Focus Graphite and SOQUEM Announce Positive PEA for the Kwyjibo REE Project in Québec

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KINGSTON, Ontario, June 28, 2018 -- Focus Graphite Inc. (“Focus”) (TSX-V:FMS) (OTCQX:FCSMF) (FSE:FKC) and partner SOQUEM Inc. ("SOQUEM") are pleased to announce 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-Iles, Québec, Canada. The Kwyjibo project is a Joint Venture between Focus (50%) and SOQUEM Inc. (50%) with SOQUEM acting as Operator.

Highlights[1]:

- The combined resource for the Josette Northeast and Josette Southwest zones is 6.92 Mt at 2.72% TREO (Total Rare Earth Oxides) in the Measured and Indicated categories[2] and 1.33 Mt at 3.64% TREO in the Inferred category[2]
- 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
- 10-year life of mine (LOM) with an average annual ore production of 387,000 t at 3.29% TREO. Total LOM production is 3.55 Mt at 3.29% TREO
- The REE are concentrated in three minerals: apatite, britholite and allanite
- Average annual concentrate production of 174,000 t grading 7.0% TREO
- Further hydrometallurgical processing leading to an annual production of 9,500 t of TREO
- Pre-tax internal rate of return (“IRR”) of 21.4% (18.0% after tax) and pre-tax net present value (“NPV”) of CAD 572.9 million (CAD 380.7 million after tax) in the base case scenario using a Basket price of CAD 42.81 per kg of TREO
- Capex of CAD 723.6 million with a payback period of 3.4 years
- Overall TREO recovery of 75%
- The recovery of the REE, especially for Nd and the heavy rare earths (Gd, Dy, Tb, Ho, Er and Y), with a conventional solvent-extraction hydrometallurgical process is efficient not only in terms of extraction but also separation
- The Kwyjibo REE deposit remains open at depth with the potential to increase mine life through additional drilling and technical studies

[1] The Preliminary Economic Assessment summarized in this news release is only intended to provide an initial, high-level review of the project. The PEA mine plan and economic model include the use of Mineral Resources which are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as Mineral Reserves. There is no certainty that the Preliminary Economic Assessment will be realized.

[2] Mineral Resources are not Mineral Reserves and do not have demonstrated economic viability. There is no certainty that all or any part of the Mineral Resources will be converted into Mineral Reserves. The rounding of tonnes as required by reporting guidelines may result in apparent differences between tonnes, TREO grade and contained REE.

On behalf of the joint venture partners, Focus Graphite President and CEO Gary Economo stated: “We are very pleased with the results of the PEA, which suggest that the Kwyjibo REE Project is unique in Québec in terms of geological setting, style of mineralization and economic potential. The results not only demonstrate that significant progress has been made in moving the project from the exploration phase to the mineral deposit appraisal phase, but also that the potential to expand REE resources at depth, together with refinements in the hydrometallurgical recovery process and other technical improvements, could result in significant benefits for the project’s economics. Clearly, additional work is warranted at Kwyjibo.”

Mr. Economo added: “Recent outlooks by Forbes[3] have the global demand for electric vehicles climbing to 1.6 million in 2018 and further upwards to an estimated 2 million in 2019. With this trending growth, supply chains will be under extreme pressure to deliver on the necessary rare earth elements. The projects that will be best suited to fill this production gap will be those with high concentrations of the highly sought-after element – neodymium”.

Olivier Grondin, President and CEO of SOQUEM commented: “The development of the Kwyjibo Project can contribute to economic diversification efforts in the Côte-Nord region, while at the same time triggering the growth of a sustainable rare earth industry in Québec. The positive PEA results will also raise awareness about Kwyjibo and shine a new light on Québec as a favourable jurisdiction to host potentially economic rare earth deposits.”

[3] *Source: www.forbes.com/sites/sarwantsingh/2018/04/03/global-electric-vehicle-market-looks-to-fire-on-all-motors-in-2*

PEA Summary

The PEA by Met-Chem covers the mining and milling of REE-bearing magnetitite material from an underground mine, with a mine life of 10 years and a concentrator located on the Kwyjibo Property. Processing includes crushing, grinding, magnetic separation, thickening and filtering of run-of-mine. The TREO concentrate produced at the on-site mill will be shipped to a hydrometallurgical plant located outside the mine site.

The hydrometallurgical processing plant is designed to transform REE concentrate into three separate refined Rare Earth Oxide (“REO”) products for an annual production rate of 9,500 t of TREO. The hydrometallurgical process leaches the concentrate in three steps using solid conversion and is completed by a multi-stage solvent extraction process to produce three REO products: Nd-Pr oxides, Dy oxide and a mix of the remaining REO and Y oxide.

The magnetic separation at the concentrator is designed to produce a 7.00% TREO concentrate with a recovery of 96%. The recovery of TREO from concentrate processed at the hydrometallurgical plant is 78%. The overall TREO recovery is estimated at 75%.

The mine production and the economic result of the PEA are shown below in Table 1.

The PEA was prepared by Met-Chem of Montreal, Québec, a division of DRA Americas Inc., and will be filed on SEDAR at www.sedar.com under Focus Graphite Inc. within 45 days of this news release.

Table 1: PEA Summary Parameters

	Value	Unit
Mine Production		
Production capacity	387 000	t/y
Life mine production	3.55	Mt
Grade (mill feed)	3.29	% TREO
Concentrate production	174 000	t/y
Concentrate grade	7.00	% TREO
Pre-Tax Economic Results		
NPV @ 8%	564.0	M CAD
IRR	21.2	%
Payback Period	3.4	years
Undiscounted Cash Flow	1,454.9	M CAD
After Tax Economic Results		
NPV @ 8%	373.9	M CAD

IRR	17.8	%
Payback Period	3.6	years
Undiscounted Cash Flow	1,070.9	M CAD
Capital Expenditure and Operating Costs		
Capital Expenditure	723.6	M CAD
Sustaining Capital	18.8	M CAD
Revenue	3,463.3	M CAD
Operating Cost	355	CAD/t milled
Operating Cost	14,478	CAD/t REO produced
Life of mine	10	years
Exchange Rate	1.25	CAD/USD
Net smelter Royalty (NSR)[4]	1.5	%

[4] The NSR is payable to the Iron Ore Company of Canada.

Geology and Mineral Resources

The Kwyjibo Rare Earth Element Project, totalling 116 claims and covering 6,273.48 hectares, is located 125 km northeast of the city of Sept-Iles, Québec. The project is also located 25 km east of the Québec North Shore and Labrador railway line (QNS&L) and is only accessible by air from Sept-Iles.

Kwyjibo is located in the Grenville Geological Province of northeastern Québec, and hosts Mesoproterozoic polymetallic iron (Fe), copper (Cu), rare earth elements (REE) and gold (Au) mineralization. The mineralization system comprises six (6) historical showings, distributed in a 4 km-long corridor, with the main Fe-REE mineralization being the Josette Horizon. The Josette Horizon is divided into two zones: Josette Northeast and Josette Southwest.

The Fe-REE mineralization system of the Josette Horizon has been drill tested over a strike length of 1.2 km and to a depth of 300 m. Its thickness varies from a few metres to more than 50 m. The mineralized system remains open at depth. The Josette Northeast Zone is delineated over a strike length of 600 m. The drilling grid consists of 50 m spaced sections on which drill holes are spaced by 50 to 100 m apart. Locally, on the Northeast Zone, 25 m spaced sections have drill holes spaced by 25 to 75 m.

The resource estimate is based on validated results from 109 surface drill holes for a total of 19,168 m of drilling that were completed on the Josette Horizon between 1994 and 2013. About 6,500 m of drill core (total of 4,962 samples) have been assayed for REE, base metals, and major and trace elements. Also, specific gravity was measured for 886 samples from selected 2012 and 2013 drill holes. The geology was interpreted on 2D sections followed by modelling of 3D envelopes of the mineralized zones. The mineral resource estimate was based on 1.5 m-long composites along the holes. Blocks of 10 m x 10 m x 5 m were used and guided by the selective mining unit concept and by the drill hole spacing.

Table 2. Resource Estimates[5]

RESOURCES		TOTAL	REO Light and Heavy		REO Product Types				
Type	Tonnes	TREO	LREO	HREO	$Nd_2O_3 + Pr_2O_3$	Dy_2O_3	Other REO + Y_2O_3	Fe_2O_3	P_2O_5
	*1,000	%	%	%	%	%	%	%	%
Josette Northeast Zone									
Measured	1 634	3.34	2.25	1.09	0.68	0.11	2.55	54.69	4.73
Indicated	2 340	3.49	2.34	1.15	0.71	0.12	2.66	52.54	5.34
M + I	3 974	3.43	2.30	1.12	0.69	0.11	2.62	53.42	5.09
Inferred	1 116	4.04	2.73	1.31	0.81	0.13	3.09	49.81	5.96
Josette Southwest Zone									
Measured	775	1.80	1.21	0.59	0.36	0.06	1.38	54.14	3.80
Indicated	2 167	1.74	1.17	0.57	0.35	0.06	1.34	52.20	3.47

M + I	2 942	1.76	1.18	0.57	0.35	0.06	1.35	52.71	3.56
Inferred	209	1.51	1.02	0.49	0.30	0.05	1.16	40.14	3.83
Combined Zones									
Measured	2 409	2.84	1.92	0.93	0.58	0.09	2.18	54.51	4.43
Indicated	4 507	2.65	1.78	0.87	0.53	0.09	2.03	52.38	4.44
M + I	6 916	2.72	1.83	0.89	0.55	0.09	2.08	53.12	4.44
Inferred	1 325	3.64	2.46	1.18	0.73	0.12	2.78	48.28	5.62

[5] *Cautionary note and other relevant information:*

1. *Mineral Resources are exclusive of Mineral Reserves.*
2. *Mineral Resources which are not Mineral Reserves do not have demonstrated economic viability. The estimate of Mineral Resources may be materially affected by environmental, permitting, legal, title, taxation, sociopolitical, marketing, or other relevant issues.*
3. *The Mineral Resources were estimated using the Canadian Institute of Mining, Metallurgy and Petroleum (CIM) Definition Standards on Mineral Resources and Reserves prepared by the CIM Standing Committee on Reserve Definitions and adopted by the CIM Council on May 10, 2014.*
4. *The Inferred Mineral Resource in this estimate has a lower level of confidence than that applied to an Indicated Mineral Resources and cannot be converted to a Mineral Reserve. It is reasonably expected that the majority of the Inferred Mineral Resource could be upgraded to an Indicated Mineral Resource with continued exploration.*
5. *TREO = La2O3 + Ce2O3 + Pr2O3 + Nd2O3 + Sm2O3 + Eu2O3 + Gd2O3 + Tb2O3 + Dy2O3 + Ho2O3 + Er2O3 + Tm2O3 + Yb2O3 + Lu2O3 + Y2O3.*
6. *LREO = La2O3 + Ce2O3 + Pr2O3 + Nd2O3 + Sm2O3 (as used by Hazen Research Inc.).*
7. *HREO = Eu2O3 + Gd2O3 + Tb2O3 + Dy2O3 + Ho2O3 + Er2O3 + Tm2O3 + Yb2O3 + Lu2O3 + Y2O3 (as used by Hazen Research Inc.).*
8. *The effective date of the resource statement is November 17, 2017.*

Modelling was performed using MineSight® v. 9.00 software and the inverse distance squared (ID2) method to estimate TREO (including individual elements), Fe_2O_3 and P_2O_5 grades for the Measured, Indicated and Inferred categories of mineral resources. No capping was applied as TREO contents do not reveal nugget effect behavior. The geometry of the primary search ellipse was determined from variography analyses with an anisotropy factor applied. Ellipsoid axes in the X, Y and Z domains were set at 150 m × 150 m × 20 m, respectively, using normal and unfolded coordinates for the first pass. Where blocks were not informed in the first pass, a second search was used, keeping the same parameters as the first pass except that the minimum number of composites used to inform a block was reduced to six (6) instead of the nine (9) used in the first pass. Where blocks were not informed after the first and second passes, ellipsoid axes in the X, Y and Z domains were set at 250 m × 250 m × 40 m with the number of composites set at three (3). Two solid models were developed corresponding to the Josette Northeast and Josette Southwest zones. A regressive model was developed to determine the density of each block as a function of interpolated iron content, as iron and TREO grades are strongly correlated. A cut-off of CAD 330 per tonne was applied.

Preliminary Metallurgical Testwork

Following a first round of experimental testwork in 2016[6], Hazen Research Inc. of Golden, Colorado (USA), conducted a second round of experimental metallurgical testwork in 2017 on a representative REE-bearing 40 kg composite sample of magnetitite ore from the Josette Northeast Zone (refer to Focus news release dated November 24, 2016, available at www.focusgraphite.com). The goal of the testwork was to determine the parameters of the extraction pH and the separation factors of the different REE. The testwork included:

- Magnetic separation of the REE-bearing and magnetite-rich sample
- Acid selection studies
- Hydrochloric acid (HCl) leaching of the nonmagnetic concentrate to generate a REE liquor
- Leached liquor neutralization and recovery of the REE as phosphates
- Hydroxide metathesis of the REE phosphates to remove the phosphate and fluoride
- Leaching of the metathesis product to produce a purified REE chloride liquor
- Finally, solvent extraction experiments to determine extraction pH and separation factors for the different REE from the bulk purified chloride liquor.

Test programs comparing the three most commonly used acids were conducted on the non-magnetic concentrate. The results provided the basis for choosing HCl for the leaches. REE recoveries are

summarized in Table 3.

[6] Hydrometallurgical Work for Kwyjibo Project, Purification of Leach Liquor for Recovery of Rare Earth Elements, Revision 1. Hazen Research Inc., January 23, 2018, 162 pages.

Table 3. REE Recoveries in Hydrometallurgical Unit Operations

Unit Operation	TREE + Y Recovery*	HREE Recovery
Leach	98	96
Neutralization	>99	>99
Releach	98**	98**
Reneutralization	99	>99
Metathesis	>99	>99
Metathesis leach	82	81
SX bulk loading	>99	>99
Cumulative recoverya	77.97**	80.4**

SX = solvent extraction
* Represents the cumulative recovery of TREE + Y in the nonmagnetic concentrate
** Expert assumption and calculated based on initial test work at HAZEN Research. This represents an optimized releach extraction. Further testing is needed to confirm the releach optimum extraction.

Also, the initial reagent consumptions have been preliminarily assessed during the test programs. The results are summarized in Table 4.

Table 4. Reagent Addition and Consumption in Hydrometallurgical Unit Operations

Unit Operation	Reagent Consumption (kg/t concentrate)			
	HCl	CaCO3	MgO	50% NaOH
Leach	504	n/a	n/a	n/a
Neutralization	n/a	322	20	n/a
Releach	42	n/a	n/a	n/a
Reneutralization	n/a	n/a	267	n/a
Metathesis	n/a	n/a	n/a	30
Metathesis leach	33	n/a	n/a	n/a
SX bulk loading	n/a	n/a	n/a	59

n/a = not applicable
SX = solvent extraction

The test program was successful in proving and confirming the simple nature of the flowsheet required to extract and separate rare earth elements from the Kwyjibo REE-bearing minerals. The next program will establish the basis for optimization of process areas such as the releach, the metathesis leach and the interaction of calcium.

The Kwyjibo flowsheet was developed to emphasize the production of three REO products: a purified Nd-Pr oxide product, a purified separate Dy oxide product, and a Y-enriched mixed oxide product from the remaining rare earth elements.

About REE and REE Markets

Rare Earth Elements (REE) are a group of specialty metals with distinctive physical, chemical and optical properties that are seeing increases in demand across a wide range of industries, owing to their unique

technological applications. Traditional applications range from permanent magnets, metal alloys, phosphors and catalysts, to polishing compounds, glass and ceramics. With the global drive to reduce greenhouse gas emissions, REE have become critical materials to emerging technologies in the renewable energy sector. Modern applications range from high-performance electric motors, rechargeable batteries in hybrid and electrical vehicles, and energy efficient LED lighting and photovoltaic cells in solar panels, to high-power magnets in air conditioning systems and wind turbines.

The balance of demand and supply in the world market for REE has historically been relatively stable but has become sensitive to factors such as technological innovations and restrictive trade policies. Global consumption of REE has been increasing steadily since the mid 2000s, while supply has tightened dramatically. The global REE production is dominated by China, leaving other countries vulnerable to the availability and uninterrupted supply of Chinese exports to meet their industrial needs. Furthermore, China is increasingly prioritizing its domestic markets by reducing export quotas on REE and raising export taxes.

In their report entitled “Rare Earth Market Study for Kwyjibo Preliminary Economic Assessment”, Adamas Intelligence[7], an independent market research and advisory services group, states:

“Within the next ten years Adamas Intelligence believes that the evolving supply-demand fundamentals of the rare earth market will open a window of opportunity for multiple new rare earth mines to be developed outside of China, so long as these new mines are economically viable, and their output is comprised predominantly of the rare earth elements the market will necessitate most.”

Adamas Intelligence further states:

“The Kwyjibo Project offers strong economic exposure to the permanent magnet sector, which is the fastest-growing end-use category and most in need of additional rare earth supply.”

Neodymium and praseodymium are the principal REE used in high-powered magnets while dysprosium and terbium are also used in small amounts to allow magnets to retain their properties at higher temperatures.

[7] *Rare Earth Market Study for Kwyjibo Preliminary Economic Assessment, Adamas Intelligence, February 23, 2018, 23 pages*.

Qualified Persons

This press release has been reviewed for accuracy and compliance under National Instrument 43-101 Standards of Disclosure for Mineral Projects by the following qualified persons as defined by NI 43-101:

The technical information in this press release has been reviewed and approved by Mr. Rock Gagnon, P. Eng. of DRA/Met-Chem, and other qualified persons as relevant to their area of responsibility and expertise.

The mineral resource estimate, which forms the basis of the PEA, was prepared by S. Ibrango, P.Geo., PhD, MBA, Chief of Geology and Hydrogeology at Met-Chem, an "independent qualified person" as defined in NI 43-101.

The technical information on metallurgical testwork and hydrometallurgy was reviewed and approved by Mr. Eric Larochelle, P.Eng., President of SMH Process Innovation and an independent consultant to Met-Chem.

The non-technical content of this news release was reviewed and approved by Mr. Marc-André Bernier, M.Sc., P.Geo. (Québec and Ontario), Senior Geoscientist with the *Table Jamésienne de Concertation Minière* (TJCM) of Chibougamau, Québec, and a consultant to Focus Graphite Inc.

About Focus Graphite

Focus Graphite Inc. is an emerging mid-tier junior mining development company, a technology solutions supplier and a business innovator. Focus is the owner of the Lac Knife flake graphite project located 27 km south of Fermont, Québec, currently at the advanced environment assessment stage. To meet Québec stakeholder interests for the transformation of mine concentrate within the province and to add shareholder value, Focus is evaluating the feasibility of producing value-added graphite products including battery-grade spherical graphite.

Focus also holds a significant equity position in graphene applications developer Grafoid Inc. and is a member of the 2GL Alliance with Grafoid, Stria Lithium Inc. and Braille Battery Inc.

About SOQUEM

SOQUEM Inc., a subsidiary of Ressources Québec, is a leading player in mineral exploration in Québec. Its mission is to explore, discover and develop mining properties in Québec. SOQUEM has participated in more than 350 exploration projects and contributed to major discoveries of gold, diamonds, lithium and other mineral commodities.

About Met-Chem/DRA

The Met-Chem division of DRA Americas was originally established in 1969 as a consulting engineering company, headquartered in Montreal, and provides a wide range of technical and engineering services. Met-Chem is well-recognized for its capabilities in mining, geology and mineral processing, and has a talented team of engineering, technical and project management personnel with experience in North America, Latin America, Europe, West Africa and India. DRA is a multi-disciplinary global engineering group that originated in South Africa and delivers mining, mineral processing, energy, water treatment and infrastructure services from concept to commissioning, as well as comprehensive operations and maintenance services for the mineral resources, water, agriculture and energy sectors. DRA has offices in Africa, Australia, Canada, China and the United States.

Forward Looking Statements – Disclaimer

This news release contains forward looking information within the meaning of Canadian securities legislation. All information contained herein that is not clearly historical in nature may constitute forward-looking information. Generally, such forward-looking information can be identified by the use of forward-looking terminology such as “plans”, “expects”, or “does not expect”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates”, or “does not anticipate”, or “believes”, or variations of such words or phrases or state that certain actions, events or results “may”, “could”, “would”, “might”, or “will be taken”, “occur”, or “be achieved”. Forward-looking information is subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking Information, including but not limited to: (i) volatile stock price; (ii) the general global markets and economic conditions; (iii) the possibility of write-downs and impairments; (iv) the risk associated with exploration, development and operations of mineral deposits; (v) the risk associated with establishing title to mineral properties and assets; (vi) the risks associated with entering into joint ventures; (vii) fluctuations in commodity prices; (viii) the risks associated with uninsurable risks arising during the course of exploration, development and production; (ix) competition faced by the resulting issuer in securing experienced personnel and financing; (x) access to adequate infrastructure to support mining, processing, development and exploration activities; (xi) the risks associated with changes in the mining regulatory regime governing the resulting issuer; (xii) the risks associated with the various environmental regulations the resulting issuer is subject to; (xiii) risks related to regulatory and permitting delays; (xiv) risks related to potential conflicts of interest; (xv) the reliance on key personnel; (xvi) liquidity risks; (xvii) the risk of potential dilution through the issue of common shares; (xviii) the Company does not anticipate declaring dividends in the near term; (xix) the risk of litigation; and (xx) risk management.

Forward-looking information is based on assumptions management believes to be reasonable at the time such statements are made, including but not limited to, continued exploration activities, no material adverse

change in metal prices, exploration and development plans proceeding in accordance with plans and such plans achieving their expected outcomes, receipt of required regulatory approvals, and such other assumptions and factors as set out herein. Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in the forward-looking information, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such forward-looking information will prove to be accurate, as actual results and future events could differ materially from those anticipated in such forward-looking information. Such forward-looking information has been provided for the purpose of assisting investors in understanding the Company’s business, operations and exploration plans and may not be appropriate for other purposes. Accordingly, readers should not place undue reliance upon forward-looking information. Forward-looking information is made as of the date of this news release, and the Company does not undertake to update such forward-looking information except in accordance with applicable securities laws.

Contact

Focus Graphite Inc.
Mr. Gary Economo
Chief Executive Officer
+1 (613) 241-4040
geconomo@focusgraphite.com
www.focusgraphite.com

SOQUEM Inc.
Mr. Olivier Grondin
Chief Executive Officer
+ 1 (819) 874-3773
olivier.grondin@soquem.qc.ca
http://soquem.qc.ca/

Media contact

Fernández Relations Publiques Inc.
Anne-Marie-A. Savoie
Associate Director of Media Relations
annemarie@fernandezcom.ca
+1 (418) 704-1559, ext. 228