CEO CFO

FOCUS GRAPHITE

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Focus Graphite Inc. is Focused on Becoming the Biggest and Best Graphite Company in the World as the Lowest Cost Producer of Technology Grade Graphite

Resources
Graphite
(FMS-TSX-V; FCSMF-OTCQX; FSE-FKCF)

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Gary Economo
Chief Executive Officer

Company Profile:
Focus Graphite Inc. is an emerging mid-tier junior mining company, a technology solution supplier and a business innovator. It is the owner of the highest-grade (16%) technology graphite resources in the world. The company's goal is to assume a dominant industry leadership position by becoming the lowest-cost producer of technology-grade graphite. As a technology-orientated enterprise with a view to building long-term, sustainable shareholder value, Focus Graphite is invested in the development of graphene applications and patents through Grafoid Inc.

Interview conducted by:
Lynn Fosse, Senior Editor

CEOCFO: Mr. Economo, what is the vision at Focus Graphite?

Mr. Economo: Our vision is to become the biggest and best graphite producer in the world. We want to be the largest graphite company providing 95% and 99.9% technology grade graphite to the industry, but more emphatically, dominating the supply of very high-grade 99.9% graphite to the battery manufacturing which is expected to take off over the next few years.

CEOCFO: Would you tell us about the graphite industry in general?

Mr. Economo: The graphite production industry is made up of many different types of graphite. There is a variety of natural graphite whether it is flake, amorphous, or vein graphite, and then there is synthetic graphite. Different types of graphite are used in a variety of industrial sectors. Synthetic graphite is used in electrodes by steel foundries for smelting purposes. You would use synthetic graphite which could not be replaced by natural graphite and vice versa. Natural graphite, for the most part, cannot be replaced by synthetic graphite. Different types of graphite have specific uses. China produces about 75% of the world's graphite with Brazil the second largest producer. India, Madagascar, North Korea, and Canada make up the remainder of global production. While the graphite industry has grown recently by five to six percent annually, very high growth is anticipated from the clean energy sectors over the next two to five years which may drive flake graphite demand to unprecedented levels. The lithium-ion battery manufacturing sector, for example, which requires more graphite than lithium to make a rechargeable EV battery, is expected to grow exponentially over the coming decade. The anode material in Li-Ion batteries is graphite. So with the electrification of the transportation industry that industry is expected to grow over 20% per year. The growth for graphite in other green technology applications is expected to be equal to or greater than 15% per year over the next five to 10 years.

CEOCFO: Would you tell us about your graphite project?

Mr. Economo: Our Lac Knife deposit was discovered some 20 years ago. Over the years, two previous owners each prepared and delivered complete feasibility studies. The deposit is a high grade flake deposit, and when I say high grade, I am referring to 16% carbon graphite in the ore, one of the highest concentrations anywhere in the world, so our particular deposit is world-class. We currently have approximately eight million tons grading 16% and our summer drilling program began in early July to expand the deposit. Indications lead us to believe there could be two or three times as much graphite at the deposit. It is open at strike in all directions and at depth, and there are nine other showings on our property with outcrops or large surface showings that are very similar to the ones we have now.

CEOCFO: How did you come upon the property?

Mr. Economo: Two decades ago, a Quebec company, Mazarin, developed the property and sold eventually to Cambior. Cambior was focused mainly on its gold properties and other types of minerals. At the time, graphite was not in demand and pricing was fairly low - driven down by the Chinese graphite producers who commanded the worldwide market. Many of the Canadian and U.S. producers, if not all of them, basically shut down their operations because of the glut. Parenthetically, over the last three years or so, with the rise of electric and hybrid vehicle production, so has demand for lithium ion batteries which power those vehicles. China's imposition of export taxes and duties have almost tripled graphite costs during the same period and graphite has garnered the attention of investors and gained a great deal of exposure in international markets, driven the price to almost triple what it was three years ago, so graphite is gaining a great deal of exposure in the minerals sector. Cambior did not pay that much attention to graphite at the time, and they were sold to IM Gold, which was focused on the gold properties and were not really interested in pursuing graphite until we came along and bought it from them about two years ago. Fortunately, for us, the market turned its attention on high technology green energy applications and graphite began its rise in popularity with the investment community as well as the mining industry.

CEOCFO: Do you own the property 100%?

Mr. Economo: Yes, we own it 100%.We will definitely continue to own it 100%. We will be bringing this project to production over the next couple of years, and the whole idea behind the Lac Knife deposit is to use this high quality graphite to produce a concentrate of graphite that we can purify to battery grade. Battery grade material, with a 99.9% purity is our ultimate market and the product we want to sell. There are two steps to that. The first step is to process the graphite using fairly standard techniques such as column floatation, getting up to about 95% purity. Then from there we would utilize a thermal and/or chemical process to purify to 99.9% and even higher which is the type of purity levels that are required for battery use. The higher the purity grade, the higher the sales dollars associated with that material. Therefore, we want to move up the value chain as much as possible. We are also looking at potentially building the Anode for the batteries and providing a complete Anode to the battery companies. We have licensed that technology from Hydro Quebec as well as the purification technology from Hydro Quebec, who are world leaders in lithium battery technology. They license their battery technologies to many people around the globe who are also the types of customers we will be pursuing with an introduction from Hydro Quebec and our own sales teams to supply them with finished Anodes as well as the 99.9% high purity material.

Once you start out with a very good material and a very good deposit, you can achieve much as the world's lowest cost producer. We plan to become the biggest and the best graphite company in the world because we'll have the lowest cost of production. I think for those two reasons, the investment community will continue to benefit, and all of our investors will continue to benefit from our endeavors over the next few years. - Gary Economo

CEOCFO: Are there particular challenges in looking for graphite that might be different than looking for some other minerals?

Mr. Economo: There are no major challenges in looking for graphite. You can find it pretty much everywhere. The issue is the grade the deposit holds. There are many deposits around with grades of 1.5% and 2% and 3%. But the cost to produce a 95% concentrate from a 2% deposit might not be economically viable or feasible to put a mine into production. Another aspect to consider is that not all graphite deposits around the world can be used for lithium batteries or high technology applications depending on what the mineral content of the ore is. Some deposits are very easily purified while others require significantly more energy for purification processing. If your processing costs exceed prevailing market prices, it leaves you with a non-viable business. There are only a handful of deposits in the world capable of producing graphite for technology applications. Focus Graphite's Lac Knife deposit is one of them.

CEOCFO: What is the timetable going forward assuming everything proceeds as expected?

Mr. Economo: We expect to be in production by the end of 2013 or the first half of 2014.

CEOCFO: Will you need to add to your team for the production phase?

Mr. Economo: We have a very good team right now and we will be looking to add a mining engineer to manage the mining process.

CEOCFO: What is the financial picture like for Focus Graphite today?

Mr. Economo: Our financial picture is very good. During the last 18 months, we secured $30 million. We are well-funded and have about $26 million in the bank today. Financing for our mine and processing facilities will likely come in part from some our shareholders whom we've been in discussions with since early 2012. The remaining financing will come from offtake partners and customers. Once our Preliminary Economic Assessment or scoping study is completed this summer, we'll be able to close our financing round.

CEOCFO: Has the interest in graphite remained steady?

Mr. Economo: I expect interest to remain fairly steady because of graphite's high-profile association with technology applications, even though market prices have declined by some 20% during the first half of 2012. I expect that level of price fluctuation – up or down - to continue until demand creates a market turnaround., One of the major things that has really captivated the investment community as well as the scientific community is the new uses that are being developed for graphite and for some of graphite's derivatives such as graphene, which is a single layer of a flake of graphite. Graphene, the world's new wonder material is extremely strong and flexible. It is electrically and thermally conductive, and hundreds of new applications are being developed today by major corporations and major universities all over the world. Focus Graphite has invested in a graphene company called Grafoid Inc. We own 40% of Grafoid, which has developed an extremely low-cost, environmentally friendly, one-step process to manufacture graphene from our Lac Knife deposit. Currently, we are scaling up that process. We have built a pilot plant, and we are proving the scalability as well as the reproducibility of our material. We are also working with major corporations and universities around the world in developing applications utilizing this material. It is an exciting time for graphite all over the world and over the next several years, you will be seeing some tremendous new industrial, consumer and medical applications from graphene.

CEOCFO: Why should investors look at Focus Graphite?

Mr. Economo: Two major reasons. First is our business model. Our business goes beyond simply mining graphite ore. We're focused on the high value, high technology business of producing purified graphite materials like battery anodes for the green energy technology sectors – sectors we see as the source of tremendous growth over the next decade. And we've teamed up with some of the world leaders in those industries. It's an advantage we hold and a key factor for investing in Focus Graphite. Secondly, we have no equal in terms of cost competitiveness. We'll realize the financial targets we've set for ourselves over the next five years because our 16% grade enables the best rate of return among the world's graphite producers – China included. Today, Lac Knife stands alone. I do not know of another deposit that comes close to the grade and the quality of the graphite that exists at Lac Knife. Once you start out with a very good material and a very good deposit, you can achieve much as the world's lowest cost producer. We plan to become the biggest and the best graphite company in the world because we'll have the lowest cost of production. I think for those two reasons, the investment community will continue to benefit, and all of our investors will continue to benefit from our endeavors over the next few years.

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