	9,269
PEA	-	-	-	-	-	-
Feasibility studies	759,288	-	-	-	-	759,288
Environmental studies	508,468	2,158	-	172	-	510,798
Pre-development	-	-	-	1,414	-	1,414
	1,635,705	63,342	8,254	29,412	62,313	1,799,026
Sale of exploration and evaluation assets	-	-	(287,450)	-	-	(287,450)
Writedown of exploration and evaluation assets	-	-	-	-	(268,680)	(268,680)
Balance - end of period	12,087,312	5,943,466	232,841	528,752	554,170	19,346,541

Nine Months Ended June 30, 2014

	Lac Knife	Kwyjibo	Labrador Trough	Manicouagan	Other	Total
	$	$	$	$	$	$
Balance - beginning of period	8,215,762	5,271,276	490,180	403,178	114,387	14,494,783
Additions						
Drilling	828,199	432,222	-	15,142	-	1,275,563
Independent technical studies	131,670	252	2,743	5,278	2,251	142,194
Geophysical survey	228	-	-	3,544	429,131	432,903
Geological mapping	7,347	22	33	91,811	268,947	368,160
Metallurgical analysis	358,119	222,511	-	4,776	-	585,406
Resource estimate	69,545	-	-	-	-	69,545
Property maintenance	1,139	1,326	27,335	3,437	8,134	41,371
PEA	9,537	-	-	-	-	9,537
Feasibility studies	1,255,908	-	-	-	-	1,255,908
Environmental studies	1,209,858	15,857	-	172	-	1,225,887
Pre-development	-	-	-	1,414	-	1,414
	3,871,550	672,190	30,111	125,574	708,463	5,407,888
Sale of exploration and evaluation assets	-	-	(287,450)	-	-	(287,450)
Writedown of exploration and evaluation assets	-	-	-	-	(268,680)	(268,680)
Balance - end of period	12,087,312	5,943,466	232,841	528,752	554,170	19,346,541

Three Months Ended June 30, 2013

	Lac Knife	Kwyjibo	Labrador Trough	Manicouagan	Other	Total
	$	$	$	$	$	$
Balance - beginning of period	5,523,232	3,742,786	481,790	147,457	116,242	10,011,507
Additions						
Drilling	153,241	168,879	-	-	-	322,120
Independent technical studies	29,937	2,027	-	-	-	31,964
Geophysical survey	-	-	-	66,988	97	67,085
Geological mapping	1,126	53	952	10,431	17,382	29,944
Geochemical survey	10,684	-	-	275	4,926	15,885
Metallurgical analysis	660,415	46,206	-	-	-	706,621
Resource estimate	-	-	-	-	-	-
Property maintenance	1,293	-	-	9,933	2,903	14,129
PEA	924	-	-	-	-	924
Feasibility studies	-	-	-	-	-	-
Pre-feasibility studies	-	-	-	-	-	-
Environmental studies	86,234	7,032	-	-	-	93,266
Pre-development	-	275	-	-	-	275
	943,854	224,472	952	87,627	25,308	1,282,213
Balance - end of period	6,467,086	3,967,258	482,742	235,084	141,550	11,293,720

Nine Months Ended June 30, 2013

	Lac Knife	Kwyjibo	Labrador Trough	Manicouagan	Other	Total
	$	$	$	$	$	$
Balance - beginning of period	3,851,822	3,244,173	448,772	81,325	52,336	7,678,428
Additions						
Drilling	822,409	532,143	-	-	-	1,354,552
Independent technical studies	270,972	2,822	23,792	-	-	297,586
Geophysical survey	-	121,064	6,489	115,120	48,492	291,165
Geological mapping	2,578	3,651	1,841	26,117	31,953	66,140
Geochemical survey	49,989	681	-	1,547	5,455	57,672
Metallurgical analysis	975,490	49,784	-	-	-	1,025,274
Resource estimate	-	2,505	-	-	-	2,505
Property maintenance	1,914	163	1,848	10,975	3,314	18,214
PEA	111,295	-	-	-	-	111,295
Feasibility studies	1,402	-	-	-	-	1,402
Pre-feasibility studies	31	-	-	-	-	31
Environmental studies	352,457	9,997	-	-	-	362,454
Pre-development	26,727	275	-	-	-	27,002
	2,615,264	723,085	33,970	153,759	89,214	3,615,292
Balance - end of period	6,467,086	3,967,258	482,742	235,084	141,550	11,293,720

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. Focus has the option to become the project operator, by paying $50,000 in cash or by issuing a block of common shares valued at $50,000.

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 ("IP") 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 Prospection, 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 dip 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 2m 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.*

On March, 28, 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 NI 43-101 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.

Metallurgical Testing Program

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 is 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.

On August, 2013, the Company and SOQUEM awarded the Phase II metallurgical testing contract to COREM of Québec City. Testing included: additional optimisation of copper recovery, 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 January 15, 2014, Focus and SOQUEM received the final report for Phase I metallurgical tests from COREM of Québec-City. Results indicated 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). Results also include a positive concentration of 68.4% Fe with 92% of recovery rate for the

magnetitite and 71.7% Fe with 86.9% of recovery rate for the breccia. Both iron concentrates are contaminated with silica and phosphate and more tests have to be conducted to purify the iron concentrates. An apatite 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.

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.

Subsequent to the reporting period, in December 2013, the Company and SOQUEM received the final report regarding the monitoring of surface water quality completed by Roche of Québec-City. This follow-up on surface water quality was conducted over the preceding 3 years during Focus-SOQUEM's fieldwork campaigns in the aim to be able to evaluate potential environmental impact 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 Ending June 30, 2014

During the quarter the Company incurred exploration expenses totalling $63,342 on the Kwyjibo project, mainly related to QA/QC assaying, and the Phase II metallurgical testing program. Total capitalized exploration expenditures incurred on the claim block to date (net of tax credits and mining duties) are $5,943,466. Exploration and related development work performed on the project for the reporting period comprised the following.

Metallurgical Testing Program

Subsequent to the quarter ended June 30, 2014, on August 1, 2014, Focus and SOQUEM received the final report of the Phase II metallurgical tests from COREM of Québec-City. Results include physical separation test, of the iron concentrate, grindability and abrasion test, as well as flotation and leaching tests. The final developed flow sheet includes magnetic separation and desulfurization followed by flotation and lixiviation to produce two rare earth element concentrates (phosphates and silicates).

Results of magnetic separation shows that the magnetic iron concentrate still contains high concentration of deleterious elements (phosphate or silica or sulfide) and do not meet the industry specification limits. On other hand, the magnetic separation is essential in the ore treatment because it eliminates up to 50% of the total mass that has to be processed by flotation without a very low rare earth element loss of a 10% maximum. Different flotation methods results show that 84% to 90% of the rare earth elements are recovered from the two concentrates. Acid (HCL) lixiviation of the two concentrates allows recovering 80% to 90% of the rare earth elements. A Summary report and recommendation from Roche Groupe Conseil of Montréal, who has been mandated to supervise the metallurgical testing program, is pending.

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.

Subsequent to the quarter ended June 30, 2014, 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.

Exploration and Development Outlook

In the period, the Company and SOQUEM expect to complete the database update and the report generation related to the 2013 drill holes program. They also plan to conduct an initial NI 43-101 compliant Mineral Resource Estimate at Kwyjibo in 2014, as well as follow-up the monitoring of surface water quality.

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. ("3765351"), 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, 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 ("Roche"). 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 NI 43-101 compliant mineral resource estimate of the deposit. The final drill program report from IOS Services Géoscientifiques of Chicoutimi, Québec was received January 15, 2013.

NI 43-101 Mineral Resource Estimate

On December 5, 2011, the Company released the results of the first NI 43-101 compliant Mineral Resource Estimate ("MRE") on the Lac Knife graphite project. 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 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 to a maximum depth of 125 m with the following total dimensions of 350 m width by 650 m strike length. The MRE served as the basis of a first NI 43-101 compliant Preliminary Economic Assessment ("PEA") on the Lac Knife project published in 2012.

Updated NI 43-101 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 meters in 92 holes. This is in addition to 105 previous drill holes that totaled 9,217 meters. The drilling successfully achieved the designed goal to upgrade the quality of existing Indicated and Inferred resources into the Measured and Indicated categories.

The updated Measured and Indicated resources are estimated at 9.6 million tonnes grading 14.77% Cg at a 3% Cg cut-off grade. Additionally there are 3.1 million tonnes of Inferred resources at 13.25 % Cg using a 3% cut-off as presented in Table 1 below.

Table 1. Lac Knife 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*

Highlights

- Measured and Indicated mineral resources reported at a cut-off of 3.0% Cg increased in tonnage by 92% to 9.6 million tonnes grading 14.77% Cg compared to the previous estimate of 4.9 million tonnes grading 15.76% Cg reported at a cut-off of 5.0% Cg.
- Upgraded 432,000 thousand tonnes of Indicated 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 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 is based on 197 diamond drill holes totaling 18,320 metres of historic and recent drilling. This includes 104 surface diamond drill holes totaling 10,337 metres 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 will be included in the ongoing feasibility study.

NI 43-101 Preliminary Economic Assessment

On October 29, 2012, the Company released the highlights of its NI 43-101 compliant positive Preliminary Economic Assessment ("PEA") of the Lac Knife project. The PEA, prepared by RPA, in collaboration with Soutex ("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 million tonnes grading 15.76% Cg and Inferred mineral resources totalling 3 million tonnes 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% Cg 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

On November 7th, 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 21st, 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 29th, 2012.

The Lac Knife project has a pre-tax internal rate of return ("IRR") of 36.4% (28.6% after tax) and a pre-tax net present value of $ 316.9 million ($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.

With the launch of the feasibility study, the Focus development team along with Met-Chem will plan, schedule, and budget the design, construction, and commissioning of this project to bring Lac Knife’s high quality graphite concentrate to the market. The feasibility level of design is intended to provide a higher level of accuracy to the capital and operating costs required to finance, build and operate the mine.

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 is the recommended option.

Off-Take Agreement

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 tons 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 Dalian City, Liaoning Province, China. The 10-year agreement calls for the supply of up to 40,000 tpy of large, medium and fine flake graphite concentrate and value added graphite products from the proposed Lac Knife, Quebec mining and processing facility.

On March, 6, 2014, the Company reported that the terms of the December 2013 announced agreement, bind the parties to a minimum purchase floor 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 flakes concentrate for other strategic offtake buyers.

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

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 by SGS Metallurgical Services of Lakefield, Ontario, a division of SGS. 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 ("Metchib") 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 four (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% C 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 six (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% C and 25.0% C.

Highlights of these test results are as follows:

- The carbon content of graphite concentrates produced from the six (6) composites averaged 96.4% C, 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 four (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: six (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% C. The concentrate grade obtained was also very good at 96%C 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 core samples from the massive, semi-massive and low-grade mineralisation zones within the Lac Knife deposit. 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 2 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 2 LCTs
- The average grade of the size fraction greater than 200 mesh was 98.0% Ct compared with 97.2% Ct in the Phase 2 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 four (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 100m. 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, Chicoutimi, Québec. The drilling was uploaded to the resource model in order to update the NI 43-101 compliant 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, a 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, 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.

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 ore types and waste rock close to mineralization tested at SGS laboratories in Mississauga for Lock cycle tests (LCT) 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, Brossard 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 31st to May 2nd, 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 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").

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.

Environmental and Social Impact Assessment (ESIA)

In February 2014, the Company awarded the contract for the starting of the Environmental and Social Impact Assessment ("ESIA") to Golder Associates, Montréal office. The scope is to process all information gathered in the field over the last two years and compiled the data in a comprehensive report that meets governmental regulations in order to obtain the Decree 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 Government. This is a precursor to obtaining a mining lease for the project and is considered one of the key milestones.

Project Regulatory Permitting

On 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 *Ministère*

du Développement durable, de l'Environnement et de la Lutte contre les changements climatiques ("MDDELCC") for a Global Project Authorization or "Decree" for the project, per the requirements of the Québec Environmental Quality Act.

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 Ministère du Développement durable, de l'Environnement et de la Lutte contre les changements climatiques; "MDDELCC"*) on April 3, 2013. The Company received the environmental study guidelines for the project from the MDDEFP on April 12, 2013.

Update for the Three Month Period Ending June 30, 2014

During the quarter ended June 30, 2014, the Company incurred exploration expenses of $1,635,705 on the Lac Knife project. Total capitalized exploration expenditures incurred on the project to date (net of tax credits and mining duties) are $12,087,312. Exploration and related development work performed on the project during and subsequent to the reporting period comprised the following:

- Initiating the summer/fall drilling campaign at Lac knife
- Completion and filing of the complete Feasibility Study "FS"

Infill and Exploration/Condemnation Drilling Program

During the quarter ended June 30, 2014, the Company began their 2014 infill and exploration/condemnation drilling program at Lac Knife. The drilling program includes 3,500 m of infill drilling in the southwest extension of the deposit with the aim to upgrade the existing 3.1 million tonnes Inferred Resources (refer to Focus news release dated January 28, 2014) into the higher quality Indicated and Measured Resource estimate categories. An additional 3,400 m of exploration/condemnation drilling is also planned to test several geophysical targets located below the proposed mine infrastructure and elsewhere on the claim block. The drilling is being performed by G4 Drilling of Val-d'Or, Québec under the supervision of IOS Service Géoscientifique of Chicoutimi.

Representative core samples will be collected from all holes and shipped to IOS facilities for sample preparation (cutting, crushing and grinding). Prepared samples will be sent to COREM in Québec City for graphitic carbon (Cgr) 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 will also be 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.

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 started with one drill rig, subsequent to the quarter ended June 30, 2014, on July 17, 2014 due to difficult land conditions. On July 31, 2014, a total of 6 PQ-sized definition holes were completed for a total of 649 m. In addition to IOS , the Company hired two INNU workers from the Mani-Utenam First Nation community for wood cutting.

Feasability Study

During the quarter ended June 30, 2014, on June 25, 2014, the Company reached a significant milestone in the development of the project when it released the highlights of its NI 43-101 compliant 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

Highlights:

- Reduced operating costs from PEA estimateof $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 Quebec 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% Cg. The Mineral Reserves which account for mining dilution and ore loss are reported at a cut-off grade of 3.1% Cg.
- 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

Subsequent to the quarter ended June 30, 2014, 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).

Environmental and Social Aspects

During the quarter ended d June 30, 2014, 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, contract, 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 in 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. The conclusion of this report is expected tobe available in September and incorporated into the ESIA for submission by October.

Exploration and Development Outlook

During the next quarter, the Company plans to complete the infill drilling program of the southwest extension of the deposit. The Company also plans to start the exploration/condemnation drilling program designed to help to confirm the mine site layout design.

Permitting is well underway with the Environmental and Social Impact Assessment (ESIA) and the Mine Closure Plan to be submitted by the end of the next reporting period. Focus continues to communicate, meet, and listen to local communities and will be increasing these efforts now that the feasibility is completed and the impacts are known.

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 (“Mag”) 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 June 30, 2014. To date, the Company has incurred exploration expenditures (net of tax credits and mining duties) totalling $8,254.

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 three (3) claim blocks. Two (2) of these three 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 which hosts a NI 43-101 Measured and Indicated Mineral Resource Estimate of 50 Mt grading 15.6% Cg and an Inferred Mineral Resource of 11.9 Mt grading 17.1% Cg (December 2013 press release; available at www.sedar.com under Mason Graphite Inc.).

During the quarter ended June 30, 2014, the Company incurred exploration expenditures totalling $29,412 on the Manicouagan Reservoir area projects. To date, exploration expenditures (net of tax credits and mining duties) total $528,752.

Lac Tétépisca Project

The Lac Tétépisca claim block consists of 102 contiguous map-designated claims covering 5,503.08 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. In August to November 2013, Focus added 29 contiguous map-designated claims to the claim block.

Exploration Work

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 taken from the new "Manicouagan-Ouest" graphitic corridor, 17 of which host graphitic carbon (Cg) grades in excess of 5.59% Cg (range: 5.59% - 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.

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.

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 taken 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 of which host graphitic carbon (Cg) grades in excess of 5.00% Cg (range: 6.33% - 56.10% Cg). The remaining twenty one 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 respectively 175 and 167 m. The trenches are transversely positioned to the 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. Assays results are currently compiled.

Metallurgical and Mineralogical Studies

In the aim to get a more complete picture of the mineralization, the Company awarded SGS Canada of Lakefield, Ontario in November, 2013 to conduct a scoping level evaluation of one 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 head grade of 20.5% total carbon and a very good response to concentration yielding a very good purity of 91.3% total carbon for all fractions after only 3 cleaner cycles.

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.

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.

Update for the Three Month Period Ending June 30, 2014

Geophysical Survey, Exploration drilling Program and Prospection

During the quarter ended June 30, 2014, 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) over the "Manicouagan-Ouest" graphitic corridor area with the IMAGEM system. A total of 46 line-km of line cutting was completed with 100 m line spacing on July, 19. Results of the geophysical survey will be used to design a 1500 meter exploration drilling program to re-test the area trenched last fall and its southwest extension. The geophysical survey started July 31st and is currently underway.

The 1,500 meter exploration drilling contract was awarded to Forage Rouillier of Amos, Québec, on May 22, 2014.

Subsequent to the quarter ended June 30, 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.

Subsequent to the quarter ended June 30, 2104, from July 23, 2014 to July 31, 2014, a total of five days of fieldwork consisting of prospection using portable electromagnetic survey equipment (Beep-Mat) and grab sampling over the northern part of the claim block was completed. A total of 22 graphitic grab samples were taken for assay. A conductor has been followed over 1.8 km of strike length of precedent 2013 work.

Social Aspect

During the quarter ended June 30, 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 lies on land designated as their traditional 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 the next period, the Company plans to complete the geophysical survey and the1,500 meter exploration drilling program to explore the targets identified by the trenching program completed last fall in the test area and its southwest extension. The Company also plans to conduct a metallurgical study consisting of 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 evaluate the potential of the property.

Lac Guinécourt Project

The Lac Guinécourt graphite claim block consists of 60 map-designated claims covering 3,253.24 ha located 20 km southwest of Manicouagan Reservoir and about 210 km to the North of the city of Baie-Comeau.

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 taken 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 of which host graphitic carbon (Cg) grades in excess of 5.00% Cg (range: 5.60% - 59.60% Cg). The remaining twelve 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.

The Company is currently compiling and analyzing the data collected in 2013 and is reviewing its options for exploration work in 2014.

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 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.

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. Fieldwork included prospecting using portable electromagnetic equipment (Beep-Mat and VLF) and grab sampling. A total of 25 samples were grabbed 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% Cg (range: 5.09% - 29.20% Cg). The remaining eleven grab samples show Cg grades below 5.00%. In regards to QA/QC program, 10% of blanks and standard were introduced.

During the quarter ended June 30, 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) over the previously defined graphitic horizon with the IMAGEM system. A total of 30 line-km of line cutting was completed with 100 m line spacing on July, 19, 2014. Results of the geophysical survey will help to design a trenching and channel sampling program to test the lateral continuity, the thickness and the grade of the graphitic horizon. The geophysical survey commenced subsequent to the quarter end on July 31, 2014and is ongoing.

Subsequent to the quarter ended June 30, 2014, 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 will be used for the Lac Tétépisca Nord Project.

In the next period, the Company plans to complete the geophysical survey. Results will be used to design the trenching and channel sampling exploration program.

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, Mauricie district) and January 2012 (Asbury and Island projects, Laurentides districts).

No work was conducted on the projects during the quarter ended June 30, 2014.

Asbury and Island Projects

Best results from the 2012 reconnaissance geological surveying and surface rock sampling summer program were associated to the Island project (nine 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 100m 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 meters 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 compiling and analyzing the data collected on these projects in 2012 and 2013 and is reviewing its options for additional work in 2014.

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, SIGEOM database). The best 11 surface grab samples assays contained a range of 5.26% to 36.90 % graphitic carbon.

The Company is currently compiling and analyzing the data collected on this project and is reviewing its options for additional work in 2014.

Canindé Graphite Project, Ceará State, Brazil

On January 14, 2013, the Company announced it had signed a Definitive Agreement with Lara Exploration Ltd. (“Lara”) of Vancouver to acquire up to a 60% interest in Lara's wholly-owned Canindé graphite project located in Ceará State, northeastern Brazil. The Canindé project comprises 11 registered exploration licenses and an additional six exploration licenses which have since been approved by the Brazilian Department of Mines ("DNPM"). The claim block covers a total surface area of 15,615 ha and hosts 22 surface graphite occurrences discovered by Lara in mid-2011.

The occurrences define a 16 km long, north-northwest trending graphitic corridor in high-grade metamorphic rocks within the project area. Individual graphite occurrences range in width from less than 1 m to a maximum of 10 m and host a range from 1-2%, disseminated graphite in paragneiss and schist (mostly flakes) to over 50% graphite in narrow lenses in gneiss, schist, pegmatitic migmatites and in brecciated horizons within gneissic rocks. Graphitic carbon content of

surface grab samples from 15 of the occurrences range from less than 1% to a high of 42.04%. The project is accessible by road.

Under the terms of the Agreement, Lara through its wholly-owned British Virgin Islands subsidiaries Lara (BVI) Ltd. and Pan Brazilian (BVI) Ltd. which collectively own 100% of the mineral rights to the Canindé project granted Focus two separate options to acquire a total of 60% undivided interest in the Project, subject to an Underlying Royalty to a third party on 11 Exploration Licenses (2% of gross revenue from production sales to a lifetime maximum of R$750,000), and in consideration of a staged exploration expenditure commitment over 5 years and by issuing 500,000 common shares of Focus to Lara on or before the third anniversary of the Agreement and by reimbursing Lara for the mineral claim acquisition costs. Focus will act as the Operator of the Canindé project exploration program throughout the duration of the Agreement.

The Company's exploration expenditure commitments under the First Option to earn a 51% interest in the Project shall total $2.5 million by the third anniversary ($500,000 each in years 1 and 2; and $1.5 million in year 3) and shall include an airborne electromagnetic survey of the entire Project as well as 2,000 m of drilling. The year-one exploration program plans for the Caninde Project includes an airborne geophysical survey (Mag-EM) on the central portion of the Canidé claim block to be followed by a first phase of reconnaissance prospecting focused on high-priority graphite targets identified by the airborne geophysical survey.

During the quarter ended June 30, 2013, the Company and Lara Exploration entered into an agreement to revise the exploration expenditure commitments for year one to $250,000 and year two to $750,000. Lara Exploration on behalf of partner Focus graphite undertook an exploration program from July 19, 2013 until early December at the Caninde project. Exploration work included geological reconnaissance, soil sampling (111 samples), rock chips sampling in pits (89 samples) and 548 m of manual trenching (275 samples). Current results indicate that there are several occurrences of high grade flake graphite, albeit most with relatively small tonnage; and some areas with low grade (1-2% Cg) – bulk tonnage flake graphite potential in different parts of the license block.

On January 14, 2014, Lara exploration reported the best results of trenching program over 11 targets. Highlight of the results include an interval of 23.5 m grading 13.29 % graphitic carbon; including 4 m @ 17.08 %; 9.3 m @ 20.76 % and 4 m @ 16.57 % graphitic carbon at the Pedra Preta showing (estimated true width of the interval is approximately 19 m; refer to Lara press release dated January 14, 2014). Sampling was by continuous channel samples of nominal 2 metre lengths, however sample lengths varied in places from 0.5 m to as much as 3 m to account for the local geology and structure. As part of the QA/QC procedures, blank, duplicate and in-house reference samples were inserted into the batches. Assaying was carried out by SGS-Geosol laboratory located in Vespasiano, Minas Gerais, Brazil. The sample analysis for graphitic carbon content was by LECO Analysis using infrared detection following an HCl acid attack to remove carbonate minerals and a calcination stage at 400º C for 2 hours to eliminate the organic content (SGS-Geosol protocol CSA05V).

Following the trenching program on March 21, 2014, the Company received from Lara Exploration four (4) samples from the Pedra Preta showing, the best mineralized zone to date of the Caninde project. Samples were collected from the trench number 2 (3 samples) and number 3 (one sample). One sample from each trench was selected to evaluate the proportion and coarseness of the graphite flake to evaluate the showing's potential. The study has been awarded to IOS Service Géoscientifiques of Chicoutimi, Québec. The final report has been received from IOS on April 29, 2014. Work completed includes crushing, pulverisation, sieving and visual evaluation with a stereomicroscope. Results shows relatively low (5 to 15%) free large flakes content (> 80 mesh). Optimal liberation proportion (40 to 45%) of free malleable and fragile flakes are for medium to fine sizes flakes (-140 to +200 mesh).

During to the quarter ended June 30, 2014, the Company analyzed the results of the exploration expenditure commitments for year one and concluded that based on the results of the recent exploration work completed on the Canindé Project, the project has a below average potential for the discovery of commercially viability quantities of mineral resources. Considering that Focus currently has more attractive projects under evaluation, the Company relinquished its option to earn up to a 60% interest in the Canindé Graphite Project in Ceará State, Brazil on June 9, 2014.

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

On December 31st, 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"). Subsequent to the reporting period ended September 30, 2013, on October 16, 2013, the Company has 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 royalty that can be purchased 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/7.62m; 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 Development Project for diamonds 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 a 50m line spacing. A total of 3361 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.

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

Qualified Person

The above technical information was confirmed and/or reviewed by Benoit Lafrance, Ph.D., P.Geo. (Québec), a Qualified Person under NI 43-101 guidelines.

Financial Information

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

Selected Financial Information

	Three Months Ended June 30, 2014	Three Months Ended June 30, 2013	**Nine Months Ended June 30, 2014**	Nine Months Ended June 30, 2013
	$	$	**$**	$
Consolidated Statement of Comprehensive Income				
Loss from Operations	**(1,295,999)**	(3,693,958)	**(5,608,762)**	(7,518,361)
Interest Income	**10,748**	51,815	**69,999**	163,788
Other Income	**78,899**	129,219	**526,138**	1,620,335
Gain on sale of mineral exploration property	**424,012**	-	**424,012**	-
Net loss	**(1,012,598)**	(3,512,924)	**(5,322,992)**	(5,734,238)
Basic and diluted net loss per common share	**(0.01)**	(0.03)	**(0.05)**	(0.06)
Basic and diluted weighted-average number of common shares outstanding	**107,081,837**	106,384,050	**106,958,053**	104,183,263
Consolidated Statement of Cash Flows				
Net Cash Used In Operating Activities	**(835,117)**	(2,119,329)	**(4,815,533)**	(5,718,561)
Net Cash (Used In) Provided by Investing Activities	**(1,140,633)**	342,413	**(5,277,362)**	(2,622,293)
Net Cash Flows Provided by Financing Activities	**-**	728,661	**-**	5,372,692
Decrease in Cash	**(1,975,750)**	(1,048,255)	**(10,092,895)**	(2,968,162)
Consolidated Statement of Financial Positior	**June 30,**	September 30,		
As at	**2014**	2013		
	$	$		
Cash	**2,081,776**	12,174,671		
Mineral Exploration Properties	**1,521,487**	1,551,408		
Exploration and Evaluation Assets	**19,346,541**	14,494,783		
Shareholders' Equity	**25,068,201**	30,169,496		
Total Assets	**27,281,600**	34,404,131		

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 deem necessary to consider. It is highly unlikely that any dividends will be paid in the near future.

Results of Operations for the Three and Nine Month Periods Ended June 30, 2014

Net Losses

During the three and nine month periods ended June 30, 2014, the Company realized net losses of $1,012,598 and $5,322,992 respectively ($3,512,924 and $5,734,238 for the three and nine month periods ended June 30, 2013). The net loss for the three month period ended June 30, 2014 is offset by the recognition of a gain on the sale of a mineral property totaling $424,012. This income was recognized following the sale of the Romer claims to Mincom Capital Inc. for a consideration of $1,000,000 of which $250,000 was received as cash and $750,000 was received as 2,500,000 common shares of Mincom at a deemed price of $0.30 per share. The net loss for the three month period ended June 30, 2014 is also offset by the recognition of a dilution gain on investment in an

associate totalling $448,406 for Grafoid Inc. 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 June 30, 2014 is $678,664.

Operating Expenses

During the three and nine month periods ended June 30, 2014, the Company's losses from operations were $1,295,999 and $5,608,762 respectively ($3,693,958 and $7,518,361 for the three and nine month periods ended June 30, 2013). The decrease in operating expenses is mainly attributed to the Company's financial statements ceasing to consolidate a subsidiary following the loss of control. The Company lost control over Grafoid on July 3, 2013, further to the dilution of the Company's ownership interest as a result of Grafoid's equity financing. Focus continues to have significant influence over Grafoid, as such its investment in Grafoid is now recorded as an investment in an associate and accounted for using the equity method with the Company's share of Grafoid's net losses recorded in the Statement of Comprehensive Income.

The change in losses from operations is also attributed to the writedown of mineral exploration properties and exploration and evaluation assets. The Company recognized a writedown of mineral exploration properties and exploration and evaluation assets of $338,260 and $361,260 respectively for the three and nine month periods ended June 30, 2014, ($Nil and $Nil for the three and nine month periods ended June 30, 2013). During the quarter ended June 30, 2014, the Company wrote down the cost of the Caninde property to $Nil ($69,580 in acquisition costs and $268,680 in exploration and evaluation assets). The writeoff was required following Focus analyzing the results of the exploration completed to date and determining that the property had a low probability for the discovery of commercially viable quantities of mineral resources.

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
	$	$	$
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
30/06/13	181,034	(3,512,924)	(0.033)
31/03/13	1,544,958	20,412	0.0002
31/12/12	58,131	(2,241,726)	(0.02)
30/09/12	73,791	(4,792,778)	(0.05)
30/06/12	68,553	(1,380,106)	(0.010)

Higher loss during the quarter ended September 30, 2012, as compared to the other quarters, is mostly attributed to the recognition of stock-based compensation of $3,612,024 further to the recording of the redemption value of the Grafoid shares not owned by Focus as defined in the Unanimous Shareholder Rights Agreement. The redemption feature of the shares represented a liability for Focus measured at the fair value of the shares of $3,600,000. The redemption feature of the shares not owned by Focus did not survive the termination of Grafoid's unanimous shareholder rights agreement.

Other income recognized in the quarter ended September 30, 2013 is mainly attributed to the Company recognizing other income of $2,342,253 related to a flow-through private placement closed on March 14, 2012, for gross proceeds of $10,000,900. The proceeds were allocated between share capital ($7,308,350) and a deferred liability ($2,692,550) using the residual method. The liability component represented the Company's obligation to pass on the tax deductions to investors. Further to the renunciation of the tax deductions to investors in February 2013, the Company proportionately reduced the initial liability by the percentage of the required exploration expenditures incurred to September 30, 2013.

In addition the Company recognized a gain on loss of control of subsidiary of $2,782,984 following the dilution of the Company's ownership interest in Grafoid as a result of equity financings and the subsequent loss of control on July 3, 2013. Upon loss of control at July 3, 2013, the fair value of the Company's 21% ownership interest in Grafoid was determined to be $2,400,000 and the net assets and non-controlling interest derecognized was determined to be $382,984. The fair value of Focus' ownership in Grafoid was based on the subscription price of shares of Grafoid's ongoing financing at that time.

Liquidity and Capital Resources

As at June 30, 2014, the Company had a working capital surplus of $571,409, including $2,081,776 in cash and current liabilities totalling $2,213,399. The current liabilities includes a deferred liability totalling $518,730 representing the Company's obligation to pass on tax deductions to investors of the flow through financing that raised gross proceeds of $3,003,000 and closed on January 31, 2013.

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.

Contractual Obligations and Off-Balance Sheet Arrangements

As of June 30, 2014, the Company has no off-balance sheet arrangements.

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.

In October 2013, the Company prepaid an amount of $160,000 to JAG Sky Inc. ("JAG"), a private air charter services company wholly-owned by an Officer and Director of Focus, for air travel to be used at a later date. During the three and nine months ended June 30, 2014, the Company used $15,600 and $52,200 of air travel with JAG, respectively (2013 - $142,500 and $169,900). As at June 30, 2014, the Company had a remaining prepaid balance of $101,014 ($Nil as at September 30, 2013) for air travel to be used at a later date.

Loan to Grafoid Inc.

During the year ended September 30, 2012, the Company provided funding to Grafoid Inc. ("Grafoid") in the amount of $1,500,000. The loan was non-interest bearing and was payable on January 31, 2014.

In February 2014, the Company's Board of Directors approved the conversion of the outstanding $1,500.000 loan to Grafoid into 3,000,000 common shares of Grafoid at a deemed price of $0.50 per share. As at June 30, 2014, Grafoid's shares have a fair value of US$5.00 per common share as determined by an ongoing financing.

Transactions with key management personnel

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

	Three months ended June 30,		Nine months ended June 30,	
	2014	2013	**2014**	2013
	$	$	$	$
Salaries (including bonuses) (1)	**237,500**	255,760	**1,626,000**	1,440,774
Benefits	**4,525**	1,649	**12,904**	4,535
Stock-based compensation	**-**	724,525	**-**	724,525
	242,025	981,934	**1,638,904**	2,169,834

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

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 a write-down was required for the three month period ended June 30, 2014. During the quarter the Company wrote down the cost of the Caninde property to $Nil ($69,580 in acquisition costs and $268,680 in exploration and evaluation assets). Focus analyzed the results of the exploration completed on the property to date and determined that the property had a low probability for the discovery of commercially viable quantities of mineral resources.

Financial Instruments

The Company's financial instruments consist of cash, amounts receivable (net of sales taxes receivable), amount due from related party and accounts payable and accrued liabilities. The fair value of these financial instruments approximates their carrying value due to their short-term nature.

Outstanding Share Data

Common shares and convertible securities outstanding at August 29, 2014 consist of the following:

Securities	Expiry Date	Range of Exercise Price	Number of Securities Outstanding
Common shares	-	-	107,081,837
Warrants	Up to January 2015	$0.91	198,000
Options	Up to September 2018	$0.10 - $1.55	9,230,000

Risks and Uncertainties

The acquisition of securities of the Company should be considered highly speculative with significant risks.

The Company's activities are exposed to financial risks: credit risk and liquidity risk and interest rate.

Credit Risk, Liquidity Risk, and Interest Rate 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 contractual obligations. The Company's financial assets exposed to credit risk are primarily composed of cash, amounts receivable (excluding sales taxes receivable) and amount due from related party and maximum exposure is equal to the carrying values of these assets, totalling $2,266,846 at June 30, 2014 ($13,712,718 at September 30, 2013).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. The amount due from related party is viewed as having low credit risk based on the relationship the Company has with the related party. 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. The Company's working capital totals $571,409 as at June 30, 2014 ($10,073,048 as at September 30, 2013), including $2,081,776 in cash. The Company anticipates having sufficient funds to discharge its current liabilities and meet its corporate administrative expenses for at least the next twelve months. Refer to the 'Going Concern Assumption' section of the MD&A.

The Company has financial liabilities of $2,213,399, all of which are due within twelve months.

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 includes 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 June 30, 2014, cash totals $2,081,776 ($12,174,671 as at September 30, 2013) and interest income derived from these investments during the three months ended June 30, 2014 was $10,748.

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.

Interest rate movements may affect the fair value of the fixed interest financial assets. Because these financial assets are recognized at amortized cost the fair value variation has no impact on profit or loss.

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.

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.

Currency Risk

The Company makes some payments in US dollars, the balances in the accounts payable and accrued liabilities in US dollars were immaterial, consequently, the Company's exposure to foreign exchange fluctuation is minimal and the associated risk is also minimal due to the low balances.

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

In the future, additional funds will be required 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 August 29, 2014. Additional information on the Company is available through regular filings on SEDAR (www.sedar.com).

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Chief Executive Officer	Chief Financial Officer