FOCUS GRAPHITE INC.

Financial Statements

For the years ended September 30, 2019 and 2018

(Expressed in Canadian Dollars)

Independent Auditor's Report

To the Shareholders of Focus Graphite Inc.:

Opinion

We have audited the financial statements of Focus Graphite Inc. (the "Company"), which comprise the statements of financial position as at September 30, 2019 and September 30, 2018, and the statements of comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at September 30, 2019 and September 30, 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audits of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the financial statements, which states that the Company incurred a net loss of $4,496,840 and incurred cash flows from operations of $3,024,833 during the year ended September 30, 2019. In addition, the Company has an accumulated deficit of $46,215,672 as at September 30, 2019. These events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information comprises Management's Discussion and Analysis.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audits or otherwise appears to be materially misstated. We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Anand Beejan.

Montréal, Québec

MNP SENCRL, srl [1]

December 20, 2019

[1] CPA auditor, CA, public accountancy permit no. A126822

MNP SENCRL srl / LLP

Focus Graphite Inc.
(An exploration stage Company)
Statements of Financial Position
(Expressed in Canadian dollars)

As at	**September 30, 2019**	September 30, 2018
	$	$
ASSETS		
Current assets		
Cash	**109**	110,835
Sales tax receivable	**396,137**	888,350
Amounts due from related parties (Note 15)	**50,217**	141,598
Tax credits	**628,281**	399,118
Prepaid expenses	**73,934**	272,393
	1,148,678	1,812,294
Long-term investment (Note 4)	**25,000**	100,000
Mineral exploration properties (Note 6)	**1,363,977**	1,363,977
Exploration and evaluation assets (Note 6)	**32,153,145**	29,825,309
Total assets	**34,690,800**	33,101,580
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (Note 15)	**3,690,350**	2,039,977
Amounts due to related parties (Note 15)	**3,165,000**	
Other current liabilities (Note 7)	**114,078**	15,625
	6,969,428	2,055,602
Total liabilities	**6,969,428**	2,055,602
EQUITY		
Share capital (Note 9)	**60,525,025**	59,697,225
Warrants (Note 10)	**1,683,474**	1,611,690
Contributed surplus	**11,455,303**	11,182,653
Accumulated other comprehensive income	**273,242**	273,242
Deficit	**(46,215,672)**	(41,718,832)
Total equity	**27,721,372**	31,045,978
Total liabilities and equity	**34,690,800**	33,101,580

Going concern (Note 2)

On behalf of the Board

(signed) "Gary Economo" — Gary Economo, Director

(signed) "Jeffrey York" — Jeffrey York, Director

The accompanying notes are an integral part of these financial statements.

Focus Graphite Inc.
(An exploration stage Company)
Statements of Comprehensive Loss
For the years ended September 30
(Expressed in Canadian dollars)

	2019	2018
	$	$
Operating expenses		
Management and consulting fees (Note 15)	**3,249,212**	3,401,060
Salaries and benefits	**144,338**	237,934
Travel and promotion	**123,771**	393,159
Professional fees	**119,667**	320,985
Office	**324,919**	295,654
Stock-based compensation (Note 11)	**116,145**	680,214
Loss from operations	**(4,078,052)**	(5,329,006)
Other income (expense)		
Interest income	**530**	366
Legal settlement	**-**	(170,000)
Other income related to flow-through shares (Note 7)	**15,625**	253,583
Other income	**7,367**	-
Adjustment to fair value of LT investment	**(75,000)**	-
Accretion Expense	**(200,000)**	-
Reversal of impairment/(impairment) of investment in associate (Note 5)	**-**	2,732,739
Reversal of impairment/(impairment) of amount due from related party (Note 5)	**(167,310)**	360,000
Net loss before income taxes	**(4,496,840)**	(2,152,318)
Net loss	**(4,496,840)**	(2,152,318)
Total comprehensive loss	**(4,496,840)**	(2,152,318)
Basic and diluted net loss per common share	**(0.01)**	(0.01)
Basic and diluted weighted average number of common shares outstanding	**368,358,258**	338,766,073

The accompanying notes are an integral part of these financial statements.

Focus Graphite Inc.
(An exploration stage Company)
Statements of Changes in Equity
(*Expressed in Canadian dollars)*

	Share capital		Warrants	Contributed surplus	Accumulated other comprehensive income	Deficit	Total
	# of shares	$	$	$	$	$	$
Balance, September 30, 2017	**269,585,740**	**54,386,387**	**1,367,788**	**10,469,341**	**273,242**	**(39,566,514)**	**26,930,244**
Shares issued	78,850,600	5,876,923					5,876,923
Warrants issued			277,000				277,000
Expiry of warrants			(33,098)	33,098			-
Stock-based compensation				680,214			680,214
Share issuance costs		(566,085)					(566,085)
Net loss						(2,152,318)	(2,152,318)
Balance, September 30, 2018	**348,436,340**	**59,697,225**	**1,611,690**	**11,182,653**	**273,242**	**(41,718,832)**	**31,045,978**
Shares issued	25,500,000	960,000					960,000
Warrants issued			228,289				228,289
Expiry of warrants			(156,505)	156,505			-
Stock-based compensation				116,145			116,145
Share issuance costs		(132,200)					(132,200)
Net loss						(4,496,840)	(4,496,840)
Balance, September 30, 2019	**373,936,340**	**60,525,025**	**1,683,474**	**11,455,303**	**273,242**	**(46,215,672)**	**27,721,372**

The accompanying notes are an integral part of these financial statements.

Focus Graphite Inc.
(An exploration stage Company)
Statements of Cash Flows
For the years ended September 30
(*Expressed in Canadian dollars)*

	2019	2018
	$	$
OPERATING ACTIVITIES		
Net loss	**(4,496,840)**	(2,152,318)
Adjustments for:		
Stock-based compensation	**116,145**	680,214
Interest income	**(530)**	(366)
Other income related to flow-through shares	**(15,625)**	(253,583)
Impairment/(Reversal) of Impairment of investment in associate (Note 5)	**-**	(3,092,739)
Fair value adjustment on long-term investment	**75,000**	-
Accretion expense	**200,000**	-
Changes in working capital items (Note 12)	**1,097,017**	(638,598)
Net cash used in operating activities	**(3,024,833)**	(5,457,390)
INVESTING ACTIVITIES		
Loan repayment by associate	**-**	3,092,739
Acquisition of mineral exploration properties	**-**	(36,378)
Interest received	**530**	366
Exploration and evaluation costs	**(1,221,589)**	(3,414,630)
Net cash used in investing activities	**(1,221,059)**	(357,903)
FINANCING ACTIVITIES		
Loans from related parties	**2,965,000**	-
Common and flow-through shares issued	**1,074,078**	5,892,548
Warrants issued	**228,289**	277,000
Share issuance costs	**(132,200)**	(566,085)
Net cash provided by financing activities	**4,135,167**	5,603,463
Decrease in cash	**(110,725)**	(211,830)
Cash, beginning of the year	**110,835**	322,665
Cash, end of the year	**109**	110,835

Supplemental cash flow information is provided in Note 12.

The accompanying notes are an integral part of these financial statements.

1. NATURE OF OPERATIONS

Focus Graphite Inc. (the "Company" or "Focus") was incorporated on December 30, 1998 under the Canada Business Corporations Act.

Focus is engaged in the acquisition, exploration and development of mineral properties in Quebec, Canada. The Company is in the exploration stage and does not derive any revenue from its properties. The address of the Company's corporate office is 945 Princess Street, Kingston, Ontario, Canada. Focus Graphite Inc.'s common shares are listed for trading on the TSX Venture Exchange ("TSX-V") under the symbol "FMS" and on the OTCQX Exchange in the U.S. under the symbol "FCSMF".

2. GOING CONCERN ASSUMPTION

These financial statements have been prepared on a going concern basis in accordance with International Financial Reporting Standards ("IFRS"). The going concern basis of presentation assumes the Company will continue to operate for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. The Company is in the exploration stage and has not earned revenue from operations. During the year ended September 30, 2019, the Company incurred a net loss of $4,496,840 (2018 - $2,152,318) and cash flows from operations of negative $3,024,833 (2018 – negative $5,457,390). In addition, the Company has a deficit of $46,215,672 (2018 – $41,718,832).

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

The Company's ability to continue as a going concern, realize its assets and discharge its liabilities in the normal course of business, meet its corporate administrative expenses and continue its exploration activities in fiscal 2020, is dependent upon Management's ability to obtain additional financing, through various means including but not limited to equity financing. No assurance can be given that any such additional financing will be available, or that it can be obtained on terms favorable to the Company.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Standards, amendments and interpretations

Effective in the current year

The IASB has issued the following amendments, which are applicable to the Company in the current year.

IFRS 9 - Financial Instruments

In July 2014, the IASB published IFRS 9 which replaces IAS 39, Financial Instruments: Recognition and Measurement. IFRS 9 introduces improvements which include a logical model for classification and measurement of financial instruments, a single, forward-looking "expected credit loss" impairment model and a substantially-reformed approach to hedge accounting. IFRS 9 is effective for annual reporting periods beginning on or after January 1, 2018. Earlier application is permitted. As a result of the adoption of IFRS 9, the Company has changed its accounting policy for financial instruments retrospectively, for ones that were recognized at the date of application, which was January 1, 2018. The following is the Company's new accounting policy under IFRS 9.

a) Classification

In implementing IFRS 9, the Company updated the financial instruments classification within its accounting policy as follows:

Financial Assets/ Liabilities	New classification under IFRS 9
Cash	Amortized cost
Long-term investments	FVTPL
Accounts payable and accrued liabilities	Financial Liabilities at amortized costs
Amounts due to related parties	Financial Liabilities at amortized costs

The Company determines the classification of financial assets at initial recognition. The classification of its instruments is driven by the Company's business model for managing the financial assets and their contractual cash flow characteristics. Investments that are held for trading are classified as FVTPL. Financial liabilities are measured at amortized cost, unless they are required to be measured at FVTPL or the Company has opted to measure them at FVTPL.

b) Measurement

Financial assets and liabilities at amortized cost

Financial assets and liabilities at amortized cost are initially recognized at fair value plus or minus transaction costs, respectively, and subsequently carried at amortized cost less any impairment.

Financial assets and liabilities at FVTPL

Financial assets and liabilities carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the statements of net loss. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets and liabilities held at FVTPL are included in the statements of net loss in the period in which they arise. The Fair Value adjustment for the Investment was $75,000 for 2019 (2018 - $Nil). Where Company has opted to recognize a financial liability at FVTPL, any changes associated with the Company's own credit risk will be recognized in other comprehensive loss.

c) Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the Company measures the loss allowance for the financial asset at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the Company measures the loss allowance for the financial asset at an amount equal to twelve month expected credit losses. The Company recognizes in the statements of net loss, as an impairment gain or loss, the amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognized.

Not adopted in the current year

<u>*IFRS 16, Leases ("IFRS 16")*</u>

In January 2016, the IASB issued IFRS 16, completing its project to improve the financial reporting of leases. The new standard will replace IAS 17 "Leases" (IAS 17), and it sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract. For lessees, IFRS 16 eliminates the classification of leases as either operating or finance leases that exist under IAS 17, and requires recognition of assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. IFRS 16 substantially carries forward the lessor accounting requirements under IAS 17. IFRS 16 is to be applied retrospectively, using either a full retrospective approach or a modified retrospective approach, for annual periods beginning on or after January 1, 2019. The Company is yet to adopt the amendments to IFRS 16,but based on the initial assessment there will not be any significant impact on the Company's financial statements.

(a) Basis of presentation and compliance with IFRS

These financial statements have been prepared on a historical cost basis, as modified by revaluation of certain financial instruments, and are expressed in Canadian dollars, which is also the functional currency of the Company. These financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB").

These financial statements were authorized for issue by the Board of Directors on December 20, 2019.

(b) Judgments, estimates and assumptions

When preparing the financial statements, Management makes a number of judgments, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses.

<u>Significant Management judgment</u>

The following are significant Management judgments in applying the accounting policies of the Company that have the most significant effect on the financial statements.

Significant influence assessment and assessment of indicators of impairment of an equity-method investee

The assessment as to whether or not the Company has significant influence over an investee requires judgment. Even though Focus holds less than 20% of the voting rights in Grafoid Inc. ("Grafoid"), with an ownership interest of 16.38% as at September 30, 2019 (Note 6), Management considers the Company to have significant influence over Grafoid. Management considers various facts and circumstances in arriving at this assessment, including but not limited to Focus' representation on the Board of Directors of Grafoid.

Determination of technical feasibility and commercial viability of mineral properties

Mining rights and expenses related to exploration and evaluation activities are capitalized on a property by property basis pending determination of the technical feasibility and commercial viability of the project. When technical feasibility and commercial viability of extracting a mineral resource are demonstrable, mining rights and expenses related to exploration and evaluation activities of the related mining property are transferred to mining assets under construction and all subsequent expenditures on the construction, installation or completion of infrastructure facilities are capitalized to mining assets under construction. The determination as to when a mineral property is deemed to be technically feasible and commercially viable is subject to Management judgment. Management considers various facts and circumstances, including but not limited to the securing of financing and the approval of the Company's Board of Directors, in arriving at this assessment.

Recognition of deferred income tax assets and measurement of income tax expense

Management continually evaluates the likelihood that its deferred tax assets could be realized. This requires Management to assess whether it is probable that sufficient taxable income will exist in the future to utilize these losses within the carry-forward period. By its nature, this assessment requires significant judgment. To date, Management has not recognized any deferred tax assets in excess of existing taxable temporary differences expected to reverse within the carry-forward period.

Going concern

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay for its ongoing operating expenditures, meet its liabilities for the ensuing year, and to fund planned and contractual exploration programs, involves significant judgment based on historical experience and other factors including expectation of future events that are believed to be reasonable under the circumstances. See Note 2 for more information.

Estimation uncertainty

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Impairment of mineral exploration properties and exploration and evaluation assets

Determining if there are any facts or circumstances indicating impairment loss or reversal of impairment losses is a subjective process involving judgment and a number of estimates and interpretations in many cases.

Determining whether to test for impairment of mineral exploration properties and exploration and evaluation assets requires Management's judgment, among others, regarding the following: the period for which the entity has the right to explore in the specific area has expired or will expire in the near future, and is not expected to be renewed; substantive expenditure on further exploration and evaluation of mineral resources in a specific area is neither budgeted nor planned; exploration for and evaluation of mineral resources in a specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; or sufficient data exists to indicate that, although a development in a specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

When an indication of impairment loss or a reversal of an impairment loss exists, the recoverable amount of the individual asset must be estimated. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs must be determined. Identifying the cash-generating units requires Management judgment. In testing an individual asset or cash-generating unit for impairment and identifying a reversal of impairment losses, Management estimates the recoverable amount of the asset or the cash-generating unit. This requires Management to make several assumptions as to future events or circumstances. These assumptions and estimates are subject to change if new information becomes available. Actual results with respect to impairment losses or reversals of impairment losses could differ in such a situation and significant adjustments to the Company's assets and earnings may occur during the next period.

Share-based payments

The estimation of stock-based compensation and valuation assigned to warrants requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The Company has made estimates as to the volatility of its own shares, the probable life of stock options and warrants granted and the time of exercise of those stock options and warrants. The valuation model used by the Company is the Black-Scholes model.

The Company allocates values to share capital and to warrants on the residual basis when the two are issued together as a unit. As this allocation is based upon the share price at the time of issuance and the stock is thinly-traded, the actual value of the components may differ from this allocation.

(c) Investments in associates

Associates are entities over which the Company is able to exert significant influence, but which are not subsidiaries.

The investments in associates are accounted for using the equity method and are initially recognized at cost plus transaction costs.
The carrying amount of the investment in associates is increased or decreased to recognize the Company's share of the profit or loss and other comprehensive income of the associate, adjusted where necessary to ensure consistency with the accounting policies of the Company.

If the Company's share of losses of an associate equals or exceeds its interest in the associate, the Company discontinues recognizing its share of further losses. Additional losses are provided for, and a liability is recognized only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

(d) Foreign currency translation

Foreign currency transactions are translated into the functional currency, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Exchange differences resulting from the settlement of such transactions and from the re-measurement of monetary items at year-end exchange rates are recognized in profit or loss.

Non-monetary items measured at historical cost are translated using the exchange rates at the date of the transaction (not re-translated). Non-monetary items measured at fair value are translated using the exchange rates at the date when fair value was determined.
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(e) Fair value hierarchy

Financial instruments measured at fair value on the statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels: Level 1 – valuation based on quoted prices unadjusted in active markets for identical assets or liabilities; Level 2 – valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); Level 3 – valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company's long-term investment (2,500,000 shares in Braille Energy systems Inc. ("BESI") (formerly Mincom Capital Inc.), is classified as Level 1 and measured based on the quoted price of the shares of BESI on the TSX Venture Exchange ("TSX-V"), with additional consideration given to BESI's financials. At

September 30, 2016, the Company measured its long-term investment by direct reference to the last trading price of BESI's shares on the TSX-V, which was $0.05. At the time, Management considered that there was sufficient trading volume of Mincom's shares that it was an appropriate Level 1 input on which fair value could be measured. At September 30, 2017, the trading volume of BESI's shares was no longer considered to be sufficient to be considered a Level 1 input, as the shares were halted for a prolonged period due to a pending transaction. Instead, the last trading price was considered as a Level 2 input and Management considered other financial information of BESI to support the measurement. During 2018, the Company's long-term investment was transferred from Level 2 to Level 1 as the shares of BESI have resumed trading and has been Level 1 for 2019 as well. There were no other transfers between fair value hierarchy levels during the year.

(f) Basic and diluted loss per share

Basic loss per share is computed by dividing the net loss attributable to owners of the parent for the period by the weighted average number of common shares outstanding during the period. The computation of diluted loss per share assumes the conversion or exercise of securities only when such conversion or exercise would have a dilutive effect on earnings per share. The diluted loss per share is equal to the basic loss per share because the effect of warrants and stock options (Notes 11 and 12) is antidilutive as it would decrease the loss per share.

(g) Tax credits and credit on duties

The Company is eligible for a refundable credit on mining duties under the Quebec Mining Duties Act. This refundable credit on mining duties is equal to 16% applicable on 50% of the eligible expenses. The accounting treatment for refundable credits on mining duties depends on Management's intention to either go into production in the future or to sell its mining properties to a mining company once the technical feasibility and the economic viability of the properties have been demonstrated. This assessment is made at the level of each mining property.

In the first case, the credit on mining duties is recorded as an income tax recovery, under IAS 12, Income Taxes, which generates a deferred tax liability and deferred tax expense since the exploration and evaluation assets have no tax basis following the Company's election to claim the refundable credit.

In the second case, it is expected that no mining duties will be paid in the future and, accordingly, the credit on mining duties is recorded against exploration and evaluation assets.

Currently, it is Management's intention to have the Company sell its mining properties to a mining company, as such, the credit on mining duties is recorded against exploration and evaluation assets.

The Company is also eligible for a refundable tax credit related to resources for mining industry companies in relation to eligible expenses incurred. The refundable tax credit related to resources can represent up to 38.50% for eligible expenses and is recorded as a government grant against exploration and evaluation assets.

Credits related to resources and credits for mining duties recognized against exploration and evaluation assets are initially recorded at fair value when there is reasonable assurance that they will be received and the Company will comply with the conditions associated with the grant.

(h) Research and development costs

Costs related to research activities are expensed as incurred. Costs that are directly attributable to a project's development phase are recognized as intangible assets, provided they meet the following recognition requirements: (i) the development costs can be measured reliably; (ii) the project is technically and commercially feasible; (iii) the Company intends to and has sufficient resources to complete the project; (iv) the Company has the ability to use or sell the product or equipment; and (v) the product, equipment or process will generate probable future economic benefits. Development costs not meeting all these criteria are expensed as incurred. To date, no development costs have been capitalized.

(i) Mineral exploration properties and exploration and evaluation assets

Mineral exploration properties include the cost of acquiring mining rights. Exploration and evaluation assets include expenses directly related to the exploration and evaluation activities. These costs are capitalized and are carried at cost less any impairment loss recognized. Costs incurred before the legal right to undertake exploration and evaluation activities on a project was acquired, are expensed in the statement of comprehensive loss.

Mining rights and expenses related to exploration and evaluation activities are capitalized on a property by property basis pending determination of the technical feasibility and commercial viability of the project. No amortization is recognized during the exploration and evaluation phase. Costs capitalized include drilling, project consulting, geophysical, geological and geochemical studies, as well as other costs related to the evaluation of the technical feasibility and commercial viability of extracting a mineral resource.

When technical feasibility and commercial viability of extracting a mineral resource are demonstrable, mining rights and expenses related to exploration and evaluation activities of the related mining property are transferred to mining assets under construction. Before the reclassification, mineral exploration properties and exploration and evaluation assets are tested for impairment and any impairment loss is recognized in profit or loss before reclassification.

Upon transfer of exploration and evaluation assets into mining assets under construction, all subsequent expenditures on the construction, installation or completion of infrastructure facilities are capitalized with mining assets under construction. After the development stage, all assets included in mining assets under construction are transferred to mining assets and amortized over the expected productive lives of the assets.

(j) Joint arrangements

Investments in joint arrangements (IFRS 11 Joint Arrangements)

A joint arrangement is a contractual arrangement whereby the two or more parties have joint control. Joint control is the contractually agreed sharing control of an arrangement, which exists only when decisions about relevant activities require unanimous consent of the parties sharing control.

Joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities relating to the joint arrangement.

The Company recognizes assets, liabilities, revenue and expenses in relation to its interest in joint operations on a line by line basis in accordance with the IFRSs applicable to the particular financial statement line item.

With respect to transactions with joint operations that has joint control], the Company recognizes gains and losses only to the extent of the other parties’ interests in the joint operation. However, when the transaction provides evidence of a reduction in net realizable value or an impairment loss the Company fully recognizes those losses.

When the Company enters into a transaction with a joint operation, the Company does not recognize its share of gains and losses until it resells the related assets to third parties. However, when the transaction provides evidence of a reduction in net realizable value or an impairment loss the Company recognizes its share of those losses."

(k) Impairment of non-financial assets

For impairment assessment and testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating unit ("CGU"). The Company considers each mineral property to be a separate CGU, and therefore assesses for indicators of impairment individually for each mineral property.

At each reporting date, the Company assesses non-financial assets including mineral exploration properties and exploration and evaluation assets, property and equipment and intangible assets for impairment when facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount, being the higher of the value in use and the fair value less costs of disposal. Additionally, when technical feasibility and commercial viability of extracting a mineral resource are demonstrable, the assets of the mineral property are tested for impairment before these items are transferred to mining assets under construction. If the recoverable amount of the asset is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount with the impairment recognized immediately in profit or loss.

Where an impairment subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, subject to the amount not exceeding the carrying amount that would have been determined had impairment not been recognized for the asset in prior periods. Any reversal of impairment is recognized immediately in profit or loss.

(k) Provisions and contingent liabilities

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation, and the amount of the obligation can be reliably estimated. Timing or amount of the outflow may still be uncertain. If the effect is material, provisions are measured by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

The Company's operations are governed by government environment protection legislation. Environmental consequences are difficult to identify in terms of amounts, timetable and impact. As of the reporting date, Management believes that the Company's operations are in compliance with current laws and regulations. Site restoration costs currently incurred are negligible. When the technical feasibility and commercial viability of extracting a mineral resource have been demonstrated, a restoration provision will be recognized in the cost of the mining property when there is a constructive commitment that has resulted from past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be measured with sufficient reliability.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. The Company had no material provisions as at September 30, 2019 and September 30, 2018.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognized, unless it was assumed in the course of a business combination. In a business combination, contingent liabilities are recognized in the course of the allocation of the purchase price to the assets and liabilities acquired in the business combination. They are subsequently measured at the higher amount of a comparable provision as described above and the amount initially recognized, less any amortization.

(l) Employee benefits

The cost of short-term employee benefits (including non-monetary benefits such as group medical and dental insurance) are recognized in the period in which the service is rendered and are not discounted.

(m) Income taxes

Tax expense recognized in profit or loss comprises the sum of deferred and current tax not recognized in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with shares in subsidiaries and associates is not provided if reversal of these temporary differences can be controlled by the Company and it is probable that the reversal will occur in the foreseeable future.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period. Deferred tax liabilities are always provided for in full. Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income.

Deferred tax assets and liabilities are offset only when the Company has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognized as deferred income tax expense in profit or loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

(n) Equity

Share capital

Share capital represents the amount received on the issue of shares. Transaction costs directly attributable to the issuance of common shares are recognized as a reduction of share capital. If shares are issued when options and warrants are exercised, the share capital account also comprises amounts previously recorded as contributed surplus. In addition, if shares are issued as consideration for the acquisition of a mineral property or some other form of non-monetary assets, they are measured at the fair value of the assets or services received or the fair value of the shares issued, according to the quoted price on the day of the conclusion of the agreement.

Flow-through financings

Issuance of flow-through units represents in substance an issue of common shares, warrants (if applicable) and the sale of the right to tax deductions to the investors. When the flow-through units are issued, the sale of the right to tax deductions is deferred and presented as other liabilities in the statement of financial position. The proceeds received from flow-through placements are allocated between share capital, warrants issued and the liability using the residual method. Proceeds are first allocated to shares according to the quoted price of existing shares at the time of issuance, then to warrants (if applicable) according to the fair value of the warrants at the time of issuance and any residual in the proceeds is allocated to the liability. The fair value of the warrants is estimated using the Black-Scholes valuation model. The liability component recorded initially on the issuance of shares is reversed on renouncement of the right to tax deductions to the investors and when eligible expenses are incurred and recognized in profit or loss in other income related to flow-through shares.

Unit placements

Under the residual method, proceeds are first allocated to shares according to the quoted prices of existing shares at the time of issuance and any residual in the proceeds is allocated to warrants.

Warrants

Warrants include charges related to the issuance of warrants until such equity instruments are exercised.

Contributed surplus

Contributed surplus includes charges related to stock-based compensation until such equity instruments are exercised, as well as expired or forfeited warrants.

Deficit

Deficit includes all current and prior period profits or losses.

(o) Equity-settled stock-based payment transactions

The Company operates an equity-settled stock-based remuneration plan (stock option plan) for directors, officers, employees and certain consultants. The Company's plan does not feature any options for a cash settlement. Occasionally, the Company may issue warrants to brokers.

All goods and services received in exchange for the grant of any stock-based payments are measured at their fair values, unless that fair value cannot be estimated reliably. If the Company cannot estimate reliably the fair value of the goods or services received, the Company shall measure their value indirectly by reference to the fair value of the equity instruments granted. Where employees, or consultants providing similar services, are rewarded using stock-based payments, the fair values of the services rendered are determined indirectly by reference to the fair value of the equity instruments granted. The fair value is measured at the grant date and if applicable, recognized over the vesting period. The fair value of the options granted is measured using the Black-Scholes option-pricing model, taking into account the terms and conditions upon which the options were granted. Estimates are subsequently revised if there is any indication that the number of stock options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment is made to any expense recognized in prior periods if stock options ultimately exercised are different to that estimated on vesting. Stock-based compensation expense incorporates an expected forfeiture rate.

All stock-based payments under the plan (except warrants to brokers) are ultimately recognized as an expense in the profit or loss or capitalized as an exploration and evaluation asset, depending on the nature of the payment with a corresponding credit to contributed surplus, in equity. At the same time, upon exercise of a stock option, the proceeds received net of any directly attributable transaction costs are recorded as share capital. The accumulated charges related to the stock options recorded in contributed surplus are then transferred to share capital. Warrants issued to brokers are recognized as issuance cost of equity instruments with a corresponding credit to warrants, in equity.

(Expressed in Canadian dollars)

(p) Segmented reporting

The Company is organized into business units based on mineral properties and has determined that there was only one business segment, being the acquisition, exploration and potential development of mineral properties, based on information that is regularly reviewed by the chief operating decision-maker.

(q) Operating lease agreements

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments under an operating lease are charged to the statement of comprehensive loss on a straight-line basis over the period of the lease. Related expenses, such as maintenance and insurance expenses, are charged as incurred.

4. LONG-TERM INVESTMENT

Investment in Braille Energy Systems Inc. ("BESI") (formerly Mincom Capital Inc)

On May 8, 2014, further to the sale of the Company's Romer property to Braille Energy Systems Inc. ("BESI") (formerly Mincom Capital Inc), Focus received 2,500,000 common shares in BESI, valued at $450,000 (Note 8e). The fair value of the shares received was based on the quoted market price on the closing date of the transaction. The shares are classified as FVTPL and are measured at fair value. The Company does not exercise significant influence over BESI.

As at September 30, 2019, the Company's investment in BESI was as follows:

	Opening Fair Value	Fair value adjustment	Fair Value
2,500,000 common shares in BESI	100,000	-75,000	25,000

As at September 30, 2018, the Company's investment in BESI was as follows:

	Cost	Impairment	Fair value adjustment	Fair value
	$	$	$	$
2,500,000 common shares in BESI	450,000	(375,000)	25,000	100,000

(1) 625,000 (2018 – 2,500,000) of these shares are held in escrow as at September 30, 2019.

5. INVESTMENT IN ASSOCIATE

<u>Grafoid Inc.</u>

Grafoid is a privately-held graphene research and development company, with its principal place of business in Kingston, Ontario.

As at September 30, 2019, no dividends were received from Grafoid.

On July 3, 2013, the Company lost control over Grafoid, further to the dilution of the Company's ownership interest. Given its 21% ownership interest in Grafoid at that date, the Company continued to have significant influence. As such, the investment in Grafoid was recorded as an investment in an associate at fair value ($2,400,000) and is accounted for using the equity method in accordance with International Accounting Standard 28, "Investments in Associates and Joint Ventures" ("IAS 28"). The Company's share of Grafoid's net losses subsequent to the loss of control is recorded in the statements of comprehensive loss.

In February 2014, Focus' Board of Directors approved the conversion of an outstanding $1,500,000 loan to Grafoid into 3,000,000 common shares at a deemed price of $0.50 per share, increasing the Company's holdings in Grafoid to 7,800,000 common shares.
Subsequent to July 3, 2013 and continuing through to September 30, 2018, Focus' ownership interest in Grafoid has fluctuated, further to multiple capital raises and other share issuances by Grafoid, including the 3,000,000 shares issued to the Company, as described above. Despite these fluctuations, Management has not changed its assessment and considers Focus to have maintained significant influence over Grafoid throughout this period. Management takes into consideration various facts and circumstances in arriving at this assessment, including but not limited to Focus' continued representation on Grafoid's Board of Directors.

During the 2017 fiscal year, loan advances were made to Grafoid in the amount of $3,092,739 that, in substance, form part of the Company's net investment in Grafoid. At September 30, 2017, Management determined that there was objective evidence of an impairment of its equity interest in Grafoid taking into consideration factors including Grafoid's financial position and results from operations. As a result, Management estimated the recoverable amount of the Company's investment in Grafoid to be $Nil and recognized an impairment of the carrying amount of the net investment in Grafoid after the application of the equity method. There was estimation uncertainty associated with determining the recoverable amount for the investment in Grafoid as it is a privately-held research and development company. Grafoid had a net asset deficiency and is dependent on future financings to continue to operate as a going concern. An impairment loss is reversed if there has been favourable change in the estimates used to determine the recoverable amount.

During the year ended September 30, 2018, there was change in circumstances that enabled Grafoid to make loan repayments. Grafoid raised US$6M through a series of private placements that resulted in loan repayments in full, in the amount of $3,092,739. As a result, the amount due from Grafoid ($360,000) classified under due from related parties was reclassified to be included in the net investment of Grafoid. There was no change in the determination by management that the recoverable amount of the investment in associate is $NIL due to uncertainty of the next cash infusion and generation of profits. Therefore, the net investment in Grafoid is to be $NIL (please see discussion above) and partial impairment reversal was taken to ensure that the net investment remained $NIL all the while still illustrating a recovery of the long-term receivable.

As at September 30, 2019, the Company's ownership interest in Grafoid was 16.38% (2018 – 16.38%).

(Expressed in Canadian dollars)

6. MINERAL EXPLORATION PROPERTIES AND EXPLORATION AND EVALUATION ASSETS

	September 30, 2019		September 30, 2018	
	Mineral exploration properties	**Exploration and evaluation assets**	Mineral exploration properties	Exploration and evaluation assets
	$	**$**	$	$
a) Lac Knife	**642,578**	**18,891,530**	642,578	17,379,119
b) Kwyjibo	**-**	**6,773,512**	-	6,662,341
c) Manicouagan	**289,101**	**4,163,532**	289,101	4,046,119
d) Eastmain-Leran	**432,298**	**2,324,571**	432,298	1,737,730
TOTAL	**1,363,977**	**32,153,145**	1,363,977	29,825,309

a) Lac Knife

The Company acquired a 100% interest in the Lac Knife property upon acquisition of 100% of the issued and outstanding shares of 3765351 Canada Inc. ("3765351") on October 4, 2010, in consideration for (i) a cash payment of $250,000, (ii) the issuance of 4,016,362 common shares and (iii) 2,008,181 warrants, each warrant entitling the vendor to acquire an additional common share of the Company at a price of $0.10 for a period of 24 months. Effective April 1, 2012, 3765351 was liquidated and ownership of the Lac Knife property was transferred to Focus. The Lac Knife property is located south of Fermont, Quebec, in North-Eastern Quebec near the Labrador border. The property is host to the historical Lac Knife graphite prospect located in the Grenville geological province.

On February 7, 2018, Focus staked the Montagne-aux-Bouleaux claims, a block of 12 contiguous CDC claims covering 626.88ha located 11 km to the North of the Lac Knife property.

b) Kwyjibo

In August 2010, the Company signed an option agreement with SOQUEM Inc. ("SOQUEM") to acquire a 50% interest in the Kwyjibo property, located in the Grenville Geological Province, north-east of Sept-Iles, Quebec, by spending $3,000,000 in exploration work on the property over a period of five years, of which $1,000,000 had to be spent during the first two years. SOQUEM is acting as the operator for all exploration work carried out on the property. Focus has the option to become the operator by paying $50,000 in cash or by issuing common shares valued at $50,000.

The Company has assessed this arrangement under the requirements of IFRS 11 Joint Arrangements and, based on the contractual terms, has classified it as a joint operation. Therefore, the Company recognizes assets, liabilities, revenue and expenses in relation to its interest in Kwyjibo on a line by line basis in accordance with the IFRSs applicable to the particular financial statement line item.
During the year ended September 30, 2012, the Company fulfilled its commitment to spend $3,000,000 on exploration and earned a 50% interest in the property.

(Expressed in Canadian dollars)

c) Manicouagan

In August 2011, the Company acquired 8 properties, located in the Manicouagan, Gatineau/Laurentides and Mauricie regions of Quebec, in consideration for cash payments totalling $125,000 and the issuance of 375,000 common shares of the Company at a price of $0.91 per share. The Company also paid a cash finder's fee of $25,000.

The properties acquired were as follows:

Manicouagan:	Lac Guinecourt and Lac Tetepisca
Gatineau/Laurentides:	L'Annonciation, Laurentides1, Laurentides2, Cobden and Quyon
Mauricie:	Lac Au Sorcier

In November 2012, the Company acquired the Lac Tetepisca North property via map-staking. The property is located nearby the Company's Lac Tetepisca property.

During the year ended September 30, 2013, the Company wrote down the cost of the L'Annonciation, Laurentides1, Laurentides2, Cobden and Quyon properties to $Nil ($95,993 in acquisition costs and $20,069 in exploration and evaluation assets) further to the Company's decision to let the claims lapse as poor exploration results to date did not warrant further exploration on the properties.

During the year ended September 30, 2014, the Company added 29 mining claims to the Lac Tetepisca project via map-staking.

During the year ended September 30, 2015, the Company wrote down the cost of Lac Guinecourt, Lac Tetepisca and Lac au Sorcier by $101,837, $173,414 and $37,927, respectively ($108,241 in acquisition costs and $204,937 in exploration and evaluation assets), further to the Company's decision to let certain claims lapse as poor exploration results to date did not warrant further exploration on these claims.

During the year ended September 30, 2016, the Company wrote down the Lac au Sorcier property to $Nil ($6,226 in acquisition costs and $3,210 in exploration and evaluation assets), further to the Company's decision to let all remaining claims lapse as poor exploration results to date did not warrant further evaluation.

As at September 30, 2019, Manicouagan consists of the Lac Tetepisca, Lac Tetepisca North and Lac Guinecourt properties.

d) Eastmain-Leran

In October 2012, the Company signed an agreement with Ressources Miniere Alta Inc. ("Alta") whereby Focus secured the exclusive right to exercise a purchase option in respect of Alta's 100% owned Eastmain-Leran property, located in the Otish mountains area of northern Quebec. In consideration for the exclusive right, which covers a period of twelve months, Focus paid $15,000 in cash.

In October 2012, the Company acquired additional mining claims, via staking.

In October, 2013, the Company executed a purchase agreement with Alta whereby Focus acquired a 100% interest in the Eastmain-Leran property in consideration for $50,000 cash and the issuance of 689,655 common shares at a price of $0.435 per share. Alta retained a 2% net smelter return royalty on the property (the "Royalty"). The Company shall have the right, at any time and at its sole discretion, to purchase the Royalty by paying $500,000. The property was recorded at a value of $350,000 upon initial recognition, based on the fair value of the property received and the consideration paid.

(Expressed in Canadian dollars)

On February 27, 2018, the Company staked 245 claims (CDC) at the eastern edge of the Eastmain-Laran property in consideration for $36,378 cash. In total, the Eastmain-Laran property now comprises of 537 claims covering an area of 25,7556 ha, while the Eastmain-Léran/Alta Option property consist of 32 claims covering an area of 1,679 ha.

e) Labrador Trough

On March 30, 2009 and as amended on May 22, 2009, December 11, 2009, March 25, 2010 and April 30, 2010, the Company signed an acquisition agreement with Everton Resources Inc. ("Everton") to acquire a 100% interest in 13 properties ("Labrador Trough") in the Labrador Trough region of Quebec: Romer, Canyon, Colombet, Diana, Fox, Goose, Jack Rabbit, Lac Aulneau, Lac Ribero, Lemming, Leopard, Minowean and Otelnuk, in consideration for the issuance of 6,000,000 common shares of the Company, at a price of $0.06 per share. On May 21, 2010, concurrent with the listing of the Company's securities on the TSX Venture Exchange, the Company completed the acquisition of the Labrador Trough properties.

During the year ended September 30, 2010, the Company wrote down the cost of the Labrador Trough property by $73,104 further to the expiry of certain claims. Also during the year ended September 30, 2010, the Company acquired additional mining claims via staking.

Sale of Romer Property

On May 8, 2014, the Company sold to sold Braille Energy Systems Inc. ("BESI") (formerly Mincom Capital Inc), all of its rights, title and interest in its Romer property (the "Property"). The consideration due to Focus from BESI for the purchase of the Property was $1,000,000, as determined following an independent valuation prepared at the request of BESI, payable as follows: (i) cash consideration of $250,000; (ii) 2,500,000 common shares of BESI.

During the year ended September 30, 2016, the Company wrote down the cost of the Labrador Trough properties to $Nil ($6,991 in acquisition costs and $243,274 in exploration and evaluation assets), as there has been limited exploration activity on these properties in recent years. The Company does however intend to keep these claims in good standing.

As at September 30, 2019, the Labrador Trough consists of 4 properties: Minowean, Otelnuk, Lemming and Diana.

The following table reflects changes to mineral exploration properties between October 1, 2017 and September 30, 2019:

	Year ended September 30, 2019	Year ended September 30, 2018
	$	$
Balance, beginning of the period	**1,363,977**	1,327,599
Acquisition of mineral exploration properties	**-**	36,378
Balance, end of the period	**1,363,977**	1,363,977

(Expressed in Canadian dollars)

The following table reflects changes to exploration and evaluation assets between October 1, 2017 and September 30, 2019:

		Year ended September 30, 2019	Year ended September 30, 2018
		$	$
Balance, beginning of the year		**29,825,309**	25,247,496
Additions			
Drilling		**689,642**	3,079,424
Independent technical studies		**17,442**	3,792
Geophysical survey		**29,839**	272,390
Geological mapping		**805**	-
Geochemical survey		**1,257,705**	844,874
Metallurgical analysis		**-**	24,931
Resource estimate		**745**	50,451
Property maintenance		**27,721**	60,040
Preliminary economic assessment (PEA)		**13,168**	185,563
Feasibility studies		**-**	8,456
Environmental studies		**462,427**	314,921
Pre-development agreements		**57,150**	49,324
General Field Expenses		**286**	-
Data acquisition		**68**	-
		2,556,999	4,894,166
Tax credits and credit on duties		**(229,163)**	(316,353)
Balance, end of the year		**32,153,145**	29,825,309

7. OTHER CURRENT LIABILITIES

Other current liabilities as at September 30, 2019 was $114,078 (September 30, 2018 - $15,625)

(1) In 2017, the Company closed a flow-through private placement (Note 10) for gross proceeds of $250,000. The proceeds from the financing were allocated between share capital ($234,375) and a deferred liability ($15,625) using the residual method. The liability component represents the Company's obligation to pass on the tax deductions to investors. Further to the renunciation of the tax deductions to investors in February 2018, effective December 31, 2017, the Company has proportionately reduced the initial liability by the percentage of the required exploration expenditures which have been incurred.

(2) In December 2018, the Company closed a flow-through private placement (Note 10) for gross proceeds of $1,275,000. The proceeds from the financing were allocated between share capital ($960,000), warrants (200,922) and a deferred liability ($114,078) using the residual method. The liability component represents the Company's obligation to pass on the tax deductions to investors. Further to the renunciation of the tax deductions to investors in February 2019, effective December 31, 2018, the Company has proportionately reduced the initial liability by the percentage of the required exploration expenditures which have been incurred.

(Expressed in Canadian dollars)

8. FLOW-THROUGH INTEREST AND TAX EXPENSE

The Company is permitted, under Canadian income tax legislation, to renounce flow-through related resources expenditures to investors in advance of the Company incurring all of the expenditures. In accordance with this legislation, the Company has twelve months following the effective date of renunciation to incur the remaining expenditures. The Company begins incurring interest charges for unspent funds after two months following renunciation.

In June 2017, the Company completed a flow-through private placement for gross proceeds of $1,050,000. In February 2018, the related tax deductions were renounced to investors with an effective date of December 31, 2017. As at June 30, 2018, the Company has incurred $735,249 of the required flow-through expenditures and incurred the remaining exploration expenditures of $378,016 by the December 31, 2018 deadline.

In November and December 2017, the Company completed flow-through private placements for gross proceeds of $3,492,048. In February 2018, the related tax deductions were renounced to investors with an effective date of December 31, 2017. The Company met its flow through obligation for this flow-through private placement as of December 31, 2018.

In December 2018, the Company completed flow-through private placements for gross proceeds of $1,275,000. In February 2019, the related tax deductions were renounced to investors with an effective date of December 31, 2018. As at September 30, 2019 the Company had not incurred any of the required flow-through expenditures and has until December 31, 2019 to meet its spending obligations.

9. SHARE CAPITAL

Authorized
An unlimited number of the following shares:

Class “A” common shares	voting common shares, no par value
Preferred Shares	special non-voting shares, no par value

Issued and fully paid
Class “A” common shares

	Number of shares	$
Balance, September 30, 2017	**269,585,740**	**54,386,387**
Shares issued for cash (1)(2)(3)(4)(5)	78,850,600	5,876,923
Share issuance costs	-	(566,085)
Balance, September 30, 2018	**348,436,340**	**59,697,225**
Shares issued for cash (6)(7)	25,500,000	960,000
Share issuance costs	-	(132,200)
Balance, September 30, 2019	**373,936,340**	**60,525,025**

1. On October 4, 2017, the Company completed a private placement for gross proceeds of $2,077,500. The private placement was comprised of 27,700,000 units at a price of $0.075 per unit. Each unit is comprised of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share of the Company at a price of $0.10 until October 4, 2021. The warrants issued in connection to the private placement have been recorded at a value of $277,000 based on the residual. Other share issuance costs total $280,938 and were presented as a reduction of share capital.

2. On November 6, 2017, the Company completed a flow-through private placement for gross proceeds of $1,290,000. The private placement was comprised of 16,125,000 flow-through common shares at a price of $0.08 per share. In connection with the financing, the Company paid cash finders' fees of $60,000. The proceeds from the financing ($1,290,000) were allocated entirely to share capital ($1,290,000), after which there existed no residual amount to allocate to a deferred liability. Other share issuance costs total $16,861. The commissions and other issue costs were presented as a reduction of share capital. A Director and Officer of the Company participated in the private placement for a total amount of $200,000.

3. On December 18, 2017, the Company completed a flow-through private placement for gross proceeds of $1,952,048. The private placement was comprised of 24,400,600 flow-through common shares at a price of $0.08 per share. In connection with the financing, the Company paid cash finders' fees of $114,123. The proceeds from the financing ($1,952,048) were allocated entirely to share capital ($1,952,048), after which there existed no residual amount to allocate to a deferred liability. Other share issuance costs total $23,112. The commissions and other issue costs were presented as a reduction of share capital.

4. On December 20, 2017, the Company completed a private placement for gross proceeds of $600,000. The private placement was comprised of 7,500,000 units at a price of $0.08 per unit. Each unit is comprised of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share of the Company at a price of $0.12 until December 20, 2020. In connection with the financing, the Company paid cash finder's fees totaling $36,000. The warrants issued in connection to the private placement have been recorded at a value of $Nil, based on the residual method. Other share issuance costs total $11,355. The commissions and other issue costs were presented as a reduction of share capital.

5. On December 22, 2017, the Company completed a flow-through private placement for gross proceeds of $250,000. The private placement was comprised of 3,125,000 flow-through common shares at a price of $0.08 per share. In connection with the financing, the Company paid cash finders' fees of $15,000. The proceeds from the financing ($250,000) were allocated between share capital ($234,375) and a deferred liability ($15,625) using the residual method. The liability component represents the Company's obligation to pass on the tax deductions to investors and is included in other current liabilities in the statement of financial position. Other share issuance costs total $8,696. The commissions and other issue costs were presented as a reduction of share capital.

6. On December 11, 2018, the Company completed a flow-through private placement for gross proceeds of $650,000. The private placement was comprised of 13,000,000 flow-through units at a price of $0.05 per unit. Each flow-through unit consists of one flow-through common share and one common share purchase warrant. Each full warrant entitles the holder to purchase one additional common share of the Company at a price of $0.055 until December 12, 2020. In connection with the financing, the Company paid cash finders' fees of $38,500 and issued, as additional consideration, 770,000 non-transferable broker warrants, each broker warrant entitling the holder to acquire one common share of the Company at a price of $0.055 until

(Expressed in Canadian dollars)

December 11, 2020. The proceeds from the financing ($650,000) were allocated to share capital ($585,000) and ($65,000) to warrants, after which there was nothing left to allocate to the flow-through liability. The fair value of the shares was determined based on the trading price of the Company's shares on the TSX-V. The warrants issued as commissions have been recorded at a value of $16,886 based on the Black-Scholes option pricing model, using the following assumptions: stock price of $0.05, risk-free interest rate of 2.05%, expected life of warrants of 2 years, annualized volatility of 85.27% and dividend rate of 0%. The risk-free interest rate is based on the yield of a Government of Canada benchmark bond in effect at the time of grant with an expiry commensurate with the expected life of the warrants. Other share issuance costs total $4,947 and were presented as a reduction of share capital. $100,000 of the proceeds raised were from a director of the Company.

7. On December 27, 2018, the Company completed a flow-through private placement for gross proceeds of $625,000. The private placement was comprised of 12,500,000 flow-through units at a price of $0.05 per unit. Each flow-through unit consists of one flow-through common share and one common share purchase warrant. Each full warrant entitles the holder to purchase one additional common share of the Company at a price of $0.055 until December 27, 2020. In connection with the financing, the Company paid cash finders' fees of $43,750 and issued, as additional consideration, 875,000 non-transferable broker warrants, each broker warrant entitling the holder to acquire one common share of the Company at a price of $0.055 until December 27, 2020. The proceeds from the financing ($625,000) were allocated to share capital ($375,000), warrants ($135,922) and a deferred liability ($114,078) using the residual method. The fair value of the shares was determined based on the trading price of the Company's shares on the TSX-V. This was after determining the fair value of the warrants using the Black-Scholes option pricing model. The fair value of the warrants issued as a part of the commissions have been recorded at a value of $10,481. This is based on the Black-Scholes option pricing model, using the following assumptions: stock price of $0.035, risk-free interest rate of 1.91%, expected life of warrants of 2 years, annualized volatility of 85.27% and dividend rate of 0%. The risk-free interest rate is based on the yield of a Government of Canada benchmark bond in effect at the time of grant with an expiry commensurate with the expected life of the warrants. Other share issuance costs total $4,753 and were presented as a reduction of share capital.

10. WARRANTS

The following table reflects the continuity of warrants outstanding:

	Number of warrants	Weighted average exercise price
		$
Balance, September 30, 2017	115,867,119	0.13
Granted	35,200,000	0.10
Exercised	-	
Expired	(4,528,363)	0.53
Balance, September 30, 2018	146,538,756	0.11
Granted	27,145,000	0.06
Exercised	-	-
Expired	(8,810,471)	0.23
Balance, September 30, 2019	164,873,285	0.09

(Expressed in Canadian dollars)

As at September 30, 2019, the following warrants were issued and outstanding:

Number of warrants	warrants	Exercise price	Expiry date
	$	$	
1,848,000	-	0.20	April 1, 2020
670,742	86,438	0.20	April 1, 2020
2,246,835	-	0.20	May 5, 2020
132,546	17,086	0.20	May 5, 2020
850,000	8,500	0.20	May 17, 2020
194,285	19,097	0.20	May 17, 2020
8,200,000	164,000	0.12	September 30, 2020
560,000	18,894	0.20	November 8, 2020
2,125,000	85,000	0.10	December 23, 2020
12,493,536	-	0.10	March 7, 2021
934,482	58,377	0.10	March 7, 2021
5,851,103	-	0.10	March 24, 2021
441,422	25,766	0.10	March 24, 2021
14,847,001	-	0.10	April 21, 2021
613,333	33,223	0.10	April 21, 2021
3,150,000	-	0.10	June 6, 2021
2,053,333	-	0.10	July 18, 2021
5,000,000	50,000	0.10	August 8, 2021
350,000	12,304	0.10	August 8, 2021
38,966,667	584,500	0.10	August 14, 2021
1,000,000	15,000	0.10	September 25, 2021
27,700,000	277,000	0.10	October 4, 2021
7,500,000	-	0.12	December 20, 2020
13,770,000	65,000	0.05	December 11, 2020
13,375,000	163,289	0.055	December 27, 2020
164,873,285	**1,683,474**		

(Expressed in Canadian dollars)

As at September 30, 2018, the following warrants were issued and outstanding:

Number of warrants	Value	Exercise price	Expiry date
	$	$	
847,000	67,760	0.60	February 9, 2019
3,210,381	32,104	0.17	August 28, 2019
3,748,646	18,743	0.17	September 30, 2019
1,848,000	-	0.20	April 1, 2020
670,742	86,438	0.20	April 1, 2020
2,246,835	-	0.20	May 5, 2020
132,546	17,086	0.20	May 5, 2020
850,000	8,500	0.20	May 17, 2020
194,285	19,097	0.20	May 17, 2020
8,200,000	164,000	0.12	September 30, 2020
560,000	18,894	0.20	November 8, 2020
2,125,000	85,000	0.10	December 23, 2020
160,000	3,249	0.10	December 23, 2018
12,493,536	-	0.10	March 7, 2021
934,482	58,377	0.10	March 7, 2021
5,851,103	-	0.10	March 24, 2021
441,422	25,766	0.10	March 24, 2021
14,847,001	-	0.10	April 21, 2021
613,333	33,223	0.10	April 21, 2021
3,150,000	-	0.10	June 6, 2021
844,444	34,649	0.09	June 20, 2019
2,053,333	-	0.10	July 18, 2021
5,000,000	50,000	0.10	August 8, 2021
350,000	12,304	0.10	August 8, 2021
38,966,667	584,500	0.10	August 14, 2021
1,000,000	15,000	0.10	September 25, 2021
27,700,000	277,000	0.10	October 4, 2021
7,500,000	-	0.12	December 20, 2020
146,538,756	**1,611,690**		

(Expressed in Canadian dollars)

11. STOCK OPTIONS

On May 3, 2012, the shareholders of the Company approved the conversion of the Company's Stock Option Plan ("SOP") from a fixed option plan to a rolling option plan, pursuant to which a maximum of 10% of the issued and outstanding common shares of the Company may be reserved for issuance under its SOP. These options may be granted to employees, officers, directors, and persons providing ongoing services to the Company, subject to regulatory approval. The exercise price of each option can be set equal to or greater than the closing market price, less allowable discounts, of the common shares on the Exchange on the day prior to the date of grant of the option. Options have a maximum term of five years and terminate 12 months following the termination of the optionee's employment, office, directorship or consulting arrangement. Vesting of options is made at the discretion of the Board of Directors at the time the options are granted.

The following table reflects the continuity of stock options outstanding:

	Number of stock options	Weighted average exercise price
		$
Balance, September 30, 2017	**6,635,000**	**0.28**
Granted (1)	26,060,000	0.05
Forfeited	(25,000)	0.05
Expired	(2,290,000)	0.62
Balance, September 30, 2018	30,380,000	0.06
Granted (2)	6,500,000	0.05
Forfeited	(210,000)	0.06
Expired		
Balance, September 30, 2019	36,670,000	0.06

(1) On July 30, 2018, 26,060,000 stock options were granted to Directors, Officers, employees and consultants at an exercise price of $0.05 per share, expiring on July 30, 2023.
(2) On April 10, 2019, 6,500,000 stock options were granted to Directors, Officers, employees and consultants at an exercise price of $0.05 per share, expiring on April 10, 2024.

As at September 30, 2019, the following stock options were outstanding and exercisable:

(Expressed in Canadian dollars)

	Outstanding			Exercisable	
Range of exercise prices	**Number outstanding**	**Weighted average remaining contractual life**	**Weighted average outstanding exercise price**	**Number vested**	**Weighted average vested exercise price**
		(in years)			
$0.05	6,500,000	4.53	$0.05	6,500,000	$0.05
$0.05	25,975,000	3.83	$0.05	25,975,000	$0.05
$0.10	4,195,000	1.23	$0.10	4,195,000	$0.10
	36,670,000	**3.66**	**$0.06**	**36,670,000**	**$0.06**

As at September 30, 2018, the following stock options were outstanding and exercisable:

	Outstanding			Exercisable	
Range of exercise prices	**Number outstanding**	**Weighted average remaining contractual life**	**Weighted average outstanding exercise price**	**Number vested**	**Weighted average vested exercise price**
		(in years)			
$0.10	4,345,000	2.23	$0.10	4,345,000	$0.10
$0.05	26,035,000	4.83	$0.05	26,035,000	$0.05
	30,380,000	**4.46**	**$0.06**	**30,380,000**	**$0.06**

The following table reflects the weighted-average fair value of stock options granted between October 1, 2017 and September 30, 2019 and the related Black-Scholes option pricing model inputs that were used in the calculations:

	Year ended September 30, 2019	Year ended September 30, 2018
Stock options granted	**6,500,000**	26,060,000
Weighted average fair value	**0.02**	0.03
Weighted-average exercise price	**0.05**	0.05
Weighted-average market price at date of grant	**0.03**	0.04
Expected life of stock options (years)	**5**	5
Expected stock price volatility	**87%**	87%
Risk-free interest rate	**1.67%**	2%
Expected dividend yield	**0%**	0%

(Expressed in Canadian dollars)

The underlying expected stock price volatility is based on historical data of Focus Graphite Inc.'s shares over a period commensurate with the expected life of the options.

The risk-free interest rate is based on the yield of a Government of Canada benchmark bond in effect at the time of grant with an expiry commensurate with the expected life of the options.

In total, $116,145 of stock-based payments (all of which relate to equity-settled stock-based payment transactions) were included in loss for the year ended September 30, 2019 (2018 - $680,214) and credited to contributed surplus.

12. SUPPLEMENTAL CASH FLOW INFORMATION

	Year ended 30-Sep	
	2019	2018
	$	$
Changes in working capital are as follows:		
Amounts receivable	**492,213**	(649,630)
Amounts due from related parties	**91,381**	1,958
Prepaid expenses	**198,459**	805,651
Accounts payable and accrued liabilities	**314,964**	(796,577)
	1,097,017	**(638,598)**
Non-cash investing activities as follows:		
Tax credits and credit on duties receivable	**(229,163)**	-
Exploration and evaluation assets included in accounts payable and accrued liabilities	**1,106,247**	839,143

13. RISK MANAGEMENT AND CAPITAL MANAGEMENT

Risk management

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, currency risk and interest rate risk. Where material, these risks are reviewed and monitored by the Board of Directors.

(i) 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 amounts due from related parties and maximum exposure is equal to the carrying values of these assets, totalling $50,217 at September 30, 2019 (2018 - $141,598). The Company's cash is held at several reputable financial institutions with high external credit ratings. The exposure to credit risk for the Company's receivables is considered immaterial. It is Management's opinion that the Company is not exposed to significant credit risk.

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

Management has impaired $167,310 (2018 - $ Nil) of financial assets for the various amounts owed from related party. 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.

(ii) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages its liquidity needs by carefully monitoring cash outflows due in day-to-day business. As at September 30, 2019, the Company had a working capital deficit of $5,820,750 (2018 – deficit of 243,308). During the year ended September 30, 2019, the Company had cash flows from operations of negative $3,024,833 (2018 – negative $5,457,390). The Company's ability to realize its assets and discharge its liabilities in the normal course of business, meet its corporate administrative expenses and continue its exploration activities in fiscal 2019, is dependent upon Management's ability to obtain additional financing, through various means including but not limited to equity financing. No assurance can be given that any such additional financing will be available, or that it can be obtained on terms favorable to the Company.

The Company has financial liabilities of $6,855,350 (2018 - $2,039,977), all of which are due within twelve months.

(iii) Currency risk

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

(iv) Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's financial assets exposed to interest rate risk include cash held in investment savings accounts bearing variable interest rates. The Company has not entered into any derivative contracts to manage this risk. The Company's policy as it relates to its cash balances is to invest excess cash in highly liquid, low-risk, short-term interest-bearing investments with maturities of 360 days or less from the original date of acquisition. As at September 30, 2019, the Company had cash balances of $109 ($110,835 as at September 30, 2018) and interest income derived from these investments during the year ended September 30, 2019 was $530 (2018 - $366).

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.

(v) Other price risk

The Company holds publicly listed shares of a company in the mineral exploration industry. The Company is exposed to other price risk regarding these shares as unfavorable market conditions could result in the disposal at less than their value at September 30, 2019. As at September 30, 2019, the value of these listed shares was $25,000. At September 30, 2019, had the bid price for these publicly listed shares been 10% lower, the comprehensive loss for the year would have been $2,500 higher. Conversely, has the bid price been 10% higher, the comprehensive loss would have been $2,500 lower.

(Expressed in Canadian dollars)

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.

14. FINANCIAL INSTRUMENTS

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

The classification of financial instruments is as follows:

	September 30, 2019	September 30, 2018
	$	$
Financial assets		
Loans and receivables		
Cash	**109**	110,835
Amounts due from related parties (Note 15)	**50,217**	141,598
Available-for-sale-financial assets		
Long-term investment	**25,000**	100,000
Total financial assets	**75,326**	352,433
Financial liablities		
Measured at amortized cost		
Accounts payable and accrued liabilities	**3,690,350**	2,039,977
Amounts due to related parties	**3,165,000**	**-**
Total financial liabilities	**6,855,350**	2,039,977

(Expressed in Canadian dollars)

15. RELATED PARTY TRANSACTIONS

All entities identified below meet the definition of a related party by virtue of being controlled or significantly influenced by a director or a member of key management of the Company. Unless otherwise stated, none of these transactions incorporated special terms and conditions and no guarantees were given or received.

		September 30, 2019	September 30, 2018
		$	$
Included in Prepaid expenses and Other:			
Advance - JAG Sky Inc.		**-**	45,278
9174893 Canada Inc.		-	33,203
9176055 Canada Inc.		-	12,713
GGTC		-	15,674
Grafoid		-	92,095
CFO		-	703
JAG Property Holdings - prepaid rent		**4,624**	-
		4,624	**199,667**
Included in Amounts due from related parties			
Braille Eneregy Systems Inc.		**19,689**	40,339
Grafoid		**-**	16,070
9174893 Canada Inc.		**8,084**	7,485
Previous employee		**160**	-
JAG Property Holdings		**3,534**	3,169
Alcereco		**81**	1,523
Braille Battery		**-**	9,279
GGTC Inc		**13,008**	10,611
Graphite Zero Pte. Ltd.		**-**	13,923
JAG Sky Inc.		**186**	21,847
CFO		**4,114**	3,419
Mistura Beauty Solutions		**1,361**	1,361
Stria		**-**	7,125
SP2 Wafer		**-**	5,447
		50,217	**141,598**
Included in Accounts payable			
9174893 Canada Inc.		**(635)**	-
GGTC		**31,348**	-
Grafoid		**67,176**	-
CFO		**12,330**	-
		110,219	-

(Expressed in Canadian dollars)

	September 30, 2019	September 30, 2018
	$	$
Included in Amounts due to related parties		
JJJY Holdings - a company controlled by a director of the company (1)	**2,900,000**	-
Interest accretion on JJJY holdings	**200,000**	
Alcereco - wholly owned subsidiary of Grafoid Inc. (2)	**45,000**	-
9174893 Canada Inc - a company controlled by a director of the company (3)	**20,000**	-
	3,165,000	-

(1) During the year the Company borrowed from JJJY Holdings the following amount bearing no interest at a lender fee of 10% payable at maturity:

Amount	**Date borrowed**	**Date Due**
500,000	07-Feb-19	07-Aug-19
300,000	28-Feb-19	28-Aug-19
300,000	25-Mar-19	25-Sep-19
300,000	06-May-19	06-Nov-19
300,000	28-May-19	28-Nov-19
300,000	27-Jun-19	27-Dec-19
300,000	24-Jul-19	24-Jan-20
300,000	22-Aug-19	22-Feb-20
300,000	12-Sep-19	12-Mar-20
2,900,000		

(2) During the year the Company borrowed $45,000 from Alcereco, at no interest. The loan has no terms of repayment.

(3) During the year the Company borrowed from 9174893 Canada Inc. the following amount bearing no interest at a lender fee of 10%. The loan has no terms of repayment :

Amount	**Date borrowed**	**Date Due**
35,000	02-Apr-19	01-May-19
20,000	29-Apr-19	30-May-19

The Company made the repayment of $38,500 on May 7th, 2019 including 10% lender fee for the amount borrowed on April 2nd, 2019 for $35,000 along with 10% lender fee. As on September 30, 2019 company owes $20,000 to 9174893 Canada Inc.

(Expressed in Canadian dollars)

During year ended September 30, 2019 following amounts were provisioned from amount receivable from related parties :

	September 30, 2019
	$
Braille Battery	9,279
Grafoid Inc.	71,536
Graphite Zero Pte. Ltd.	13,923
Jag Sky Inc.	21,847
SP2 Wafer	5,447
Jag Sky Inc.	45,278
	167,310

Transactions with related parties

		September 30, 2019	September 30, 2018
Rent (1)		**55,483**	55,483
Rent (2)		**4,800**	-
Consulting services - Grafoid (3)		**2,400,000**	2,400,000

(1) Under a lease agreement between the Company and GGTC Inc.("GGTC") (Note 17), a privately-held company wholly-owned by an Officer and Director of Focus, the Company leases laboratory space in Kingston, Ontario. The lease was previously with JAG Property Holdings Inc. (formerly 2390540 Ontario Inc.), a private entity which is also wholly-owned by an Officer and a Director of Focus, however it was transferred to GGTC upon GGTC's acquisition of the building. During the year ended September 30, 2019, the Company was charged a total of $55,483 for rent. The lease ends in December 2019.

(2) Under a rent agreement between the Company and MuAnalysis (Note 17), a privately-held company wholly-owned by Grafoid, the Company rents office space in Ottawa, On. During the year ended September 30, 2019, the Company was charged a total of $4,800 for rent

(3) During the year ended September 30, 2019, the Company was charged $2,400,000 by Grafoid for consulting services which consists of marketing, product development and auxiliary services for Focus.

Transactions with key Management personnel

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

(Expressed in Canadian dollars)

		2019	2018
		$	$
Salaries (including bonuses) (1)		-	146,667
Consulting fees		550,019	564,996
Benefits		-	8,244
Stock-based compensation		92,916	443,731
		642,935	1,163,638

(1) Includes director's fees which have been included in *Management and consulting fees* in the statements of comprehensive loss.
(2) The figures above have not been adjusted to reflect the allocation of salaries and short-term benefit compensation paid to key Management personnel that the Company charged out to BESI and Stria Lithium Inc.

16. COMMITMENTS

Offtake Agreements

Grafoid Inc.

In September 2015, the Company executed two definitive offtake agreements with Grafoid Inc. ("Grafoid", a related party), as follows:

(a) *Graphene Offtake*

Under the terms of the Graphene Offtake agreement, Grafoid will pay Focus $1,000,000, for the right of first refusal to purchase up to an annual maximum of 1,000 tons of high-purity graphite concentrate for a 10 year period. It also grants Grafoid the right of first refusal to extend and expand the agreement for an additional 10 year period. The pricing for an additional 10 year period would be set at market price less 10%.

(b) *Polymer Offtake*

Under the terms of the Polymer Offtake agreement, Grafoid will pay Focus $1,000,000, for the right of first refusal to purchase up to an annual maximum of 25,000 tons of graphite concentrate for a 10 year period. It also grants Grafoid the right of first refusal to extend and expand the agreement for an additional 10 year period. The pricing for an additional 10 year period would be set at market price less 10%.

Both offtake agreements are conditional on Focus having received the entire $1,000,000 from Grafoid. Given that this condition was not met as of September 30, 2019, Focus did not yet have any obligation to sell graphite concentrate to Grafoid.

Effective September 24, 2016, Focus and Grafoid executed addendums to the offtake agreements, whereby Grafoid had until September 24, 2018 to make the remaining payments to satisfy the $1,000,000 condition under each agreement. As at September 30, 2019, payments of $Nil held by Focus in relation to the offtake agreements (NIL as at September 30, 2018) have been presented as a deposit and included within current liabilities, in the statements of financial position.

(Expressed in Canadian dollars)

Other

In December 2013, the Company executed an offtake agreement for future production from the Lac Knife graphite project. 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 with an industrial conglomerate, comprised of heavy industry, manufacturing and technology companies located in Dalian City, Liaoning Province, China. The 10 year agreement calls for the supply of up to 40,000 tons per year of large, medium and fine flake graphite concentrate and value added graphite products from the proposed Lac Knife mining and processing facility. The specific terms of the agreement, including pricing and renewal rights, are confidential for competitive reasons.

Leases

The Company's future minimum operating lease payments are as follows:

	Minimum lease payments due		
	Within 1 year	1 to 5 years	**Total**
	$	$	**$**
September 30, 2019	13,871		**13,871**
September 30, 2018	55,484	13,871	**69,355**

(1) Includes lease payments due to GGTC Inc. (formerly 9229205 Canada Inc.), a related party (Note 16), of $13,871 due within one year. The lease ends in December 2019.

Lease payments recognized as an expense during the reporting period amount to $55,484 (2018 - $55,484). This amount consists of minimum lease payments.

17. CONTINGENT LIABILITY

The Company is not aware of any contingent liability outstanding as on September 30, 2019.

18. INCOME TAXES

Relationship between expected tax expense and accounting profit or loss

The relationship between the expected tax expense (recovery) based on the combined federal and provincial income tax rate in Canada and the reported tax expense in the statements of comprehensive loss can be reconciled as follows:

(Expressed in Canadian dollars)

	2019	2018
	$	$
Accounting loss before income tax	(4,496,840)	(2,152,319)
Expected tax recovery calculated using the combined federal and provincial income tax rate in Canada of 26.5% (26.8% in 2018)	(1,191,663)	(576,821)
Adjustments for the following items:		
Tax impact of temporary difference for which no deferred tax asset was recorded	430,647	179,133
Change in enacted tax rates and tax rate differences on capital amounts	5,734	(411,878)
Stock-based compensation	30,778	182,297
Other	51,039	5,073
Tax effect of issuance of flow-through shares	677,605	690,156
Tax effect of reversal of other liabilities relating to flow through shares	(4,141)	(67,960)
Deferred income tax expense (recovery)	-	-

The Quebec general corporate tax rate decreased from 11.8% to 11.7% in 2018, The rate will decrease to 11.6% in 2019 and 11.5% in 2020. The rate reductions will be effective January 1 of each year to 2020.

Deferred tax assets and liabilities and variation of recognized amounts during the period

The following differences between the carrying amounts and tax bases from timing differences, unused tax loss and unused tax credits give rise to the following recognized and unrecognized deferred taxes, and the following unrecognized timing differences, unused tax losses and unused tax credits:

	Balance September 30, 2018	Recognized in profit or loss	Recognized in equity	Balance September 30, 2019
	$	$	$	$
Property and equipment	214,461	-		214,461
Mineral exploration properties and exploration and evaluation assets	(5,413,851)	(1,126,363)		(6,540,214)
Non-capital losses and other	5,199,390	1,126,363		6,325,753
	-	-	-	-

	Balance September 30, 2017	Recognized in profit or loss	Recognized in equity	Balance September 30, 2018
	$	$	$	$
Property and equipment	214,461	-		214,461
Mineral exploration properties and exploration and evaluation assets	(4,613,020)	(800,831)		(5,413,851)
Non-capital losses and other	4,398,559	800,831		5,199,390
	-	0	-	-

(Expressed in Canadian dollars)

As at September 30, 2019, the Company had the following temporary differences. No deferred tax assets were recorded for these temporary differences.

	Federal	Quebec
	$	$
Share issuance costs	998,056	998,056
Non-capital losses	13,454,136	11,654,387
Investment in associate	1,500,040	1,500,040
Long-term investment	425,000	425,000
	16,377,232	14,577,483

As at September 30, 2018, the Company had the following temporary differences. No deferred tax assets were recorded for these temporary differences.

	Federal	Quebec
	$	$
Share issuance costs	1,441,689	1,441,689
Non-capital losses	12,969,747	11,169,998
Investment in associate	1,500,040	1,500,040
Long-term investment	350,000	350,000
	16,261,476	14,461,727

As at September 30, 2019, the Company has the following non-capital losses , which expire as follows:

	Federal	Quebec
	$	$
2,039	4,722,656	4,722,656
2038	5,391,422	5,391,422
2037	2,711,972	2,711,972
2036	2,783,588	2,789,150
2035	4,268,790	4,020,463
2034	6,740,069	5,396,188
2033	5,837,034	5,730,494
2032	3,952,469	3,845,906
2031	2,139,288	2,139,288
2030	311,109	311,109
2029	108,446	108,446
2028	155,980	155,980
2027	19,000	19,000
2026	4,480	4,480
	39,146,302	37,346,553

(Expressed in Canadian dollars)

As at September 30, 2018, the Company has the following non-capital losses , which expire as follows:

		Federal	Quebec
		$	$
2038		5,391,422	5,391,422
2037		2,711,972	2,711,972
2036		2,783,588	2,789,150
2035		4,268,790	4,020,463
2034		6,740,069	5,396,188
2033		5,837,034	5,730,494
2032		3,952,469	3,845,906
2031		2,139,288	2,139,288
2030		311,109	311,109
2029		108,446	108,446
2028		155,980	155,980
2027		19,000	19,000
2026		4,480	4,480
		34,423,647	32,623,898

The temporary difference relating to the share issuance costs which the Company has not recognized will be deductible until the year 2023.

19. ENTITY-WIDE REPORTING

The Company has reviewed its activities and determined that it operates in a single reportable operating segment (see Note 3(q)).

The Company’s non-current assets are all in Canada.

20. SUBSEQUENT EVENTS

There were no substantial subsequent events to be reported.