



Focus Graphite - Corporate Update August 2019

Dear Friends and Shareholders,

2018 marked another solid year of progress and development for Focus Graphite, as we continue to deliver on our strategy to become a low-cost producer of technology-grade graphite concentrate with the enhanced focus of developing the Lac Knife, Québec, graphite project into production.

Focus Graphite's early adoption of a technology-weighted business development model is supported today by market events. We expect global natural graphite demand growth to be driven by the increase in electric vehicles and additional deployments of energy storage systems over the coming years. This increase in demand is being driven by higher-performing battery component materials and the associated lower costs of these materials. Approximately 70% of battery cell cost is materials and while lithium and cobalt costs have been the primary focus to manufacturers in the past, the tone is shifting to graphite and other materials.

Pricing of electric vehicles is expected to fall as battery costs fall. Cowen and Company research indicates that most vehicle manufacturers feel that at ~\$100/kWh cost of batteries, a battery powered car will be cheaper than a petroleum-based car. Industry pricing today is closer to \$300/kWh and this statistic leads us to believe that we are in the right industry and the right time, with an incredibly bright future.

Global electric vehicle (battery and plug in) sales in 2017 were up 54% to 1.2 million units which is the first time over one million electric vehicles have been sold in a year, with China accounting for the majority of the sales growth, according to a report from Cowen and Company. Our regular discussions and engagement with major, potential battery customers, and their commitments to capacity expansion, indicate a strong demand for graphite in the near future. The quality of Focus Graphite products and potential long-term supply, places Focus in a strong position to capture this additional demand.

The ability to procure high-quality graphite and anode supply continues to be a major concern of the industry worldwide. There is an ongoing debate about the use of synthetic versus natural graphite. Synthetic appears to offer a lifecycle benefit for the battery but is more expensive whereas natural graphite is cheaper, but producers have less consistency on flake size and purity levels, which then can impact the performance of the battery and other components. Several manufacturers appear to have settled on using blends of both, whereas in the past the debate focused on using one or the other. We



will continue to engage our customers on the benefits and deficiencies of both types, and with the engineering and business development teams we have in place, we feel confident that we will be able to satisfy the demand and capabilities that our customers will require.

The past year was notable for Focus Graphite with continued progress at our development projects, advancement of our portfolio of proprietary products for multiple industries, further equity financings, the continued buildout of a management team and excellent additions to our Board of Directors.

Continued Advancement of Development Projects

Moving forward to the discussion of the continued advancement of our development projects, we firmly believe that our Lac Knife Project is the most advanced battery-grade project in North America. Focus Graphite holds a 100% ownership interest of the Lac Knife crystalline flake graphite deposit located in the Côte Nord region of Québec. At approximately 15% graphitic carbon, Lac Knife is one of the highest-grade flake graphite deposits in the world.

In March 2019, Dr. Joseph E. Doninger, Director of Manufacturing and Technology, presented at the 36th International Battery Seminar and Exhibit in Fort Lauderdale, Florida. In the presentation, Dr. Doninger reviewed how the different grades of graphite from the Focus Graphite Lac Knife crystalline flake graphite deposit, were recovered from Lac Knife ore containing 15.1% graphite reaching an average of 98.3% Cg for all flotation grades greater than 200 mesh in size and then thermally purifying these grades to a level of 99.98% Cg. The purified flake graphite was then spheroidized, carbon coated and classified into the three grades of spherical graphite (SPG) now being introduced into the marketplace for use in Lithium Ion batteries. The presentation concluded with the introduction of the initial work conducted on treating Lac Knife with boron to produce a natural graphite product that mimics the high rate capability of hard carbons in Li ion batteries while maintaining the high capacity performance of the Lac Knife natural graphite. The results of the initial coin cell tests run on Lac Knife CSPG treated with 3.8% Boron showed that there was a shift in the slope of the charge/discharge curve which made it similar to the performance of hard carbons and capacitors. Work continues on improving the performance of Lac Knife boronated CSPG while recognizing its excellent potential for high rate applications on par with hard carbons. The evidence reinforces our belief of the viability and quality of the graphite being produced the Lac Knife Project.

In June of 2018, Focus announced the results of the Preliminary Economic Assessment (“PEA”) for the Kwyjibo Rare Earth Element (“REE”) Project (“Kwyjibo”), based on a maiden resource estimate and preliminary metallurgical testwork. The Kwyjibo Project is located 125 km northeast of the port city of Sept-Îles, Québec, Canada. The Kwyjibo project is a Joint Venture between Focus (50%) and SOQUEM



Inc. (50%) with SOQUEM acting as Operator. The combined resource for the Josette Northeast and Josette Southwest zones is 92 Mt at 2.72% TREO (Total Rare Earth Oxides) in the Measured and Indicated categories² and 1.33 Mt at 3.64 % TREO in the Inferred category. The PEA focuses exclusively on the Josette Northeast Zone with an underground mine and on-site concentrator and a hydrometallurgical processing facility located off-site. Preliminary results indicate a 10-year life of mine (LOM) with an average annual ore production of 387,000 t at 29% TREO. Total LOM production is 3.55 Mt at 3.29% TREO. The REE are concentrated in three minerals: apatite, britholite and allanite. The Kwjyibo REE deposit remains open at depth with the potential to increase mine life through additional drilling and technical studies.

In November of 2017, the Company announced the commencement of Phase III drilling at its wholly owned Lac Tétépisca Flake Graphite Project located southwest of the Manicouagan reservoir in the Côte-Nord administrative region of Québec. Phase III drilling continues to target the “Manicouagan-Ouest Graphitic Corridor” (MOGC), a 2.0 km-long graphite bearing structure mapped by the Company through prospecting, mechanical trenching and combined ground magnetic (MAG)-EM geophysical surveying from 2012 to 2014.

Phase I drilling conducted in 2014 tested a 600-m section of the MOGC with 16 holes (total: 1,873 m) positioned along four sections spaced 200 m apart. In 2016, the Company completed a second phase of infill and extension drilling on the MOGC which included 18 HQ-diameter holes (total: 2,424 m) drilled along four fences, completing the 200-m line spacing pattern in the extent of the MOGC, plus five (5) additional infill holes drilled at a 100-m spacing between 2014 fences. Fifteen holes from the Phase II program intersected significant graphitic mineralization with grades ranging from 5.6% graphitic carbon (Cg) to 19.35% Cg over a minimum true thickness of 6.2 m (refer to Focus news release dated January 20, 2017, available at www.focusgraphite.com).

Phase III drilling commenced on November 17 using two drills rigs. Thirty-eight HQ-diameter holes are planned (total: 5,750 m). The drilling is designed to further test the continuity, thickness and grade of the main graphitic mineralization within the MOGC at a 50-m hole spacing over a segment of 0.9 km and down to a vertical depth of 150 m. The large diameter drilling is also designed to provide graphite mineralization material to continue with pilot plant metallurgical testwork.

Battery Product Development

Several of our value-added graphite technical developments, published in a series of news releases, are outlined below. Complete versions of those news releases can be found on Focus’ website at www.focusgraphite.com and on the SEDAR website.



On November 13, 2018 the Company announced the successful results of its efforts to advance the production of superfine, high-performance graphite using its proprietary processing technology. The Company's graphite from the Lac Knife is suitable for use across a wide range of technology applications from energy storage to biomedicine.

Over the last 4 years, the Company embarked on an intensive value-added product development and testing program. This has resulted in a number of product announcements including the introduction of high-performing coated spherical graphite, highly conductive graphite for cathodes and the introduction of new super-fine grades of spherical graphite. All of which have been based on Focus proprietary thermal process that purifies graphite without the use of chemicals. For further details on the company's product development and testing programs, please see the EVS30 Whitepaper presented in Stuttgart, Germany in Oct 2017 on the website.

Typically, the large flakes hold more value for producers because they are much easier and less expensive to purify. The smaller flakes are typically sold off as industrial material and generally hold a much lower value in relation to its larger counterpart. Focus' processing technology provides an effective method for refining these smaller flakes into superfine, high-grade graphite – which is ideal for use in lithium-ion batteries and other energy storage applications. With growing market demand for reliable sources of high-grade graphite to build the next generation of lithium-ion batteries, Focus' proprietary process for refining superfine high-grade graphite inherently increases the value of smaller flakes to a level on par, or above, their larger counterparts. The net effect is an increase in the overall valuation for the total graphite load.

Focus is well poised with its history of technological successes designing processes that have led to superior performing coated spherical graphite for use in battery anodes and high performing expanded graphite for use in Li-Ion battery cathodes.

In November of 2018, the Company also announced that its superfine, high-performance, conductive graphite used in the production of Lithium-Ion batteries is currently being tested by Major Battery Companies.

Typically, a lithium-ion battery requires up to fifteen times more graphite than lithium depending on which cathode is used. This is due to the high surface area and layered crystal structure of graphite making it highly suitable for use as an anode material into which the lithium ions are intercalated. Additionally, some battery technologies require that the graphite in use be almost 100% pure. Sources of pure, high-grade graphite are scarce and not readily available in consistent supply. Focus' proprietary thermal process has the ability to provide a consistent supply of superfine, high-performance,



conductive graphite for the purity needs of these battery technologies. This is evident by the current testing of Focus' products by battery companies who view potential suppliers like Focus as critical supply chain partners to meet their respective opportunities for growth.

For the last 4 years, Focus has been delivering innovations that represent potential advancements for the industry on a whole. Under the supervision of Dr. Doninger, Focus achieved several significant in-house manufacturing and technological milestones that reflect the high-quality and physical attributes of its wholly owned Lac Knife graphite resource.

Additional Equity Financings

During the year ended September 30, 2018, the Company completed a number of equity financings, with strong support from our institutional and retail shareholders, raising gross proceeds of approximately \$6.2 Million. Focus continues to work on its ongoing private placements to raise additional funds to further its various exploration projects and progress at the Lac Knife project. Maintaining a strong balance sheet to see Lac Knife and our other projects to future operational status, positive cash flows, and to support development of our strategic opportunities is a key priority of the Management Team and Board of Directors.

Additions to Management Team and Board of Directors

The composition of the Executive and Operational Management Teams was strengthened in 2018. Focus added Dr. Michael Shannon to its Advisory Board.

At the Board level, In March of 2019, Focus announced that Chester Burtt had passed away. On behalf of the Board of Directors, management team and employees, Focus extends its deepest sympathies to Mr. Burtt's family and thanks him for his dedication to the Company. His passing represents a great loss for all.

Focus also announced that Francis Pomerleau had resigned from the Company's Board of Directors.

Focus announced that Robin Dow, HBA, MBA, FCSI has been appointed to its Board of Directors effective March 5, 2019, replacing Mr. Pomerleau. Mr. Dow has more than 35 years' experience in financing public resource companies and has raised over \$150 million since he started Dow Group in 1988. Mr. Dow's appointment remains subject to the approval of the TSX Venture Exchange.

And most recently in April of 2019, we announced the appointment of Lindsay Weatherdon to the Board of Directors of Focus, effective April 5, 2019. Mr. Weatherdon is currently President of Concord National Ontario & Quebec Divisions; one of Canada's leading Canadian Consumer Packaged Goods Sales &



Marketing Agencies, in addition to President of BESI (Braille Energy Systems Inc. TSX-V: BES). Mr. Weatherdon has a diverse background in global sales, holding Executive Positions in hardgoods manufacturing developing retail strategies across large box and warehouse club formats.

Mr. Weatherdon is an active board member of Stria Lithium Inc, a TSX Venture-listed junior exploration company (TSX-V: SRA) focused on the emerging green energy revolution and a consultant and private shareholder in Grafoid Inc., a graphene research, development and investment company.

In Summary

The Company's focus on enhancing shareholder value is the driving force behind this Management Team and Board of Directors and the potential shareholder value of our development projects and the graphite applications market has only just begun to be explored. We have invested considerable time and effort in China and throughout Asia, building our brand, our profile, and a network for establishing long-term supply agreements. Our progress to date, reinforces our corporate vision to become a leader in the graphite sector based on our superior products and the economic advantages that flow from our achievements.

The near-term objectives of the Company are to:

- Further the progress of our development projects
- Enhance our portfolio of high-quality, value-added graphite products and solutions
- Continue to diversify the customer base for our graphite products by geography and market segment as project development continues and successful customer qualification is completed
- Enter into long-term supply agreements to de-risk the construction of the Lac Knife graphite project

The Team is incredibly focused on delivery of our objectives in project development, product innovation, future production from our development assets and the maintenance of a manageable cost structure. Focus Graphite is dedicated to delivering strong shareholder returns over the long-term. Value-added products and low-cost will determine the winners in this industry. Focus Graphite holds a historically significant, high-purity graphite resource, as well as the in-house scientific and technological capabilities to meet the competitive challenges of the industry.

The Board of Directors and Management Team of Focus Graphite are extremely focused on the execution of our goals of future production, costs, and further project development. I would like to take this opportunity to thank our shareholders, employees and all stakeholders for their support during 2018, and I look forward with great optimism to the Company's future development.



Thank you.

Gary Economo,

President and Chief Executive Officer