

FOCUS GRAPHITE INC.

Condensed Interim Financial Statements

For the three and nine month periods ended June 30, 2021

(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, 2021	September 30, 2020
		\$
ASSETS		
Current assets		
Cash	5,842,520	877,886
Sales tax receivable	326,512	718,244
Amounts due from related parties (Note 17)	80,358	57,733
Tax credits	111,080	557,717
Prepaid expenses	37,298	29,298
Accounts Receivable	96,970	-
	<u>6,494,738</u>	<u>2,240,878</u>
Deposit	110,000	110,000
Mineral exploration properties (Note 6)	949,154	931,679
Exploration and evaluation assets (Note 6)	26,244,127	23,821,556
Mineral assets held for sale (Note 7)	1,616,805	1,616,805
	<u>35,414,824</u>	<u>28,720,918</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (Note 17)	1,951,653	1,930,241
Amounts due to related parties (Note 17)	2,465,310	3,215,310
Other current liabilities (Note 8)	973,697	1,284,078
	<u>5,390,660</u>	<u>6,429,629</u>
Long-term liabilities (Note 10)	43,287	24,601
Deferred government grant (Note 10)	15,239	14,809
	<u>5,449,186</u>	<u>6,469,039</u>
EQUITY		
Share capital (Note 11)	69,246,091	60,525,025
Warrants (Note 12)	1,106,815	1,388,353
Contributed surplus (Note 11 and 12)	12,492,973	11,887,918
Accumulated other comprehensive income	273,242	273,242
Deficit	(53,153,483)	(51,822,660)
	<u>29,965,638</u>	<u>22,251,878</u>
Total liabilities and equity	<u>35,414,824</u>	<u>28,720,918</u>

Going concern (Note 2)

On behalf of the Board

(signed) "Marc R. Roy"
Marc R. Roy, Director

(signed) "Jeffrey York"
Jeffrey York, Director

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

Focus Graphite Inc.				
(An exploration stage Company)				
Condensed Interim Statements of Comprehensive Loss (Unaudited)				
(Expressed in Canadian dollars)				
	<i>Three months ended June 30,</i>		<i>Nine months ended June 30,</i>	
	2021	2020	2021	2020
	\$		\$	\$
Operating expenses				
Management and consulting fees (Note 17)	168,843	933,008	976,289	2,409,602
Salaries and benefits (Note 17)	66,072	9,689	207,937	41,422
Travel and promotion	394	17,521	2,101	66,793
Professional fees	37,405	5,749	162,093	119,971
Stock Based Compensation (Note 13)	263,531	18,526	691,647	18,526
Office	99,732	155,225	186,083	296,653
Loss from operations	(635,977)	(1,139,718)	(2,226,150)	(2,952,967)
Other income (expense)				
Interest income	-	28	-	464
Other income	18,072	15,487	20,559	29,993
Other income- Reversal of director's fees (Note 17)	-	-	754,168	-
Gain on disposal of Mining Assets	-	416,744	-	416,744
Government Grant Revenue	2,526	-	6,522	-
Adjustment to fair value of Long Term investment (Note 4)	-	12,500	-	25,000
Other income related to flow-through shares (Note 8)	114,078	-	114,078	114,078
Net loss and total comprehensive loss	(501,301)	(694,959)	(1,330,823)	(2,366,689)
Basic and diluted net loss per common share	(0.001)	(0.002)	(0.003)	(0.006)
Basic and diluted weighted average number of common shares outstanding	476,212,802	373,936,340	416,751,152	373,936,340
<i>The accompanying notes are an integral part of these condensed interim financial statements.</i>				

Focus Graphite Inc.

(An exploration stage Company)

Condensed Interim Statements of Changes in Equity (Unaudited)

(Expressed in Canadian dollars)

	Share capital		Warrants	Contributed surplus	Accumulated other comprehensive income	Deficit	Total
	# of shares	\$	\$	\$	\$	\$	\$
Balance, September 30, 2019	373,936,340	60,525,025	1,683,474	11,455,303	273,242	(46,215,672)	27,721,372
Expiry of warrants (Note 12)	-	-	(131,121)	131,121	-	-	-
Stock-based compensation	-	-	-	4,020	-	-	4,020
Net loss	-	-	-	-	-	(2,366,689)	(2,366,689)
Balance, June 30, 2020	373,936,340	60,525,025	1,552,353	11,590,444	273,242	(48,582,361)	25,358,703
Expiry of warrants (Note 11)	-	-	(164,000)	164,000	-	-	-
Stock-based compensation (Note 12)	-	-	-	133,475	-	-	133,475
Net Loss	-	-	-	-	-	(3,240,299)	(3,240,299)
Balance, September 30, 2020	373,936,340	60,525,025	1,388,353	11,887,919	273,242	(51,822,660)	22,251,879
Shares issued (Note 10)	40,952,380	3,000,700	-	-	-	-	3,000,700
Warrants exercised (Note 11)	41,691,627	4,324,526	(186,864)	-	-	-	4,137,662
Warrants issued (Note 11)	-	-	249,297	-	-	-	249,297
Expiry of warrants (Note 11)	-	-	(343,971)	343,971	-	-	-
Stock Options Exercised (Note 12)	27,450,000	1,803,333	-	(430,564)	-	-	1,372,769
Stock-based compensation (Note 12)	-	-	-	691,647	-	-	691,647
Share issuance costs	-	(407,494)	-	-	-	-	(407,494)
Net Loss	-	-	-	-	-	(1,330,823)	(1,330,823)
Balance, June 30, 2021	484,030,347	69,246,091	1,106,815	12,492,973	273,242	(53,153,483)	29,965,637

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

Focus Graphite Inc.

(An exploration stage Company)

Statements of Cash Flow

(Expressed in Canadian dollars)

	Three months ended June 30		Nine months ended June 30	
	2021	2020	2021	2020
OPERATING ACTIVITIES				
Net loss	(501,301)	(694,959)	(1,330,823)	(2,366,689)
Adjustments for:				
Stock-based compensation	263,531	18,526	691,647	4,020
Other income related to flow-through shares	(114,078)	-	(114,078)	(114,078)
Other income- Reversal of director's fees	-	-	(754,168)	-
Interest Expense	3,461	-	6,847	-
Government grant revenue (Note 10)	(2,526)	-	(6,522)	-
Fair value adjustment on long-term investment	-	(12,500)	-	(25,000)
Changes in working capital items (Note 14)	273,674	(755,327)	261,837	(68,163)
Net cash flow from operating activities	(77,239)	(1,444,260)	(1,245,259)	(2,569,910)
INVESTING ACTIVITIES				
Exploration and evaluation costs	91,869	(1,489,983)	(1,842,203)	(3,550,763)
Sale of Mining Assets (Notes 6(b) &7)	-	7,737,696	-	7,737,696
Mineral exploration properties	(9,525)	-	(17,475)	-
Tax credits and mining duties received	-	-	446,637	-
Net cash flow from investing activities	82,344	6,247,713	(1,413,041)	4,186,933
FINANCING ACTIVITIES				
Repayment of amounts due to related parties	-	(3,777,500)	(750,000)	(372,190)
CEBA Loan	-	40,000	20,000	40,000
Warrants issued (Note 12)	94,418	-	249,297	-
Issuance of shares (Note 11)	1,955,700	-	3,000,700	-
Warrants exercised (Note 11)	384,617	-	4,137,662	-
Options exercised	-	-	1,372,769	-
Share issuance costs (Note 11)	(243,048)	-	(407,494)	-
Net cash flow from financing activities	2,191,687	(3,737,500)	7,622,934	(332,190)
Increase in cash	2,196,792	1,065,953	4,964,634	1,284,833
Cash, beginning of the period	3,645,728	218,989	877,886	109
Cash, end of the period	5,842,520	1,284,942	5,842,520	1,284,942

Supplemental cash flow information is provided in Note 12.

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

Focus Graphite Inc.

(An exploration- stage Company)

Notes to the Condensed Interim Financial Statements (Unaudited)

For the three and nine month periods ended June 30, 2021

(Expressed in Canadian dollars)

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 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 nine months ended June 30, 2021, the Company incurred a net loss of \$1,330,823 and negative cash flows from operations of \$1,245,259. In addition, as at June 30, 2021, the Company had a deficit of \$53,153,483.

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 over the next twelve months, 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.

Focus Graphite Inc.

(An exploration- stage Company)

Notes to the Condensed Interim Financial Statements (Unaudited)

For the three and nine month periods ended June 30, 2021

(Expressed in Canadian dollars)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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, 2020 and 2019, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

These condensed interim financial statements were authorized for issue by the Board of Directors on August 30, 2021.

b) Basis of presentation

These condensed interim financial statements have been prepared on a historical cost basis and are expressed in Canadian dollars, which is also the functional currency of the company.

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 financial statements for the years ended September 30, 2020 and 2019.

(c) 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.

Significant influence assessment

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, 2021 (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

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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 obligations 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.

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(Expressed in Canadian dollars)

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 on average, the stock is thinly traded, the actual value of the components may differ from this allocation.

Penalty provision related to flow through obligation

In December 2018, the Company completed flow-through private placements for gross proceeds of \$1,275,000 which were renounced under the “look-back” rule. By December 31, 2019 (the due date), the Company had not spent the required Canadian exploration expenses (“CEE”). The relating CEE was only incurred in October and November 2020. Management has estimated the liability relating to not spending such CEE by December 31, 2019. In determining the provision, management has made several assumptions such as the investors are in the top marginal tax rates and the estimated probability of a recourse by investors of 100%. Such provision is expected to change once more information from tax authorities and investors are obtained.

Market interest rate

The company determined the fair value of the loans from related parties using the contractual cash flows and an estimated discount rate based on market interest rates for similar debts from non-related parties.

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 6e). The fair value of the shares received was based on the quoted market price on the closing date of the transaction. The shares were classified as FVTPL and measured at fair value. The Company did not exercise significant influence over BESI.

During the year ended September 30, 2020, all 2,500,000 common shares of BESI were sold by the company for gross proceeds of \$409,302 and a fair value adjustment of \$384,302 was recorded in the statement of comprehensive loss.

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, 2021, no dividends have been received from Grafoid.

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(Expressed in Canadian dollars)

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, 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 continues to be \$Nil 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, 2021, the Company's ownership interest in Grafoid was 16.38% (16.38% as at September 30, 2020). There is no obligation to fund Grafoid beyond its value which remains \$Nil at June 30, 2021 due to the accumulated share of losses of Grafoid.

Focus Graphite Inc.

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Notes to the Condensed Interim Financial Statements (Unaudited)

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(Expressed in Canadian dollars)

6. MINERAL EXPLORATION PROPERTIES AND EXPLORATION AND EVALUATION ASSETS –

The following table reflects changes to mineral exploration properties between September 30, 2019 and June 30, 2021:

	Lac Knife	Kwyjibo	Manicouagan	Eastmain-Leran	Total
Balance as at September 30, 2019 and 2020	642,578	-	289,101	-	931,679
Additions	9,525	-	7,950	-	17,475
Balance as at June 30, 2021	652,103	-	297,051	-	949,154

The following table reflects changes to exploration and evaluation assets between September 30, 2019 and June 30, 2021:

	Lac Knife	Kwyjibo	Manicouagan	Eastmain-Leran	Total
	\$	\$	\$	\$	\$
Balance as at Septmeber 30, 2019	18,891,530	6,773,512	4,163,532	2,324,571	32,153,145
Additions					
Drilling	68,781	842	195,605	-	265,228
Independent technical studies	-	1,881	-	-	1,881
Geological mapping	-	4,485	-	-	4,485
Geochemical survey	72,730	155	-	40,348	113,233
Metallurgical analysis	780	-	826	-	1,606
Resource estimate	-	26	-	-	26
Property maintenance	3,361	-	2,872	58,588	64,821
Preliminary economic assessment (PEA)	26,636	-	-	-	26,636
Abandoned Property	(58,961)	-	(71,663)	-	(130,624)
Feasibility studies	3,600	-	-	-	3,600
Environmental studies	521,927	2,096	-	-	524,023
Pre-development agreements	-	12,955	-	-	12,955
	638,854	22,440	127,640	98,936	887,870
Disposal of mining assets (Note 6(b))	-	(6,795,952)	-	-	(6,795,952)
Minberal assets held for sale (Note 7)	-	-	-	(2,423,507)	(2,423,507)
	19,530,384	-	4,291,172	-	23,821,556

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Notes to the Condensed Interim Financial Statements (Unaudited)

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		Lac Knife	Kwyjibo	Manicouagan	Eastmain-Leran	Total
		\$	\$	\$	\$	\$
Balance, September 30, 2020		19,530,384	-	4,291,172	-	23,821,556
Additions						
	Independent technical study	4,275	-	4,500	-	8,775
	Drilling	225	-	2,113,130	-	2,113,355
	Geochemical survey	-	-	300	-	300
	Metallurgical analysis	225	-	1,050	-	1,275
	Resource estimate	-	-	19,811	-	19,811
	Property maintenance	1,350	-	675	-	2,025
	Preliminary economic assessm	3,450	-	-	-	3,450
	Feasibility studies	38,324	-	-	-	38,324
	Abandoned Property	21,980	-	-	-	21,980
	Environmental studies	213,276	-	-	-	213,276
		283,105	-	2,139,466	-	2,422,571
Balance, June 30, 2021		19,813,489	-	6,430,638	-	26,244,127

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 was acting as the operator for all exploration work carried out on the property. Focus had the option to become the operator by paying \$50,000 in cash or by issuing common shares valued at \$50,000.

The Company assessed this arrangement under the requirements of IFRS 11 Joint Arrangements and, based on the contractual terms, classified it as a joint operation. Therefore, the Company recognized 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.

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On May 14, 2020, the Company sold its 50% interest in the Kwyjibo property to Investissement Québec for the sum of \$7,237,696 in cash. All funds were received in fiscal 2020 and the Company recorded a gain of \$441,744. The Company obtained final clearances for all liabilities or obligations pertaining to this property.

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, 2021, Manicouagan consists of the Lac Tetepisca, Lac Tetepisca North and Lac Guinecourt properties.

7. MINERAL ASSETS HELD FOR SALE

On July 16, 2020, the Company signed a definitive asset purchase agreement for the sale of its 100% interest in the Eastmain-Léran project to a third party ("The Purchaser"). The Purchaser will acquire from the Company, 100% interest in the Eastmain-Léran Project in consideration of:

- (a) a payment of \$500,000 in cash at Closing (payment received on July 16, 2020);
- (b) a second payment of \$500,000 in cash by the 1st of December 2021.
- (c) a third payment of \$500,000 in cash by the 1st of December 2022; and
- (d) a final payment of \$800,000 in cash by the 1st of December 2023.

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The transfer of the property will not occur until all the consideration has been paid to the Company. In addition, in the case that the payments are not made as per required timelines per the agreement, the Company can cancel the transaction and keep the payments that have already been made.

The Purchaser has the right to elect to pay a portion of the Post-Closing Instalment in the form of shares (the "Share Consideration"), to a maximum of fifty percent (50%) of such Post-Closing Instalment.

Once, the Purchaser has met all the obligations under the Agreement by December 1, 2023, the Company will transfer all mineral titles to the Purchaser and upon completion of the transfer, the Company will retain a 0.5% NSR on the Eastmain-Léran/Alta Option property which can be purchased at any time by the Purchaser for \$125,000, along with a 2.5% NSR on the Eastmain-Léran/Staked property which can be purchased at any time by the Purchaser for \$625,000.

Based on the above agreement, the Company determined that the carrying amount of this property exceeded its recoverable amount, being the fair value less costs of disposal. The fair value of the property was determined by discounting the future payments consideration per the above contract discounted using the Company's borrowing rate of 21.8%. No value was attributed to the NSR retained by the Company on the property because the mineral property is still in exploration phase and there is significant uncertainty on timing, if ever of the exercise of the option. Consequently, the Company recorded an impairment of \$739,000.

The following table reflects changes to mineral assets held for sale between September 2019 and June 30, 2021:

	Nine months ended June 30, 2021	Year ended September 30, 2020
Opening balance (Note 6)	1,616,805	2,855,805
Payments received as per definitive asset purchase agreement	-	(500,000)
Impairment	-	(739,000)
Ending balance	1,616,805	1,616,805

8. OTHER CURRENT LIABILITIES

Other current liabilities consist of the following:

	June 30, 2021	September 30, 2020
		\$
Obligation to pass on tax deductions (a) & (b)	44,300	114,078
Penalty provision related to flow through obligation (Note 9)	929,397	1,170,000
Total other current liabilities	973,697	1,284,078

- (a) In December 2018, the Company closed a flow-through private placement 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. The relating Canadian exploration expenses ("CEE") were incurred in October and November 2020. Deferred liability of \$114,078 was written off as other income. (Note 9).

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- (b) In May and June 2021, the Company closed a flow-through private placement (Note 11) for gross proceeds of \$2,000,000. The proceeds from the financing were allocated between share capital (\$1,955,700) and a deferred liability (\$44,300) using the residual method. The liability component represents the Company's obligation to pass on the tax deductions to investors. As at June 30, 2021, the relating Canadian exploration expenses ("CEE") have not been incurred therefore the residual balance remains in liabilities (Note 9).

9. 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 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 under the "look-back" rule with an effective date of December 31, 2018. By December 31, 2019 (the due date), the Company had not spent the required Canadian exploration expenses ("CEE"). The relating CEE was only incurred in October and November 2020. The Company has estimated the liability relating to not spending such CEE by December 31, 2019. The total provision estimated is \$1,170,000 and includes Part XII.6 tax and penalties related to late payment of Part XII.6 tax and Québec equivalent tax as well as estimated investors indemnification exposure. During the nine months ended June 30, 2021, the penalty provision was reduced to \$929,397, further to a payment of \$240,603 in penalties to the Canada Revenue Agency.

In December 2020, the Company completed flow-through private placements for gross proceeds of \$1,000,000. The related tax deduction were renounced to investors with an effective date of December 31, 2020. As at June 30, 2021 the Company had incurred \$350,000 of the required flow-through eligible expenditures.

In June 2021, the Company completed flow-through private placements for gross proceeds of \$2,000,000. The related tax deduction will be renounced to investors no later than December 31, 2021, at which point the Company will have twelve months to incur any remaining exploration expenditures that have not yet been incurred up to that point. As at June 30, 2021 the Company had not incurred any of the required flow-through eligible expenditures.

10. LONG TERM LIABILITY

The Company received a \$60,000 loan from the Canada Emergency Business Account ("CEBA Loan"). The CEBA Loan bears 0% interest until December 31, 2022. Repaying the balance of the loan on or before December 31, 2022 will result in loan forgiveness up to \$20,000. If the balance is not paid by December 31, 2022, the remaining balance will be converted to a 3-year term loan at 5% annual interest paid monthly, effective January 1, 2023. The full balance must be repaid by no later than December 31, 2025.

No principal payments required until December 31, 2022. Principal repayments can be voluntarily made at any time without fees or penalties. The difference between the loan amount of \$60,000 and the fair value of the loan of \$35,679 has been recognized as a deferred government grant to be recognized over the term of the loan. The Company made no interest payments during the period ended June 30, 2021. As at June 30, 2021, grant revenue in the amount of \$6,522 has been recorded in other income which represents the benefit of receiving an interest free-grant.

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11. 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, Sept 30, 2019 & 2020	373,936,340	60,525,025
Shares issued for cash	40,952,380	3,000,700
Warrants exercised	41,691,627	4,324,526
Stock option exercised	27,450,000	1,803,333
Share issuance costs	-	(407,494)
Balance, June 30, 2021	484,030,347	69,246,091

1. On November 13, 2020, the Company completed a flow-through private placement for gross proceeds of \$350,000. The private placement was comprised of 7,000,000 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 November 13, 2022. The proceeds from the financing (\$350,000) were allocated to share capital (\$245,000) and (\$105,000) to warrants, after which there was nothing left to allocate to the flow-through liability 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.
2. On December 22, 2020, the Company completed a flow-through private placement for gross proceeds of \$500,000. The private placement was comprised of 10,000,000 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 22, 2022. In connection with the financing, the Company paid cash finders' fees of \$35,000 and issued, as additional consideration, 700,000 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 22, 2022. The proceeds from the financing (\$500,000) were allocated to share capital, after which there was nothing left to allocate to the warrants and 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 fair value of the warrants issued as a part of the commissions have been recorded at a value of \$28,420. This is based on the Black-Scholes option pricing model, using the following assumptions: stock price of \$0.06, risk-free interest rate of 0.42%, expected life of warrants of 2 years, annualized volatility of 135.12% 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
3. On December 29, 2020, the Company completed a non flow-through private placement for gross proceeds of \$150,000 and a flow-through private placement for gross proceeds \$150,000. As part of the Final Tranche, the Company issued 3,000,000 Flow-Through Units for gross proceeds of \$150,000 at a price of

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\$0.05 per Non-FT Unit and 4,285,714 units (the "Non-FT Units") at a price of \$0.035 per Non-FT Unit for gross proceeds of \$150,000. 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 29, 2022. In connection with the financing, the Company paid cash finders' fees of \$20,000 and issued, as additional consideration, 528,571 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 29, 2022. The proceeds from the flow through financing (\$150,000) were allocated to share capital, after which there was nothing left to allocate to the warrants and flow-through liability. The proceeds from the non flow through financing (\$150,000) were allocated to share capital, after which there was nothing left to allocate to the warrants. The fair value of the warrants issued as a part of the commissions have been recorded at a value of \$21,459. This is based on the Black-Scholes option pricing model, using the following assumptions: stock price of \$0.06, risk-free interest rate of 0.41%, expected life of warrants of 2 years, annualized volatility of 135.12% 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.

4. On May 4, 2021, the Company completed a flow-through private placement for gross proceeds of \$1,822,800. The private placement was comprised of 15,190,001 flow-through shares at a price of \$0.12 per share. In connection with the financing, the Company paid cash finders' fees of \$117,236 and issued, as additional consideration, 976,967 non-transferable broker warrants, each broker warrant entitling the holder to acquire one common share of the Company at a price of \$0.12 until May 4, 2023. The proceeds from the financing (\$1,822,800) were allocated to share capital, after which there was nothing left to allocate to flow-through liability 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. The fair value of the warrants issued as a part of the commissions have been recorded at a value of \$94,036. This is based on the Black-Scholes option pricing model, using the following assumptions: stock price of \$0.12, risk-free interest rate of 0.93%, expected life of warrants of 2 years, annualized volatility of 181.34% 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. Two insiders of the Company participated in the Offering and subscribed for an aggregate of 2,500,000 Flow-Through Shares representing an aggregate amount of \$300,000.
5. On June 7, 2021, the Company completed a flow-through private placement for gross proceeds of \$177,200. The private placement was comprised of 1,476,666 flow-through shares at a price of \$0.12 per share. In connection with the financing, the Company paid cash finders' fees of \$700 and issued, as additional consideration, 5,833 non-transferable broker warrants, each broker warrant entitling the holder to acquire one common share of the Company at a price of \$0.12 until June 7, 2023. The proceeds from the financing (\$177,200) were allocated to share capital (\$132,900) and a deferred liability (\$44,300) 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. The fair value of the shares was determined based on the trading price of the Company's shares on the TSX-V. The fair value of the warrants issued as a part of the commissions have been recorded at a value of \$382. This is based on the Black-Scholes option pricing model, using the following assumptions: stock price of \$0.12, risk-free interest rate of 0.88%, expected life of warrants of 2 years, annualized volatility of 152.75% 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. Two insiders of the Company participated in the Offering and subscribed for an aggregate of 768,333 Flow-Through Shares representing an aggregate amount of \$92,200.

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12. WARRANTS

The following table reflects the continuity of warrants outstanding:

	Number of warrants	Weighted average exercise price
Balance, September 30, 2019	164,873,285	0.09
Expired (1)	(14,142,408)	0.15
Balance, September 30, 2020	150,730,877	0.08
Issued (2)	26,497,086	0.06
Exercised (3)	(41,691,627)	0.10
Expired (4)	(38,519,250)	0.07
Balance, June 30, 2021	97,017,086	0.07

(1)

Warrants issue date	Warrants expired	Exercise price	Expired on
01-Apr-16	1,848,000	0.20	01-Apr-20
01-Apr-16	670,742	0.20	01-Apr-20
05-May-16	2,246,835	0.20	05-May-20
05-May-16	132,546	0.20	05-May-20
17-May-16	850,000	0.20	17-May-20
17-May-16	194,285	0.20	17-May-20
30-Sep-16	8,200,000	0.12	30-Sep-20
	14,142,408		

(2)

Warrants issue date	Warrants issued	Exercise price	Expiry date
13-Nov-20	7,000,000	0.055	17-Nov-22
13-Nov-20	10,000,000	0.055	22-Dec-22
22-Dec-20	700,000	0.055	22-Dec-22
29-Dec-20	3,000,000	0.055	29-Dec-22
29-Dec-20	4,285,714	0.055	29-Dec-24
29-Dec-20	100,000	0.055	29-Dec-22
29-Dec-20	428,571	0.055	29-Dec-24
04-May-21	976,967	0.12	04-May-23
07-Jun-21	5,834	0.12	07-Jun-23
	26,497,086		

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(3)

Warrants issue date	Warrants exercised	Exercise price	Expiry date
07-Mar-17	754,786	0.10	07-Mar-21
07-Mar-17	12,493,536	0.10	07-Mar-21
24-Mar-17	441,422	0.10	24-Mar-21
24-Mar-17	5,671,549	0.10	24-Mar-21
24-Apr-17	14,167,001	0.10	24-Apr-21
24-Apr-17	613,333	0.10	24-Apr-21
06-Jun-17	3,000,000	0.10	06-Jun-21
08-Aug-17	2,500,000	0.10	08-Aug-21
08-Aug-17	350,000	0.10	08-Aug-21
25-Sep-17	1,000,000	0.10	25-Sep-21
22-Dec-20	700,000	0.055	22-Dec-22
	41,691,627		

(4)

Warrants issue date	Warrants expired	Exercise price	Expired on
08-Nov-16	560,000	0.20	08-Nov-20
23-Dec-16	2,125,000	0.10	23-Dec-20
20-Dec-17	7,500,000	0.12	20-Dec-20
11-Dec-18	13,000,000	0.06	11-Dec-20
11-Dec-18	770,000	0.05	11-Dec-20
21-Dec-18	12,500,000	0.06	21-Dec-20
21-Dec-18	875,000	0.05	21-Dec-20
07-Mar-17	179,696	0.10	07-Mar-21
24-Mar-17	179,554.00	0.10	24-Mar-21
24-Apr-17	680,000.00	0.10	24-Apr-21
06-Jun-17	150,000.00	0.10	06-Jun-21
	38,519,250		

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As at June 30, 2021, the following warrants were issued and outstanding:

Number of warrants	Value of warrants	Exercise price	Expiry date
2,053,333	-	0.10	July 18, 2021
2,500,000	25,000	0.10	August 8, 2021
38,966,667	583,938	0.10	August 14, 2021
27,700,000	277,000	0.10	October 4, 2021
7,000,000	105,000	0.055	November 13, 2022
10,000,000	-	0.055	December 22, 2022
7,285,714	-	0.055	December 29, 2022
528,571	21,459	0.055	December 29, 2022
976,967	94,036	0.12	May 4, 2023
5,834	382	0.12	June 7, 2023
97,017,086	1,106,815		

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

Number of warrants	Value of warrants	Exercise price	Expiry date
	\$	\$	
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
150,730,877	1,388,353		

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13. STOCK- BASED COMPENSATION

On June 11, 2020 the shareholders of the Company approved the conversion of the Company's Stock Option Plan ("SOP") from a rolling option plan to a fixed incentive stock plan, pursuant to which a maximum of 20% of the issued and outstanding common shares of the Company may be reserved for issuance under its SOP. Pursuant to the New Plan, options entitling the purchase of an aggregate 74,787,268 common shares in the capital of the Company (the "Shares") may be granted to directors, officers, employees and consultants of the Company from time to time.

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, 2019	36,670,000	0.06
Granted (2)	36,370,000	0.05
Forfeited	(835,000)	0.06
Expired	-	-
Balance, September 30, 2020	72,205,000	0.05
Granted (1)	30,000,000	0.12
Exercised	(27,450,000)	0.05
Expired (3) & (4)	(6,400,000)	0.08
Balance, June 30, 2021	68,355,000	0.08

(1) On February 26, 2021, 30,000,000 stock options were granted to Directors, Officers, employees and consultants at an exercise price of \$ 0.12 per share, expiring on February 26, 2026. The stock options vest over three years. From total 30,000,000 options granted 9,000,000 options granted to one Director and 950,000 options granted to Officer were allowed to fully vest in Q2, 2021.

(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.

(3) On December 23, 2020, 4,150,000 stock options expired.

(4) On May 10, 2021 2,250,000 stock options expired.

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As at June 30, 2021, 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	38,355,000	3.44	\$0.05	18,540,000	\$0.05
\$0.12	30,000,000	4.66	\$0.12	3,000,000	\$0.12
	68,355,000	3.98	\$0.08	21,540,000	\$0.06

As at September 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	3.91	\$0.05	35,412,000	\$0.05
\$0.10	4,060,000	0.23	\$0.10	4,060,000	\$0.10
	72,205,000	3.71	\$0.05	39,472,000	\$0.06

The following table reflects the weighted-average fair value of stock options granted between September 30, 2019 and June 30, 2021 and the related Black-Scholes option pricing model inputs that were used in the calculations:

	Period ended June 30, 2021	Year ended September 30, 2020
Stock options granted	30,000,000	36,370,000
Weighted average fair value	0.17	0.02
Weighted-average exercise price	0.12	0.05
Weighted-average market price at date of grant	0.17	0.03
Expected life of stock options (years)	5	5
Expected stock price volatility	167.90%	135.12%
Risk-free interest rate	0.88%	1.67%
Expected dividend yield	0%	0%

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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.

Stock-based compensation of \$691,647 was included in the statement of comprehensive loss for the nine months ended June 30, 2021 and credited to contributed surplus.

14. SUPPLEMENTAL CASH FLOW INFORMATION

	Three months ended June 30,		Nine months ended June 30,	
	2021	2020	2021	2020
	\$	\$	\$	\$
Changes in working capital are as follows:				
Sales tax receivable	319,821	(185,994)	391,732	(178,052)
Amounts receivable	(96,970)	-	(96,970)	-
Amounts due from related parties	(19,815)	(23,767)	(22,625)	(17,465)
Prepaid expenses	(8,000)	(111,847)	(8,000)	(98,576)
Other current liabilities	44,300	-	(196,303)	-
Accounts payable and accrued liabilities	34,338	(433,719)	194,003	225,930
	273,674	(755,327)	261,837	(68,163)
Non-cash investing activities as follows:				
Exploration and evaluation assets included in				
Accounts payable and accrued liabilities	194,309	(955,720)	580,369	(1,708,557)

15. 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 and amounts due from related parties and maximum exposure is equal to the carrying values of these assets, totalling \$5,922,878 at June 30, 2021. 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.

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(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, 2021, the Company had a working capital of \$1,104,078. During the nine months ended, June 30, 2021, the Company had negative cash flows from operations of \$1,245,259. 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, 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 \$5,443,947 in financial liabilities comprised as below:

	Carrying Value	Maturity Analysis		Total
		Less than 1 year	Greater than 1 year	
Accounts payable and accrued liabilities	1,951,653	1,951,653	-	1,951,653
Amounts due to related parties (Note 17)	2,465,310	2,465,310	-	2,465,310
Other current liabilities (Note 8)	973,697	973,697	-	973,697
Long-term liability (Note 10)	43,287	-	43,287	43,287
	5,443,947	5,390,660	43,287	5,443,947

(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 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, 2021, the Company had cash balances of \$5,842,520 (\$877,886 as at September 30, 2020) and interest income derived from these investments during the nine months ended June 30, 2021 was \$Nil (2020 - \$464). Loan received of \$60,000 (as per Note 10) is an interest-free loan if repaid within required timeframe so there is no interest on the same.

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.

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

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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.

16. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, amounts due from related parties, accounts payable and accrued liabilities, amounts due to related parties, other current liabilities and long-term liabilities. The fair value of the Company's financial instruments approximates their carrying value due to their short-term nature.

The classification of financial instruments is as follows:

	June 30, 2021	September 30, 2020
	\$	\$
Financial assets		
Loans and receivables		
Cash	5,842,520	877,886
Amount receivable	96,970	-
Amounts due from related parties (Note 17)	80,358	57,733
Total financial assets	6,019,848	935,619
Financial liabilities		
Measured at amortized cost		
Accounts payable and accrued liabilities	1,951,653	1,930,242
Long-term Liabilities	43,287	24,601
Other Current Liabilities (Note 8)	973,697	1,284,078
Amounts due to related parties (Note 17)	2,465,310	3,215,310
Total financial liabilities	5,433,947	6,454,231

17. 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.

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	June 30, 2021	September 30, 2020
		\$
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.	39,059	23,158
9174893 Canada Inc.	10,894	8,084
Previous employee	160	160
JAG Property Holdings	2,164	2,164
Alcereco	808	640
GGTC Inc	7,332	7,332
JAG Sky Inc.	186	186
9176055 Canada Inc.	6,536	6,536
Mistura Beauty Solutions	1,361	1,361
Stria	3,314	8,111
Grafoid	8,544	-
	80,358	57,733
Included in Accounts payable		
9174893 Canada Inc.	-	33,839
GGTC	15,674	62,696
Grafoid	-	-
CFO	-	585
Director Fees (Note a)	-	754,168
	15,674	851,288
	June 30, 2021	September 30, 2,020
Included in Amounts due to related parties		
A company controlled by a director of the Company	2,415,000	3,165,000
Alcereco - wholly owned subsidiary of Grafoid Inc.	45,000	45,000
9174893 Canada Inc - a company controlled by a director of the Company	2,810	2,810
BESI	2,500	2,500
	2,465,310	3,215,310

Advances and repayments of loans from companies controlled by directors of the Company during the year ended September 30, 2020 are as follows:

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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
	500,000	02-Dec-19	15-May-20
	300,000	17-Dec-19	17-Jun-20
	300,000	20-Jan-20	20-Jul-20
	150,000	10-Feb-19	10-Aug-20
	150,000	25-Feb-19	25-Aug-20
	300,000	25-Mar-20	25-Sep-20
	300,000	01-Jan-20	01-Jul-20
	3,400,000		
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	
	3,000,000	25-May-20	
	685,000	27-May-20	
	92,500	29-May-20	
	750,000	26-Mar-21	
	4,527,500		
9174893 Canada Inc (3)	Amount	Date borrowed	Date Due
	2,810	12-Mar-20	12-Apr-20

Transactions with related parties	June 30, 2021	September 30, 2020
Rent (1)	13,871	55,484
Rent	-	6,000
Consulting services - Grafoid (2)	60,000	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 GGTC's acquisition of the building. During the three months ended June 30, 2021, the Company was charged a total of \$13,871 (during the three months ended June 30, 2020 \$13,871) for rent. Since the lease is short-term, the IFRS 16 capitalization criteria was not applied. Refer to Note 3 of the audited financial statements for the year ended September 30, 2020.
- (2) During the year ended September 30, 2020, the Company was charged \$6,000 for rent. Since the lease is short-term, the IFRS 16 capitalization criteria was not applied. Refer to Note 3 of the audited financial statements for the year ended September 30, 2020.

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- (3) During the year ended September 30, 2020, the Company was charged \$2,400,000 by Grafoid for consulting services which consists of marketing, product development and auxiliary services for Focus. On October 1, 2017, the Company entered into an agreement with Grafoid under which Grafoid will provide an array of services to the benefit of the Company for a monthly fee of \$200,000. The agreement has no termination date. Either party may terminate the agreement upon 30 days' written notice. During three months ended June 30, 2021, the Company was charged \$60,000 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	
	2021	2020	2021	2020
Consulting fees	25,314	181,458	67,504	415,608
Stock Based Compensation	215,191	8,634	587,024	8,634
	240,505	190,092	654,528	424,242

The Company's directors and former directors agreed to cancel accrued directors fees in the amount of \$754,168, which had been accrued in previous years. The amount has been recognized as other income in the statement of comprehensive loss.

18. 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 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 September 30, 2020, 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 June 30, 2021, payments of \$Nil held by Focus in relation to the offtake

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agreements (\$Nil as at September 30, 2020) 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.

19. 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.

20. SUBSEQUENT EVENTS

On July 5, 2021 the Company announced completed due diligence with Alumina Partners (Ontario) Ltd. an affiliate of New York-based private equity firm Alumina Partners, LLC, and closed a first tranche of private placement investment pursuant thereto. In the first tranche that closed on July 2nd, 2021, the Company completed a private placement for gross proceeds of \$200,000 from Alumina, with Alumina receiving 2,962,963 units of the Company consisting of a common share priced at \$0.0675 per share and warrants to purchase 1,481,482 common shares, exercisable at \$0.1125 per share for 36 months. Alumina is prepared to invest up to CAD\$12 million in the company over a 24-month period for working capital and general corporate purposes, including to advance both of the Company's flake graphite projects in Quebec. The Company may, subject to certain conditions, elect to have Alumina invest in private placements of up to \$500,000. Each tranche shall be a private placement of units, to be comprised of one common share and one-half of a common share purchase warrant, which will be exercisable for 36 months. The units will be issued at a discount of 15% to 25% from the closing market price at the time of each tranche, and the warrants will be issued at a 25% premium over the closing market price at the time of each tranche.