

FOCUS GRAPHITE INC.

Condensed Interim Financial Statements

For the three and nine months period ended June 30, 2020
(Expressed in Canadian Dollars)
(Unaudited)

Financial Statements

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NOTICE TO READER

The accompanying unaudited condensed interim financial statements have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these unaudited condensed interim financial statements.

Focus Graphite Inc.
(An exploration stage Company)

Condensed Interim Statements of Financial Position (Unaudited)
(Expressed in Canadian dollars)

As at	June 30, 2020	September 30, 2019
	\$	\$
ASSETS		
Current assets		
Cash	1,284,942	109
Sales tax receivable	574,189	396,137
Amounts due from related parties (Note 15)	67,682	50,217
Tax credits	628,281	628,281
Prepaid expenses	172,510	73,934
	2,727,605	1,148,678
Long-term investment (Note 4)	50,000	25,000
Mineral exploration properties (Note 6)	1,363,977	1,363,977
Exploration and evaluation assets (Note 6)	27,966,212	32,153,145
	32,107,793	34,690,800
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (Note 15)	3,916,280	3,690,350
Amounts due to related parties (Note 15)	2,792,810	3,165,000
Other current liabilities (Note 7)	-	114,078
	6,709,091	6,969,428
Long-term liabilities (Note 14)	40,000	-
	6,749,091	6,969,428
EQUITY		
Share capital (Note 9)	60,525,025	60,525,025
Warrants (Note 10)	1,552,353	1,683,474
Contributed surplus	11,590,443	11,455,303
Accumulated other comprehensive income	273,242	273,242
Deficit	(48,582,361)	(46,215,672)
	25,358,702	27,721,372
Total liabilities and equity	32,107,793	34,690,800

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)

Condensed Interim Statements of Comprehensive Loss (Unaudited)

(Expressed in Canadian dollars)

	Three months ended June 30,		Nine months ended June 30,	
	2020	2019	2020	2019
	\$		\$	\$
Operating expenses				
Management and consulting fees (Note 15)	933,008	793,891	2,409,602	2,409,999
Salaries and benefits	9,689	43,488	41,422	119,734
Travel and promotion	17,521	608	66,793	89,305
Professional fees	5,749	14,061	119,971	118,250
Stock Based Compensation	18,526	116,145	18,526	116,145
Office	155,225	44,291	296,653	173,559
Loss from operations	(1,139,718)	(1,012,485)	(2,952,968)	(3,026,992)
Other income (expense)				
Interest income	28	371	464	371
Other income	432,231	-	446,737	-
Adjustment to fair value of LT investment	12,500	-	25,000	-
Other income related to flow-through shares (Note 7)	-	30,181	114,078	47,992
Net loss before income taxes	(694,959)	(981,933)	(2,366,689)	(2,978,629)
Net loss	(694,959)	(981,933)	(2,366,689)	(2,978,629)
Net loss and total comprehensive loss	(694,959)	(981,933)	(2,366,689)	(2,978,629)
Basic and diluted net loss per common share	(0.002)	(0.003)	(0.006)	(0.008)
Basic and diluted weighted average number of common shares outstanding	373,936,340	373,936,340	373,936,340	373,936,340

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

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Focus Graphite Inc.
(An exploration stage Company)
Condensed Interim Statements of Cash Flows (Unaudited)
(Expressed in Canadian dollars)

	Three months ended June 30,		Nine months ended June 30	
	2020	2019	2020	2019
	\$	\$	\$	\$
OPERATING ACTIVITIES				
Net loss	(694,959)	(981,933)	(2,366,689)	(2,978,629)
Adjustments for:				
Stock-based compensation	18,526	116,145	4,020	116,145
Other income related to flow-through shares	-	-	(114,078)	(15,625)
Fair value adjustment on long-term investment	(12,500)	-	(25,000)	-
Changes in working capital items (Note 12)	(755,327)	978,031	(68,163)	4,211,841
Net cash used in operating activities	(1,444,260)	112,243	(2,569,910)	1,333,732
INVESTING ACTIVITIES				
Exploration and evaluation costs	6,247,713	(19,145)	4,186,933	(2,339,874)
Tax credits and mining duties received	-	(42,963)	-	(201,797)
Net cash used in investing activities	6,247,713	(62,108)	4,186,933	(2,541,671)
FINANCING ACTIVITIES				
Loans from related parties / (repaid)	(3,777,500)	-	(372,190)	-
Bank Loan-CEBA	40,000	-	40,000	-
Common and flow-through shares issued	-	-	-	1,087,500
Warrants issued	-	-	-	187,500
Warrants expired	-	-	-	-
Share issuance costs	-	(8,248)	-	(132,200)
Net cash provided by financing activities	(3,737,500)	(8,248)	(332,190)	1,142,800
Increase (decrease) in cash	1,065,954	41,887	1,284,833	(65,139)
Cash, beginning of the period	218,989	3,808	109	110,835
Cash, end of the period	1,284,942	45,695	1,284,942	45,696

Supplemental cash flow information is provided in Note 12.

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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, Box 116, 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 OTCQB 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 nine months ended June 30, 2020, the Company incurred a net loss of \$2,366,689 and net cash used in operations of \$2,569,910. In addition, the Company had a deficit of \$48,582,361.

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 and loans from related and unrelated parties. 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****(a) Statement of compliance**

These condensed interim financial statements have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting (“IAS 34”).

These condensed interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company’s annual financial statements for the years ended September 30, 2019 and 2018, which have been prepared in accordance with International Financial Reporting Standards (“IFRS”).

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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 (Fair Value Through the Statement of Profit or Loss). 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 \$12,500 for 2020 (2019 - \$75,000).

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

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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.

IFRS 16, Leases (“IFRS 16”)

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. The company has adopted it and it has no material impact on financial statements.

(a) Basis of presentation and compliance with IFRS

These condensed interim 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 condensed interim financial statement do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company’s annual financial statements for the years ended September 30, 2019 and 2018, which have been prepared in accordance with IFRS.

These condensed interim financial statements have been prepared using accounting policies that are consistent with those used in the preparation of the Company’s audited annual financial statements for the years ended September 30, 2019 and 2018.

These condensed interim financial statements were authorized for issue by the Board of Directors on August 28, 2020.

(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.

Significant Management judgment

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

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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 June 30, 2020 (Note 5), 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

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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.

4. LONG-TERM INVESTMENTInvestment 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 June 30, 2020 and September 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	37,500	12,500	50,000	
		Cost	Impairment	Fair value adjustment
		\$	\$	\$
2,500,000 common shares in BESI		450,000	(375,000)	25,000
				100,000

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5. INVESTMENT IN ASSOCIATE

Grafoid Inc.

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

As at June 30, 2020, 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 favorable 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 June 30, 2020, the Company's ownership interest in Grafoid was 16.38% (2018 – 16.38%).

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6. MINERAL EXPLORATION PROPERTIES AND EXPLORATION AND EVALUATION ASSETS

	June 30, 2020		September 30, 2019	
	Mineral	Exploration	Mineral	Exploration
	and	and	and	and
	exploration	evaluation	exploration	evaluation
	properties	assets	properties	assets
	\$	\$	\$	\$
a) Lac Knife	642,578	19,194,914	642,578	18,891,530
b) Kwyjibo	-	225	-	6,773,512
c) Manicouagan	289,101	6,359,376	289,101	4,163,532
d) Eastmain-Leran	432,298	2,411,696	432,298	2,324,571
TOTAL	1,363,977	27,966,212	1,363,977	32,153,145

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.

The Company sold its 50% interest in the Kwyjibo rare earth elements Project to Investissement Québec for the sum of \$7,237,696 on May 14, 2020 and recorded a gain of \$416,744.

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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 June 30, 2020, 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 Minière 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.

On February 27, 2018, the Company staked 245 claims (CDC) at the eastern edge of the Eastmain-Leran property in consideration for \$36,378 cash. In total, the Eastmain- Léran property now comprises of 537 claims

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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 June 30, 2020, the Labrador Trough consisted of 4 properties: Minowean, Otelnuk, Lemming and Diana.

The following table reflects changes to mineral exploration properties between October 1, 2019 and June 30, 2020:

	Nine months ended June 30, 2020	Year ended September 30, 2019
	\$	\$
Balance, beginning of the period	1,363,977	1,363,977
Acquisition of mineral exploration properties	-	-
Balance, end of the period	1,363,977	1,363,977

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The following table reflects changes to exploration and evaluation assets:

	Nine months ended June 30, 2020	Year ended September 30, 2019
	\$	\$
Balance, beginning of the year	32,153,144	29,825,309
Additions		
Drilling	2,262,603	689,642
Independent technical studies	1,881	17,442
Geophysical survey	-	29,839
Geological mapping	4,485	805
Geochemical survey	113,233	1,257,705
Metallurgical analysis	780	-
Resource estimate	26	745
Property maintenance	53,013	27,721
Preliminary economic assessment (PEA)	-	13,168
Feasibility studies	-	-
Pre-feasibility studies	-	-
Environmental studies	163,683	462,427
Pre-development agreements	12,955	57,150
General Field Expenses	-	286
Data acquisition	-	68
	2,612,659	2,556,998
Sale of 50% interest in Kwyjibo	(6,799,590)	
Tax credits and credit on duties	-	(229,163)
Balance, end of the period	27,966,212	32,153,144

7. OTHER CURRENT LIABILITIES

Other current liabilities as at June 30, 2020 was \$Nil (\$114,078 September 30, 2019)

	June 30, 2020	September 30, 2019
		\$
Obligation to pass on tax deductions (1), being other current liabilities	-	114,078
Total other current liabilities	-	114,078

(1) 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

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(\$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, 2019, the Company completed the required exploration and the remaining liability is \$Nil.

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 December 31, 2019 the Company reported it incurred the required flow through expenditures based on its understanding of the state of its drill program at that time.

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, 2018	348,436,340	59,697,225
Shares issued for cash (1)(2)	25,500,000	960,000
Share issuance costs	-	(132,200)
Balance, September 30, 2019	373,936,340	60,525,025
Shares issued for cash	-	-
Share issuance costs	-	-
Balance, June 30, 2020	373,936,340	60,525,025

- 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

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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 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.

- 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:

		\$
Balance, September 30, 2018	146,538,756	0.11
Granted	-	0.00
Exercised	-	
Expired	(6,959,027)	0.00
Balance, September 30, 2019	164,873,285	0.11
Granted	-	0.00
Exercised	-	
Expired	(5,942,408)	0.20
Balance, June 30, 2020	158,930,877	0.09

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As at June 30, 2020, the following warrants were issued and outstanding:

Number of				
warrants	warrants	Exercise price	Expiry date	
	\$	\$		
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	
158,930,877	1,552,353			

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.

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The following table reflects the continuity of stock options outstanding:

	Number of stock options	Weighted average exercise price \$
Balance, September 30, 2018	30,380,000	0.06
Granted (1)	6,500,000	0.05
Forfeited	(210,000)	0.06
Expired		
Balance, September 30, 2019	36,670,000	0.06
Granted	36,370,000	0.05
Forfeited	(835,000)	0.06
Expired	-	-
Balance, June 30, 2020	72,205,000	0.05

- (1) 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.
- (2) On June 26, 2020, 36,370,000 stock options were granted to Directors, Officers, employees and consultants at an exercise price of \$ 0.05 per share, expiring on June 26, 2025.

As at June 30, 2020, the following stock options were outstanding and exercisable:

Range of exercise prices	Outstanding		Exercisable		
	Number outstanding	Weighted average remaining contractual life (in years)	Weighted average outstanding exercise price	Number vested	Weighted average vested exercise price
\$0.05	68,145,000	0.36	\$0.05	31,793,526	\$0.05
\$0.10	4,060,000	0.48	\$0.10	4,060,000	\$0.10
	72,205,000	0.36	\$0.05	35,853,526	\$0.06

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

Range of exercise prices	Outstanding			Exercisable	
	Number outstanding	Weighted average remaining contractual life (in years)	Weighted average outstanding exercise price	Number vested	Weighted average vested exercise price
\$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

The following table reflects the weighted-average fair value of stock options granted between September 30, 2019 and June 30, 2020 and the related Black-Scholes option pricing model inputs that were used in the calculations:

	Nine months ended June 30, 2020	Year ended September 30, 2019
Stock options granted	36,370,000	6,500,000
Weighted average fair value	0.02	0.02
Weighted-average exercise price	0.05	0.05
Weighted-average market price at date of grant	0.03	0.03
Expected life of stock options (years)	5	5
Expected stock price volatility	87%	87%
Risk-free interest rate	1.67%	1.67%
Expected dividend yield	0%	0%

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.

No stock-based payments (all of which relate to equity-settled stock-based payment transactions for the options expired) were included in loss for the nine months ended June 30, 2020 (\$ 116,145 - 2019) and credited to contributed surplus.

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12. SUPPLEMENTAL CASH FLOW INFORMATION

	Three months ended June 30,		Nine months ended June 30,	
	2020	2019	2020	2019
	\$	\$	\$	\$
Changes in working capital are as follows:				
Amounts receivable	(185,994)	236,930	(178,052)	499,812
Amounts due from related parties	(23,767)	935,499	(17,465)	1,994,971
Prepaid expenses	(111,847)	21,482	(98,576)	106,449
Accounts payable and accrued liabilities	(433,719)	(215,880)	225,930	1,610,608
	(755,327)	978,031	(68,163)	4,211,840

Non-cash investing activities as follows:

Exploration and evaluation assets included in

accounts payable and accrued liabilities	(955,720)	-	(1,708,557)	(1,356,930)
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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 \$67,682 at June 30, 2020 (\$50,217 at September 30, 2019). 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 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 June 30, 2020, the Company had a working capital deficit of \$3,981,486. During the three months ended June 30, 2020, the Company had cash flows from operations of negative \$1,444,260. The Company's ability to realize its assets and discharge its liabilities in the normal course of business, meet its corporate administrative

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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.

The Company has \$6,749,091 in financial liabilities, \$6,709,091 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 June 30, 2020, the Company had cash balances of \$1,284,942 (\$109 as at September 30, 2019) and interest income derived from these investments during the nine months ended June 30, 2020 was \$28.

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 June 30, 2020. As at June 30, 2020, the value of these listed shares was \$50,000. At June 30, 2020, had the bid price for these publicly listed shares been 10% lower, the comprehensive loss for the three months would have been \$5,000 higher. Conversely, had the bid price been 10% higher, the comprehensive loss would have been \$5,000 lower.

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.

Focus Graphite Inc.

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*(Expressed in Canadian dollars)***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, Loan payable 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:

	June 30, 2020	September 30, 2019
	\$	\$
Financial assets		
Loans and receivables		
Cash	1,284,942	109
Amounts due from related parties (Note 15)	67,682	50,217
Available-for-sale-financial assets		
Long-term investment	50,000	25,000
Total financial assets	1,402,624	75,326
Financial liabilities		
Loan Payable (CEBA)	40,000	-
Measured at amortized cost		
Accounts payable and accrued liabilities	3,916,280	3,690,350
Amounts due to related parties (Note 15)	2,792,810	3,165,000
Total financial liabilities	6,749,091	6,855,350

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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.

	June 30,	September 30,
	2020	2019
		\$
Included in Prepaid expenses and Other:		
JAG Property Holdings - prepaid rent	4,624	4,624
	4,624	4,624
Included in Amounts due from related parties		
Braille Energy Systems Inc.	23,158	19,689
9174893 Canada Inc.	8,084	8,084
Previous employee	160	160
JAG Property Holdings	2,164	3,534
Alcereco	640	81
GGTC Inc	7,332	13,008
JAG Sky Inc.	186	186
9176055 Canada Inc.	11,511	4,114
Mistura Beauty Solutions	1,361	1,361
Stria	5,000	-
Grafoid	8,085	-
	67,682	50,217
Included in Accounts payable		
9174893 Canada Inc.	8,567	(635)
GGTC	52,247	31,348
Grafoid	-	67,176
CFO	8,074	12,330
	144,292	110,219
	June 30,	September 30,
	2020	2019
		\$
Included in Amounts due to related parties		
A company controlled by a director of the Company (1)	2,500,000	2,900,000
Interest accretion on a company controlled by a director of the Company	200,000	200,000
Director of the Company	22,500	-
Alcereco - wholly owned subsidiary of Grafoid Inc.	45,000	45,000
9174893 Canada Inc - a company controlled by a director of the Company	22,810	20,000
BESI	2,500	-
	2,792,810	3,165,000

Focus Graphite Inc.

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(Expressed in Canadian dollars)

	June 30,	September 30,
	2020	2019
		\$
Included in Amounts due to related parties		
A company controlled by a director of the Company (1)	2,500,000	2,900,000
Interest accretion on a company controlled by a director of the Company	200,000	200,000
Director of the Company	22,500	-
Alcereco - wholly owned subsidiary of Grafoid Inc.	45,000	45,000
9174893 Canada Inc - a company controlled by a director of the Company	22,810	20,000
BESI	2,500	-
	2,792,810	3,165,000

- (1) During the nine months ended June 30, 2020 the Company borrowed and repaid from a company controlled by a director of the Company and director of the Company the following amounts bearing no interest at a lender fee of 10%:

A company controlled by a director of the Company	Amount	Date borrowed	Date Due
	300,000	01-Oct-19	01-Apr-20
	300,000	18-Oct-19	18-Apr-20
	300,000	21-Nov-19	21-May-20
	500,000	29-Nov-19	29-May-20
	300,000	17-Dec-19	17-Jun-20
	1,700,000		
Repaid	Amount	Date	
	3,000,000	25-May-20	
Director of the Company	Amount	Date borrowed	Date Due
	500,000	29-Nov-19	29-May-20
	300,000	01-Jan-20	01-Jul-20
Repaid	Amount	Date	
	685,000	27-May-20	
	92,500	29-May-20	
9174893 Canada Inc (3)	Amount	Date borrowed	Date Due
	35,000	02-Apr-19	01-May-19
	20,000	29-Apr-19	30-May-19
	2,810	12-Mar-20	12-Apr-20

Transactions with related parties

Transactions with related parties	30-Jun	September 30,
	2020	2019
Rent (1)	13,871	13,871
Rent	3,600	4,800
Consulting services - Grafoid (2)	600,000	2,400,000

- (1) Under a lease agreement between the Company and GGTC Inc. ("GGTC") (Note 17), a privately-held company owned by two directors of the Company, the Company leases laboratory space in Kingston, Ontario. The lease was previously with JAG Property Holdings Inc. (formerly 2390540 Ontario Inc.), a privately-held company owned by two directors of the Company, however it was transferred to GGTC upon

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(Expressed in Canadian dollars)

GGTC's acquisition of the building. During the nine months ended June 30, 2020, the Company was charged a total of \$13,871 for rent.

- (2) During the nine months ended June 30, 2020, the Company was charged \$ 3600 for rent.
 (3) During the nine months ended June 30, 2020, the Company was charged \$600,000 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 CEO, CFO and Directors:

	Three months ended June 30,		Nine months ended June 30	
	2020	2019	2020	2019
Salaries (including bonuses) (1)	-	35,000	-	111,667
Consulting fees	181,458	111,249	415,608	333,747
Benefits	-	2,061	-	6,183.00
Stock Based Compensation	8,634	-	8,634	-
	190,092	148,310	424,242	451,597

- (1) Includes Director's fees which have been included in Management and consulting fees in the statements of comprehensive loss.
 (2) \$150,000 was paid as an advance to one of the director and is reflected under prepaid expenses.

16. COMMITMENTSOfftake AgreementsGrafoid 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 tonnes 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 tonnes 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 June 30, 2020, Focus did not yet have any obligation to sell graphite concentrate to Grafoid.

Focus Graphite Inc.

(An exploration stage Company)

Notes to the Condensed Interim Financial Statements (Unaudited)

For the three and nine months ended June 30, 2020

(Expressed in Canadian dollars)

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 June 30, 2020, payments of \$Nil held by Focus in relation to the offtake agreements (\$Nil as at September 30, 2019) have been presented as a deposit and included within current liabilities, in the statements of financial position.

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 tonnes 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 tonnes 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.

17. CONTINGENT LIABILITY

The Company is not aware of any contingent liability outstanding as at June 30, 2020.

18. ENTITY-WIDE REPORTING

The Company has reviewed its activities and determined that it operates in a single reportable operating segment.

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

19. SUBSEQUENT EVENTS

On July 22, 2020 the Company announced that it has signed the definitive asset purchase agreement (the "Agreement") for the sale of its 100% interest in the Eastmain-Léran project to a third party (the "Purchaser"). The transaction closed on July 16, 2020 and the initial payment of \$500,000 due at closing has been received.

The project is comprised of two contiguous properties located in eastern Eeyou Istchee James Bay territory of northern Québec, 37 km southeast of Stornoway Diamonds (Canada) Inc.'s Renard diamond mine, and 10 km to the East of the Otish Mountains access road (HWY 167 North): The Eastmain-Léran/Alta Option property which consist of 32 map-designated ("CDC") claims covering an area of 1,678.81 ha and the Eastmain-Léran/Staked property consists of 505 CDC claims covering an area of 26,437.07 ha. The Eastmain-Léran/Alta Option property is subject to a 2% Net Smelter Royalty (NSR) payable to Ressources Minières Alta Inc., which can be purchased at any time by the Purchaser for \$500,000.

The Company recently discovered that its drill program has suffered unexpected delays due to permitting and environmental issues and is in the course of examining the effects of those delays on the satisfaction of its flow through obligations.