FOCUS GRAPHITE INC.

Condensed Interim Financial Statements

For the three and nine month periods ended June 30, 2022

(Expressed in Canadian Dollars)

Condensed Interim Financial Statements

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, 2022**	September 30, 2021
	$	$
ASSETS		
Current assets		
Cash	**3,625,401**	4,935,494
Marketable securities (Note 4)	**-**	-
Sales tax receivable	**954,250**	445,123
Amounts due from related parties (Note 16)	**23,798**	109,233
Tax credits	**1,050,061**	228,775
Prepaid expenses	**60,565**	41,954
	5,714,075	5,760,579
Deposits	**1,339,620**	239,620
Mineral exploration properties (Note 6)	**931,679**	931,679
Exploration and evaluation assets (Note 6)	**31,848,940**	27,032,389
Mineral assets held for sale (Note 7)	**1,116,805**	1,616,805
Total assets	**40,951,119**	35,581,072
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (Note 16)	**3,877,327**	2,403,401
Amounts due to related parties (Note 16)	**2,302,810**	2,417,810
Other current liabilities (Note 8)	**1,432,064**	973,697
	7,612,201	5,794,908
Long-term liability (Note 9)	**53,782**	45,738
Deferred government grant (Note 9)	**5,135**	12,713
Total liabilities	**7,671,118**	5,853,359
EQUITY		
Share capital (Note 10)	**74,096,785**	69,583,593
Warrants (Note 11)	**324,010**	497,877
Contributed surplus (Note 12)	**18,276,793**	14,240,623
Accumulated other comprehensive income	**273,242**	273,242
Deficit	**(59,690,829)**	(54,867,622)
Total equity	**33,280,001**	29,727,713
Total liabilities and equity	**40,951,119**	35,581,072

Going concern (Note 2)
Contingent liability (Note 18)

On behalf of the Board

(signed) "Marc Roy"
Marc 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)

	Three months ended June 30,		Nine months ended June 30,	
	2022	2021	**2022**	2021
	$	$	**$**	$
Operating expenses				
Management and consulting fees	**194,452**	168,843	**631,483**	976,289
Salaries and benefits	**64,499**	66,072	**193,164**	207,937
Travel and promotion	**7,169**	394	**11,799**	2,101
Professional fees	**6,722**	37,405	**134,743**	162,093
Stock-based compensation (Note 12 & 16)	**346,000**	263,531	**3,762,744**	691,647
Office	**66,888**	99,732	**197,961**	186,083
Loss from operations	**(685,730)**	(635,977)	**(4,931,894)**	(2,226,150)
Other income (expenses)				
Other income (Note 9)	**2,526**	20,598	**7,578**	27,081
Loss on sale of marketable securities (Note 4)	**-**	-	**(18,302)**	-
Other income related to flow-through shares (Note 8)	**83,085**	114,078	**119,411**	114,078
Cancellation of accrued directors fees (Note 16)	**-**	-	**-**	754,168
Net loss and total comprehensive loss	**(600,119)**	(501,301)	**(4,823,207)**	(1,330,823)
Basic and diluted net loss per common share	**(0.01)**	(0.01)	**(0.09)**	(0.03)
Basic and diluted weighted average number of common shares outstanding	**55,166,390**	47,621,280	**53,158,660**	41,675,115

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

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, 2020	**37,393,634**	**60,525,025**	**1,388,353**	**11,887,919**	**273,242**	**(51,822,660)**	**22,251,879**
Shares issued for cash	4,095,238	3,000,700	-	-	-	-	3,000,700
Shares issued on exercise of warrants	4,169,163	4,324,526	(186,864)	-	-	-	4,137,662
Shares issued on exercise of options	2,745,000	1,803,333	-	(430,833)	-	-	1,372,500
Warrants issued	-	-	105,000	-	-	-	105,000
Expiry of warrants	-	-	(343,971)	343,971	-	-	-
Share issuance costs	-	(407,494)	144,297	-	-	-	(263,197)
Stock-based compensation	-	-	-	691,647	-	-	691,647
Net loss	-	-	-	-	-	(1,330,823)	(1,330,823)
Balance, June 30, 2021	**48,403,035**	**69,246,090**	**1,106,815**	**12,492,704**	**273,242**	**(53,153,483)**	**29,965,368**
Shares issued for cash	296,296	200,000	-	-	-	-	200,000
Shares issued on exercise of options	-	152,066	-	(152,066)	-	-	-
Expiry of warrants	-	-	(608,938)	608,938	-	-	-
Share issuance costs	-	(14,563)	-	-	-	-	(14,563)
Stock-based compensation	-	-	-	1,291,047	-	-	1,291,047
Net loss	-	-	-	-	-	(1,714,139)	(1,714,139)
Balance, September 30, 2021	**48,699,331**	**69,583,593**	**497,877**	**14,240,623**	**273,242**	**(54,867,622)**	**29,727,713**
Shares issued for cash	6,447,059	5,022,222	-	-	-	-	5,022,222
Shares issued on exercise of options	20,000	13,574	-	(3,574)	-	-	10,000
Expiry of warrants	-	-	(277,000)	277,000	-	-	-
Share issuance costs	-	(522,604)	103,133	-	-	-	(419,471)
Stock-based compensation	-	-	-	3,762,744	-	-	3,762,744
Net loss	-	-	-	-	-	(4,823,207)	(4,823,207)
Balance, June 30, 2022	**55,166,390**	**74,096,785**	**324,010**	**18,276,793**	**273,242**	**(59,690,829)**	**33,280,001**

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

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

	Nine months ended June 30, 2022	2021
	$	$
OPERATING ACTIVITIES		
Net loss	**(4,823,207)**	(1,330,823)
Adjustments for:		
Stock-based compensation	**3,762,744**	691,647
Other income related to flow-through shares	**(119,411)**	(114,078)
Loss on sale of marketable securities	**18,302**	-
Government grant revenue (Note 9)	**(7,578)**	(6,522)
Cancellation of accrued directors fees (Note 16)	**-**	(754,168)
Accretion expense on long-term liability	**8,044**	6,847
Changes in non-cash working capital items (Note 13)	**82,392**	261,837
Net cash flows from operating activities	**(1,078,714)**	(1,245,260)
INVESTING ACTIVITIES		
Sale of mining assets (Note 7)	**350,000**	-
Sale of marketable securities (Note 4)	**131,698**	-
Deposits	**(1,100,000)**	-
Exploration and evaluation costs	**(4,688,606)**	(1,859,678)
Tax credits and mining duties received	**-**	446,637
Net cash flows from investing activities	**(5,306,908)**	(1,413,041)
FINANCING ACTIVITIES		
Proceeds from issuance of shares/units	**5,600,000**	3,105,700
Proceeds from exercise of warrants	**-**	4,137,662
Proceeds from exercise of options	**10,000**	1,372,500
Repayment of loans from related parties	**(115,000)**	(750,000)
CEBA loan	**-**	20,000
Share issuance costs	**(419,471)**	(263,197)
Other	**-**	270
Net cash flows from financing activities	**5,075,529**	7,622,935
(Decrease) increase in cash	**(1,310,093)**	4,964,634
Cash, beginning of the year	**4,935,494**	877,886
Cash, end of the year	**3,625,401**	5,842,520

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

1. NATURE OF OPERATIONS

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

Focus is engaged in the acquisition, exploration and development of mineral properties in Quebec, Canada. The Company is in the exploration stage and does not derive any revenue from its properties. The address of the Company’s corporate office is 945 Princess Street, Box 116, Kingston, Ontario, Canada. Focus Graphite Inc.’s common shares are listed for trading on the TSX Venture Exchange (“TSX-V” or the “Exchange”) under the symbol “FMS” and on the OTCQX Exchange in the U.S. under the symbol “FCSMF”.

2. GOING CONCERN ASSUMPTION

These condensed interim financial statements have been prepared on a going concern basis, which assumes that 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. As at June 30, 2022, the Company had cash of $3,625,401 and a working capital deficiency of $1,898,126. During the nine month period ended June 30, 2022, the Company had a net loss of $4,823,207 and had negative cash flows from operations of $1,078,714. In addition, the Company has a deficit of $59,690,829.

Certain of the above factors indicate material uncertainties, which may cast 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 condensed interim 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 condensed interim 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.

Uncertainty due to COVID-19

The duration and full financial impact of the COVID-19 pandemic is unknown at this time, as are the measures taken by governments, companies and others to attempt to reduce the spread of COVID-19. Any estimate of the length and severity of these developments is therefore subject to significant uncertainty, and accordingly estimates of the extent to which the COVID-19 pandemic may materially and adversely affect the Company's operations, financial results and condition in future periods are also subject to significant uncertainty.

In the current environment, the assumptions and judgements made by the Company are subject to greater variability than normal, which could in the future significantly affect judgments, estimates and assumptions made by management as they relate to the potential impact of COVID-19 and could lead to a material adjustment to the carrying value of the assets or liabilities affected.
The impact of current uncertainty on judgments, estimates and assumptions extends, but is not limited to, the Company's valuation of its mineral exploration properties and explorations and evaluation assets, including

the assessment for impairment and impairment reversal, and going concern as the volatility of commodity prices has created uncertainty in the markets and could potentially impact the Company's ability to raise sufficient funds. Actual results may differ materially from these estimates.

3. BASIS OF PRESENTATION AND COMPLIANCE WITH IFRS

The condensed interim financial statements for the nine month period ended June 30, 2022 are expressed in Canadian dollars, which is the functional currency of the Company. They have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"). They do not include all of the information and disclosures required in annual financial statements in accordance with International Financial Reporting Standards ("IFRS") and should be read in conjunction with the Company's financial statements for the years ended September 30, 2021 and 2020.

The condensed interim financial statements have been prepared in accordance with the accounting policies used in the Company's financial statements for the years ended September 30, 2021 and 2020.

When preparing the condensed interim financial statements, management undertakes a number of judgments, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgments, estimates and assumptions made by management. The judgments, estimates and assumptions applied in the condensed interim financial statements, including the key sources of estimation uncertainty, were consistent with those applied in the Company's financial statements for the years ended September 30, 2021 and 2020.

The condensed interim financial statements were approved for issue by the Board of Directors on August 29, 2022.

4. MARKETABLE SECURITIES

Marketable securities are classified as fair value through profit or loss and are comprised of:

	June 30, 2022	September 30, 2021
	$	$
Mont Royal Resources Ltd. (1)	**-**	-

(1) In December 2021, the Company received 459,236 common shares of Mont Royal Resources Ltd. ("Mont Royal"), with a fair value of $150,000. The shares were issued to the Company in accordance with the Mineral Property Acquisition Agreement, which the Company signed in July 2020, for the sale of its interest in the Eastmain-Leran property (Note 7). During the nine month period ended June 30, 2022, the Company sold the 459,236 common shares for gross proceeds of $131,698, recognizing a loss on sale of marketable securities of $18,302.

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.

Initially, the Company was deemed to control Grafoid, however on July 3, 2013, further to the dilution of the Company's ownership interest, the Company lost control over Grafoid. Given its 21% ownership interest in Grafoid at that date, the Company was deemed 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 has since been accounted for using the equity method in accordance with International Accounting Standard 28, "Investments in Associates and Joint Ventures" ("IAS 28").

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 is estimation uncertainty associated with determining the recoverable amount for the investment in Grafoid as it is a privately held research and development company, has a net asset deficiency and is dependent on future financings to continue to operate as a going concern. An impairment loss is reversed if there has been favourable change in the estimates used to determine the recoverable amount.

During the year ended September 30, 2018, there was a change in circumstances that enabled Grafoid to make loan repayments to Focus in the amount of $3,092,739. In that year, Grafoid raised US$6,000,000 through a series of private placements which enabled them to repay the Company in full. As a result, $360,000 included in amounts 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 as to whether or not Grafoid will be successful in raising further capital or achieving profitable operations in the future. 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, 2022, the Company's ownership interest in Grafoid was 16.38%. The Company has no obligation to fund Grafoid beyond its carrying value, which remains $Nil at June 30, 2022, due to the accumulated share of losses in Grafoid.

As of June 30, 2022, no dividends have been received from Grafoid.

(Expressed in Canadian dollars)

6. MINERAL EXPLORATION PROPERTIES AND EXPLORATION AND EVALUATION ASSETS

	June 30, 2022		September 30, 2021	
	Mineral exploration properties	**Exploration and evaluation assets**	Mineral exploration properties	Exploration and evaluation assets
	$	**$**	$	$
a) Lac Knife	**642,578**	**23,982,655**	642,578	20,820,569
b) Manicouagan	**289,101**	**7,866,285**	289,101	6,211,820
TOTAL	**931,679**	**31,848,940**	931,679	27,032,389

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 627 hectares located 11km north of the Lac Knife property.

b) 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.

(Expressed in Canadian dollars)

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, 2022, Manicouagan consists of the Lac Tetepisca, Lac Tetepisca North and Lac Guinecourt properties.

The following table reflects changes to mineral exploration properties between October 1, 2020 and June 30, 2022:

	Nine months ended June 30, 2022	Year ended September 30, 2021
	$	$
Balance, beginning and end of the period	**931,679**	931,679

(Expressed in Canadian dollars)

The following table reflects changes to exploration and evaluation assets between October 1, 2020 and June 30, 2022:

	Nine months ended June 30, 2022	Year ended September 30, 2021
	$	$
Balance, beginning of the period	**27,032,389**	23,821,556
Additions		
Drilling	**3,745,791**	2,324,104
Independent technical studies	**-**	8,775
Geophysical survey	**5,400**	-
Geological mapping	**5,682**	3,865
Geochemical survey	**157,850**	30,479
Metallurgical analysis	**23,026**	3,000
Resource estimate	**116,334**	20,334
Property maintenance	**25,762**	49,454
Preliminary economic assessment (PEA)	**-**	3,450
Feasibility studies	**1,120,249**	225,711
Environmental studies	**383,016**	640,376
Community relations	**54,727**	18,980
	5,637,837	3,328,528
Tax credits and credit on duties	**(821,286)**	(117,695)
Balance, end of the period	**31,848,940**	27,032,389

7. MINERAL ASSETS HELD FOR SALE

In October 2012, the Company signed an agreement with Ressources Miniere Alta Inc. ("Alta") whereby it 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 covered a period of twelve months, Focus paid $15,000 in cash. Separate from the agreement with Alta, the Company also staked additional mining claims in the area in October 2012.

In October 2013, the Company executed a purchase agreement with Alta whereby it 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 ("NSR") on the property, which the Company shall have the right, at any time and at its sole discretion, to purchase for $500,000. The property was recorded at a value of $350,000 upon initial recognition, based on the fair value of the property received and the consideration paid.

(Expressed in Canadian dollars)

On July 6, 2020, the Company signed a Mineral Property Acquisition Agreement ("MPA Agreement") whereby it agreed to sell its interest in the Eastmain-Leran property to a third party (the "Purchaser"), for the following consideration:

-$500,000 in cash at closing (received on July 16, 2020)
-$500,000 in cash by December 1, 2021 (received $350,000 in cash and $150,000 in shares (Note 4) in December 2021).
-$500,000 in cash by December 1, 2022
-$800,000 in cash by December 1, 2023

The transfer of the property will not occur until the full consideration has been paid to the Company. In the event that a payment is not made as per the timeline above, the Company can cancel the transaction and retain all prior payments received.

The Purchaser has the right to elect to pay up to 50% of the post-closing instalments in the form of shares.

Once the Purchaser has met all of the obligations under the MPA Agreement, the Company will transfer all mineral titles to the Purchaser. The Company will retain (a) a 0.5% NSR on the Alta Option portion of the property which can be purchased at any time by the Purchaser for $125,000 and (b) a 2.5% NSR on the Staked portion of the property which can be purchased at any time by the Purchaser for $625,000.

The fair value of the property was determined by discounting the future cash consideration, to be received in accordance with the MPA Agreement, using the Company's borrowing rate of 21.8%. No value was attributed to the NSR retained by the Company given that there is significant uncertainty regarding any future cash flows from the NSR, since the property is still at the exploration stage and has no verified resources.

The following table reflects changes to mineral assets held for sale between October 1, 2020 and June 30, 2022:

	Nine months ended June 30, 2022	Year ended September 30, 2021
	$	$
Balance, beginning of the period	**1,616,805**	1,616,805
Payments received in accordance with MPA Agreement	**(500,000)**	-
Balance, end of the period	**1,116,805**	1,616,805

(Expressed in Canadian dollars)

8. OTHER CURRENT LIABILITIES

Other current liabilities include the following:

	June 30, 2022	September 30, 2021
	$	$
Obligation to pass on tax deductions:		
December 2018 flow-through financing (1)	**-**	-
May/June 2021 flow-through financing (2)	**-**	44,300
December 2021 flow-through financing (3)	**502,667**	-
Penalty provision related to flow-through obligation (1)	**929,397**	929,397
Total other current liabilities	**1,432,064**	973,697

(1) 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, where the liability component represents the Company's obligation to pass on the tax deductions to investors. During the year ended September 30, 2021, the Company incurred all of the required flow-through expenditures and reduced the deferred liability to $Nil, recognizing a credit of $114,078 within other income related to flow through shares in the statement of comprehensive loss. In February 2019, with an effective date of December 31, 2018, the related tax deductions were renounced to investors under the look-back rule, which permits the Company to renounce flow-through expenditures to investors in advance of incurring all of the required exploration expenditures. Under the look-back rule, the Company has twelve months following the effective date of renunciation to incur any required exploration expenditures not yet incurred at the effective date of renunciation. Focus did not incur the required exploration expenditures by the December 31, 2019 deadline and therefor, during the year ended September 30, 2020, the Company recorded a provision in the amount of $1,170,000, representing the estimated liability resulting from the missed deadline. The provision includes Part XII.6 tax and the Quebec equivalent, as well as estimated investors indemnification exposure. During the year ended September 30, 2021, the Company made payments to the Canada Revenue Agency and Revenu Quebec for a total amount of $240,603 and has reduced the provision accordingly, to $929,397.

(2) In May and June 2021, the Company closed a flow-through private placement for gross proceeds of $2,000,000 (Note 10). The proceeds from the financing were allocated between share capital ($1,955,700) and a deferred liability ($44,300), using the residual method, where 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 2022, with an effective date of December 31, 2021, the Company has reduced the initial liability by the percentage of the required exploration expenditures which have been incurred to June 30, 2022. As at June 30, 2022, the remaining liability is $Nil.

(3) In December 2021, the Company closed a flow-through private placement for gross proceeds of $5,200,000 (Note 10). The proceeds from the financing were allocated between share capital ($4,622,222) and a deferred liability ($577,778), using the residual method, where 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 2022, with an effective date of December 31, 2021, the Company has reduced the initial liability by the percentage of the required exploration expenditures which have been incurred to June 30, 2022. As at June 30, 2022, the remaining liability is $502,667.

(Expressed in Canadian dollars)

9. LONG TERM LIABILITY

Under the Canada Emergency Bank Account program ("CEBA"), part of the Government of Canada's economic response plan to help Canadian businesses deal with the COVID-19 pandemic, the Company has received loans totaling $60,000, with $40,000 having been received in fiscal 2020 and another $20,000 received in fiscal 2021. The CEBA loan is interest free until December 31, 2023, at which point any remaining balance will be converted into a 2 year term loan bearing annual interest at 5%. No principal payments are required until December 31, 2025. Principal repayments can be made voluntarily at any time without any fees or penalties. Up to $20,000 of the loan may be forgiven, provided that $40,000 is paid back by December 31, 2023.

The loan was recognized at fair value based on an estimated market interest rate of 21.8% and expected repayment of $40,000 on December 31, 2022, with the $20,000 balance being forgiven. During the year ended September 30, 2020, on receipt of the first $40,000, the Company recognized a deferred government grant in the amount of $17,367, being the difference between the loan amount ($40,000) and the fair value of the loan ($22,633), which will be recognized over the term of the loan. Similarly, during the year ended September 30, 2021, on receipt of the additional $20,000, the Company recognized an additional deferred government grant in the amount of $6,954, being the difference between the loan amount ($20,000) and the fair value of the loan ($13,046), which will be recognized over the term of the loan.

During the nine month period ended June 30, 2022, other income in the amount of $7,578 (2021 – $6,522) was recognized in the condensed interim statements of comprehensive loss, which represents the benefit of receiving the interest free loan.

10. 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

<u>Share Consolidation</u>

On June 15, 2022, the Company announced that the TSX-V had approved the consolidation of the Company's common shares on the basis of one (1) post-consolidation common share for every ten (10) pre-consolidation common shares. The Company's shares began trading on a post-consolidated basis effective at the opening of the market on June 17, 2022. All share capital, warrant and stock option data has been retroactively restated to reflect the share consolidation in these condensed interim financial statements.

(Expressed in Canadian dollars)

	Number of shares	
		$
Balance, September 30, 2020	**37,393,634**	**60,525,025**
Shares issued for cash (1)(2)(3)(4)(5)(6)(7)	4,391,534	3,200,700
Shares issued on exercise of warrants	4,169,163	4,324,526
Shares issued on exercise of stock options	2,745,000	1,955,399
Share issuance costs	-	(422,057)
Balance, September 30, 2021	**48,699,331**	**69,583,593**
Shares issued for cash (8)(9)(10)	6,447,059	5,022,222
Shares issued on exercise of stock options	20,000	13,574
Share issuance costs	-	(522,604)
Balance, June 30, 2022	**55,166,390**	**74,096,785**

(1) On November 17, 2020, the Company completed a flow-through private placement for gross proceeds of $350,000. The private placement was comprised of 700,000 flow-through units at a price of $0.50 per unit. Each flow-through unit is comprised of one flow-through common share and one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share of the Company at a price of $0.55 until November 17, 2022. The proceeds from the financing ($350,000) were allocated to share capital ($245,000) and warrants ($105,000), after which there was no residual amount to allocate to a deferred liability. Other share issuance costs total $18,129 and were presented as a reduction of share capital. A Director of the Company participated in the private placement for an amount of $200,000.

(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 1,000,000 flow-through units at a price of $0.50 per unit. Each flow-through unit is comprised of one flow-through common share and one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share of the Company at a price of $0.55 until December 22, 2022. In connection with the financing, the Company paid cash finders' fees of $35,000 and issued, as additional consideration, 70,000 non-transferable broker warrants, each broker warrant entitling the holder to acquire one common share of the Company at a price of $0.55 until December 22, 2022. The proceeds from the financing ($500,000) were allocated entirely to share capital ($500,000), after which there was no residual amount to allocate to warrants or a deferred liability. The warrants issued as commissions have been recorded at a value of $28,420 based on the Black-Scholes option pricing model, using the following assumptions: stock price of $0.60, risk-free interest rate of 0.42%, expected life of warrants of 2 years, annualized volatility of 135% and dividend rate of 0%. The underlying expected stock price volatility is based on historical data of the Company's shares over the last two years. The risk-free interest rate is based on the yield of a Government of Canada benchmark bond in effect at the time of issuance with an expiry commensurate with the expected life of the warrants. Other share issuance costs total $25,899. The value of the broker warrants, cash finders' fees and other share issuance costs were presented as a reduction of share capital.

(3) On December 29, 2020, the Company completed a flow-through private placement for gross proceeds of $150,000. The private placement was comprised of 300,000 flow-through units at a price of $0.50 per unit. Each flow-through unit is comprised of one flow-through common share and one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share of the

Company at a price of $0.55 until December 29, 2022. In connection with the financing, the Company paid cash finders' fees of $5,000 and issued, as additional consideration, 10,000 non-transferable broker warrants, each broker warrant entitling the holder to acquire one common share of the Company at a price of $0.55 until December 29, 2022. The proceeds from the financing ($150,000) were allocated entirely to share capital ($150,000), after which there was no residual amount to allocate to warrants or a deferred liability. The warrants issued as commissions have been recorded at a value of $4,060 based on the Black-Scholes option pricing model, using the following assumptions: stock price of $0.60, risk-free interest rate of 0.41%, expected life of warrants of 2 years, annualized volatility of 135% and dividend rate of 0%. The underlying expected stock price volatility is based on historical data of the Company's shares over the last two years. The risk-free interest rate is based on the yield of a Government of Canada benchmark bond in effect at the time of issuance with an expiry commensurate with the expected life of the warrants. Other share issuance costs total $7,770. The value of the broker warrants, cash finders' fees and other share issuance costs were presented as a reduction of share capital.

(3) On December 29, 2020, the Company completed a private placement for gross proceeds of $150,000. The private placement was comprised of 428,571 units at a price of $0.35 per unit. Each unit is comprised of one common share and one common share purchase warrant. Each warrant entitles the holder to purchase one additional common share of the Company at a price of $0.55 until December 29, 2024. In connection with the financing, the Company paid cash finders' fees of $15,000 and issued, as additional consideration, 42,857 non-transferable broker warrants, each broker warrant entitling the holder to acquire one common share of the Company at a price of $0.55 until December 29, 2022. The proceeds from the financing ($150,000) were allocated entirely to share capital ($150,000), after which there was no residual amount to allocate to warrants. The warrants issued as commissions have been recorded at a value of $17,399 based on the Black-Scholes option pricing model, using the following assumptions: stock price of $0.60, risk-free interest rate of 0.41%, expected life of warrants of 2 years, annualized volatility of 135% and dividend rate of 0%. The underlying expected stock price volatility is based on historical data of the Company's shares over the last two years. The risk-free interest rate is based on the yield of a Government of Canada benchmark bond in effect at the time of issuance with an expiry commensurate with the expected life of the warrants. Other share issuance costs total $7,770. The value of the broker warrants, cash finders' fees and other share issuance costs were presented as a reduction of share capital.

(5) 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 1,519,000 flow-through shares at a price of $1.20 per share. In connection with the financing, the Company paid cash finders' fees of $117,236 and issued, as additional consideration, 97,697 non-transferable broker warrants, each broker warrant entitling the holder to acquire one common share of the Company at a price of $1.20 until May 4, 2023. The proceeds from the financing ($1,822,800) were allocated entirely to share capital ($1,822,800), after which there was no residual amount to allocate a deferred liability. The warrants issued as commissions have been recorded at a value of $94,036 based on the Black-Scholes option pricing model, using the following assumptions: stock price of $1.20, risk-free interest rate of 0.93%, expected life of warrants of 2 years, annualized volatility of 181% and dividend rate of 0%. The underlying expected stock price volatility is based on historical data of the Company's shares over the last two years. The risk-free interest rate is based on the yield of a Government of Canada benchmark bond in effect at the time of issuance with an expiry commensurate with the expected life of the warrants. Other share issuance costs total $41,248. The value of the broker warrants, cash finders' fees and other share issuance costs were presented as a reduction of share capital. Two Directors of the Company participated in the private placement for an aggregate amount of $300,000.

(6) On June 7, 2021, the Company completed a flow-through private placement for gross proceeds of $177,200. The private placement was comprised of 147,666 flow-through shares at a price of $1.20 per share. In connection with the financing, the Company paid cash finders' fees of $700 and issued, as additional consideration, 583 non-transferable broker warrants, each broker warrant entitling the holder to acquire one common share of the Company at a price of $1.20 until June 7, 2023. The proceeds from

the financing ($177,200) were allocated between 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 warrants issued as commissions have been recorded at a value of $382 based on the Black-Scholes option pricing model, using the following assumptions: stock price of $1.20, risk-free interest rate of 0.88%, expected life of warrants of 2 years, annualized volatility of 152% and dividend rate of 0%. The underlying expected stock price volatility is based on historical data of the Company's shares over the last two years. The risk-free interest rate is based on the yield of a Government of Canada benchmark bond in effect at the time of issuance with an expiry commensurate with the expected life of the warrants. Other share issuance costs total $4,008. The value of the broker warrants, cash finders' fees and other share issuance costs were presented as a reduction of share capital. Two Directors of the Company participated in the private placement for an aggregate amount of $92,200.

(7) On July 5, 2021, the Company completed a private placement for gross proceeds of $200,000. The private placement was comprised of 296,296 units at a price of $0.675 per unit. Each unit is comprised of one common share and one half of a common share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share of the Company at a price of $1.125 until July 5, 2024. The proceeds from the financing ($200,000) were allocated entirely to share capital ($200,000), after which there was no residual amount to allocate to warrants.

(8) On December 22, 2021, the Company completed a flow-through private placement for gross proceeds of $5,200,000. The private placement was comprised of 5,777,778 flow-through shares at a price of $0.90 per share. In connection with the financing, the Company paid cash finders' fees of $357,000 and issued, as additional consideration, 396,667 non-transferable broker warrants, each broker warrant entitling the holder to acquire one common share of the Company at a price of $1.50 until December 22, 2022. The proceeds from the financing ($5,200,000) were allocated between share capital ($4,622,222) and a deferred liability ($577,778) 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 warrants issued as commissions have been recorded at a value of $103,133 based on the Black-Scholes option pricing model, using the following assumptions: stock price of $0.80, risk-free interest rate of 0.76%, expected life of warrants of 1 year, annualized volatility of 130% and dividend rate of 0%. The underlying expected stock price volatility is based on historical data of the Company's shares over the last year. The risk-free interest rate is based on the yield of a Government of Canada benchmark bond in effect at the time of issuance with an expiry commensurate with the expected life of the warrants. Other share issuance costs total $46,928. The value of the broker warrants, cash finders' fees and other share issuance costs were presented as a reduction of share capital. A Director and an Officer of the Company participated in the private placement for an aggregate amount of $100,000.

(9) On December 31, 2021, the Company completed a private placement for gross proceeds of $200,000. The private placement was comprised of 313,725 units at a price of $0.6375 per unit. Each unit is comprised of one common share and one half of a common share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share of the Company at a price of $1.0625 until December 23, 2024. The proceeds from the financing ($200,000) were allocated entirely to share capital ($200,000), after which there was no residual amount to allocate to warrants. Other share issuance costs total $6,716 and were presented as a reduction of share capital.

(10) On February 10, 2022, the Company completed a private placement for gross proceeds of $200,000. The private placement was comprised of 355,555 units at a price of $0.5625 per unit. Each unit is comprised of one common share and one half of a common share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share of the Company at a price of $0.9375 until February 10, 2025. The proceeds from the financing ($200,000) were allocated entirely to share capital ($200,000), after which there was no residual amount to allocate to warrants. Other share issuance costs total $8,827 and were presented as a reduction of share capital.

(Expressed in Canadian dollars)

11. WARRANTS

The following table reflects the continuity of warrants outstanding:

	Number of warrants	Weighted average exercise price
		$
Balance, September 30, 2020	**15,073,088**	**0.93**
Issued	2,797,856	0.60
Exercised	(4,169,163)	0.99
Expired	(8,203,925)	0.87
Balance, September 30, 2021	**5,497,856**	**0.80**
Issued	731,308	1.27
Expired	(2,770,000)	1.00
Balance, June 30, 2022	**3,459,164**	**0.75**

As at June 30, 2022, the following warrants were issued and outstanding:

Number of warrants	Allocated value	Exercise price	Expiry date
	$	$	
700,000	105,000	0.55	November 17, 2022
1,000,000	-	0.55	December 22, 2022
300,000	-	0.55	December 29, 2022
10,000	4,060	0.55	December 29, 2022
428,571	-	0.55	December 29, 2024
42,857	17,399	0.55	December 29, 2024
97,697	94,036	1.20	May 4, 2023
583	382	1.20	June 7, 2023
148,148	-	1.125	July 5, 2024
396,667	103,133	1.50	December 22, 2022
156,863	-	1.0625	December 23, 2024
177,778	-	0.9375	February 10, 2025
3,459,164	**324,010**		

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

(Expressed in Canadian dollars)

Number of warrants	Allocated value	Exercise price	Expiry date
	$	$	
2,770,000	277,000	1.00	October 4, 2021
700,000	105,000	0.55	November 17, 2022
1,000,000	-	0.55	December 22, 2022
300,000	-	0.55	December 29, 2022
10,000	4,060	0.55	December 29, 2022
428,571	-	0.55	December 29, 2024
42,857	17,399	0.55	December 29, 2024
97,697	94,036	1.20	May 4, 2023
583	382	1.20	June 7, 2023
148,148	-	1.125	July 5, 2024
5,497,856	**497,877**		

12. STOCK OPTIONS

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 option 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. Under the plan, a maximum of 74,787,268 stock options may be granted to employees, officers, directors, and persons providing ongoing services to the Company, subject to regulatory approval. The exercise price of each option can be set equal to or greater than the closing market price, less allowable discounts, of the common shares on the Exchange on the day prior to the date of grant of the option. Options have a maximum term of five years and terminate 12 months following the termination of the optionee's employment, office, directorship or consulting arrangement. Vesting of options is made at the discretion of the Board of Directors at the time the options are granted.

The following table reflects the continuity of stock options outstanding:

(Expressed in Canadian dollars)

	Number of stock options	Weighted average exercise price
		$
Balance, September 30, 2020	**7,220,500**	**0.53**
Granted (1)	3,000,000	1.20
Exercised	(2,745,000)	0.50
Forfeited	(463,500)	0.50
Expired	(1,549,000)	0.63
Balance, September 30, 2021	**5,463,000**	**0.88**
Granted (2)(3)	4,105,000	0.50
Exercised	(20,000)	0.50
Forfeited	(261,500)	0.59
Expired	(103,500)	0.50
Balance, June 30, 2022	**9,183,000**	**0.73**

(1) On February 26, 2021, 3,000,000 stock options were granted to Directors, Officers, employees and consultants at an exercise price of $1.20 per share, expiring on February 26, 2026 and vesting over a three year period.

(2) On November 2, 2021, 3,855,000 stock options were granted to Directors, Officers, employees and consultants at an exercise price of $0.50 per share, expiring on November 2, 2026.

(3) On November 4, 2021, 250,000 stock options were granted to consultants at an exercise price of $0.50 per share, expiring on November 4, 2026.

(Expressed in Canadian dollars)

As at June 30, 2022, the following stock options were outstanding and exercisable:

	Outstanding			Exercisable	
Range of exercise prices	**Number outstanding**	**Weighted average remaining contractual life**	**Weighted average outstanding exercise price**	**Number vested**	**Weighted average vested exercise price**
		(in years)			
$0.50	6,217,000	3.80	$0.50	5,229,200	$0.50
$1.20	2,966,000	3.66	$1.20	889,800	$1.20
	9,183,000	**3.75**	**$0.73**	**6,119,000**	**$0.60**

As at September 30, 2021, the following stock options were outstanding and exercisable:

	Outstanding			Exercisable	
Range of exercise prices	**Number outstanding**	**Weighted average remaining contractual life**	**Weighted average outstanding exercise price**	**Number vested**	**Weighted average vested exercise price**
		(in years)			
$0.50	2,463,000	3.50	$0.50	974,100	$0.50
$1.20	3,000,000	4.41	$1.20	450,000	$1.20
	5,463,000	**4.00**	**$0.88**	**1,424,100**	**$0.72**

The following table reflects the weighted-average fair value of stock options granted between October 1, 2020 and March 31, 2022 and the related Black-Scholes option pricing model inputs that were used in the calculations:

	Nine months ended June 30, 2022	Year ended September 30, 2021
Stock options granted	**4,105,000**	3,000,000
Weighted average fair value	**0.60**	1.47
Weighted-average exercise price	**0.50**	1.20
Weighted-average market price at date of grant	**0.65**	1.55
Expected life of stock options (years)	**5**	5
Expected stock price volatility	**187%**	168%
Risk-free interest rate	**1.47%**	0.88%
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.

(Expressed in Canadian dollars)

Stock-based compensation of $3,762,744 (all of which relate to equity-settled stock-based payment transactions) was included in the condensed interim statements of comprehensive loss for the nine month period ended June 30, 2022 (2021 - $691,647) and credited to contributed surplus.

13. SUPPLEMENTAL CASH FLOW INFORMATION

	Nine months ended June 30,	
	2022	2021
	$	$
Changes in non-cash working capital are as follows:		
Sales taxes receivable	**(509,127)**	294,762
Amounts due from related parties	**85,435**	(22,625)
Tax credits and credit on duties receivable	**-**	-
Prepaid expenses	**(18,611)**	(8,000)
Accounts payable and accrued liabilities	**524,695**	194,003
Other current liabililties	**-**	(196,303)
	82,392	261,837

14. 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 $3,649,199 at June 30, 2022 ($5,044,727 as at September 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.

(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, 2022, the Company had a working capital deficiency of $1,898,126. During the nine month period ended June 30, 2022, the Company had negative cash flows from operations of $1,078,714. 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 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.

As at June 30, 2022, the Company has financial liabilities of $7,163,316 ($5,796,346 as at September 30, 2021) $7,109,534 of which are due within twelve months ($5,750,608 as at September 30, 2021).

(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, 2022, the Company had cash balances of $3,877,327 ($4,935,494 as at September 30, 2021) and interest income derived from these investments during the nine months ended June 30, 2022 was $Nil (2021 - $Nil). The $60,000 loan received under the Government of Canada's CEBA program (Note 9) is interest free if repaid within the required timeframe, so there is no associated interest rate risk.

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 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.

(Expressed in Canadian dollars)

15. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, amounts due from related parties, marketable securities, accounts payable and accrued liabilities, other current liabilities, amounts due to related parties and long-term liability. The fair value of the financial instruments approximates their carrying value due to their short-term nature, except for the long-term liability where the fair value approximates its carrying value due to being subject to market rate interest.

The classification of financial instruments is as follows:

As at	**June 30, 2022**	September 30, 2021
	$	$
Financial assets		
Amortized cost		
Cash	**3,625,401**	4,935,494
Amounts due from related parties	**23,798**	109,233
Fair value through profit or loss		
Marketable securities	**-**	-
Total financial assets	**3,649,199**	5,044,727
Financial liabilities		
Amortized cost		
Accounts payable and accrued liabilities	**(3,877,327)**	(2,403,401)
Other current liabilities (Note 8)	**(929,397)**	(929,397)
Amounts due to related parties (Note 16)	**(2,302,810)**	(2,417,810)
Long-term liability	**(53,782)**	(45,738)
Total financial liabilities	**(7,163,316)**	(5,796,346)

(Expressed in Canadian dollars)

16. 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.

As at	**June 30, 2022**	September 30, 2021
	$	$
Included in prepaid expenses		
JAG Property Holdings Inc.	**-**	4,624
	-	4,624
Included in amounts due from related parties		
9174893 Canada Inc.	**10,894**	10,894
9176055 Canada Inc.	**-**	6,536
Braille Energy Systems Inc.	**-**	2,702
GGTC Inc.	**12,904**	12,904
JAG Property Holdings Inc.	**-**	3,283
Grafoid Inc.	**-**	71,393
Mistura Beauty Solutions	**-**	1,361
Former employee	**-**	160
	23,798	109,233
Included in accounts payable and accrued liabilities		
9174893 Canada Inc.	**33,203**	33,203
9176055 Canada Inc.	**-**	224
GGTC Inc.	**137,604**	104,494
Grafoid Inc.	**1,099,100**	1,039,950
	1,269,907	1,177,871
Included in amounts due to related parties		
JJJY Holdings Inc.	**2,300,000**	2,300,000
Thombeth Holdings Inc.	**-**	115,000
9174893 Canada Inc.	**2,810**	2,810
	2,302,810	2,417,810

(Expressed in Canadian dollars)

Transactions with related parties

	Three months ended June 30,		Nine months ended June 30,	
	2022	2021	**2022**	2021
	$	$	$	$
GGTC Inc. (1)	**-**	13,871	**-**	41,613
MuAnalysis Inc. (2)	**1,200**	1,200	**2,400**	2,400
Grafoid Inc. (3)	**60,000**	60,000	**180,000**	720,000
	61,200	75,071	**182,400**	764,013

(1) Under a lease agreement between the Company and GGTC Inc. ("GGTC"), a privately-held company owned by a director and former director of the Company, the Company leased laboratory space in Kingston, Ontario, up until June 30, 2021. During the three and nine month periods ended June 30, 2022, the Company was charged a total of $Nil and $Nil for rent (2021 - $13,871 and $41,613). Since the lease was short-term, the IFRS 16 capitalization criteria was not applied.

(2) During the three and nine month periods ended June 30, 2022, the Company was charged $1,200 and $2,400 by MuAnalysis Inc., which shares common management, for rent (2021 - $1,200 and $2,400). As at June 30, 2022, $Nil is included in accounts payable and accrued liabilities ($Nil as at September 30, 2021).

(3) During the three and nine month periods ended June 30, 2022, the Company was charged $60,000 and $180,000 by Grafoid Inc. for consulting services, including marketing, product development and auxiliary services (2021 - $60,000 and $720,000).

Transactions with key management personnel

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

	Three months ended June 30,		Nine months ended June 30,	
	2022	2021	**2022**	2021
	$	$	**$**	$
Salaries	**43,550**	43,750	**130,650**	131,250
Consulting fees	**25,314**	25,314	**75,942**	67,504
Stock-based compensation	**289,071**	215,191	**2,742,667**	587,024
	357,935	284,255	**2,949,259**	785,778

During the nine month period ended June 30, 2021, 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 condensed interim statements of comprehensive loss.

17. 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 is to 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 is to 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%.

As at June 30, 2022, the Company has not received any payments from Grafoid in relation to the offtake agreements. As each offtake agreement is conditional on the Company having received the entire $1,000,000 from Grafoid, the Company does not yet have any obligation to sell graphite concentrate to Grafoid.

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.

18. CONTINGENT LIABILITY

During the year ended September 30, 2021, a legal claim was brought against the Company by a former officer of the Company. Pleadings are closed but productions have not been exchanged nor have examinations for discovery been completed. As such, it is too early to evaluate this claim.

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.