

FOCUS GRAPHITE INC.

Condensed Interim Financial Statements

For the three and six month periods ended March 31, 2024

(Expressed in Canadian Dollars)

Condensed Interim Financial Statements

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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.

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

As at	March 31, 2024	September 30, 2023
	\$	\$
ASSETS		
Current assets		
Cash	189,336	137,711
Sales tax receivable	10,846	16,807
Amounts due from related parties (Note 17)	33,796	51,967
Other receivables	10,894	10,894
Tax credits	48,654	48,654
Prepaid expenses	107,076	112,714
	400,602	378,747
Deposits	-	85,141
Mineral exploration properties (Note 6)	931,679	931,679
Exploration and evaluation assets (Note 6)	37,546,754	36,862,912
Mineral assets held for sale (Note 7)	-	616,805
Total assets	38,879,035	38,875,284
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	2,083,458	1,727,183
Amounts due to related parties (Note 17)	2,300,000	2,300,000
Other current liabilities (Note 8)	960,997	1,127,125
	5,344,455	5,154,308
Long-term debt (Note 9)	-	60,000
Deferred government grant (Note 10)	52,500	52,500
Total liabilities	5,396,955	5,266,808
EQUITY		
Share capital (Note 11)	75,643,421	75,367,050
Warrants (Note 12)	31,117	17,399
Contributed surplus (Note 13)	19,768,961	19,532,753
Accumulated other comprehensive income	273,242	273,242
Deficit	(62,234,661)	(61,581,968)
Total equity	33,482,080	33,608,476
Total liabilities and equity	38,879,035	38,875,284

Going concern (Note 2)

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.

Condensed Interim Statements of Comprehensive Loss (Unaudited)

(Expressed in Canadian dollars)

	Three months ended March 31,		Six months ended March 31,	
	2024	2023	2024	2023
	\$	\$	\$	\$
Operating expenses				
Management and consulting fees	112,213	187,633	230,221	346,545
Salaries and benefits	47,711	228	92,240	56,825
Travel and promotion	9,327	3,199	55,929	11,505
Professional fees	21,229	26,108	105,085	165,534
Stock-based compensation (Note 13 & 17)	97,343	233,301	236,208	504,374
Office	69,276	156,988	119,971	215,879
Loss from operations	(357,099)	(607,457)	(839,654)	(1,300,662)
Other income (expenses)				
Interest income	-	2,670	186	4,989
Other income	-	-	-	2,147
Forgiveness of long-term debt (Note 9)	20,000	-	20,000	-
Loss on sale of marketable securities (Note 4)	(214,148)	-	(214,148)	(54,101)
Gain on sale of mineral assets (Note 7)	-	-	183,195	-
Other income related to flow-through shares (Note 8)	-	-	197,728	231,112
Net loss and total comprehensive loss	(551,247)	(604,787)	(652,693)	(1,116,515)
Basic and diluted net loss per common share	(0.01)	(0.01)	(0.01)	(0.02)
Basic and diluted weighted average number of common shares outstanding	59,798,720	57,525,311	58,969,192	56,650,471

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

Focus Graphite Inc.

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, 2022	55,746,107	74,196,785	324,010	18,583,891	273,242	(59,673,029)	33,704,899
Shares issued for cash	1,488,640	644,888	-	-	-	-	644,888
Shares issued on exercise of warrants	289,855	83,333	-	-	-	-	83,333
Shares issued on exercise of options	400,000	452,000	-	(252,000)	-	-	200,000
Expiry of warrants	-	-	(212,193)	212,193	-	-	-
Share issuance costs	-	(9,956)	-	-	-	-	(9,956)
Stock-based compensation	-	-	-	504,374	-	-	504,374
Net loss	-	-	-	-	-	(1,116,515)	(1,116,515)
Balance, March 31, 2023	57,924,602	75,367,050	111,817	19,048,458	273,242	(60,789,544)	34,011,023
Expiry of warrants	-	-	(94,418)	94,418	-	-	-
Stock-based compensation	-	-	-	389,877	-	-	389,877
Net loss	-	-	-	-	-	(792,424)	(792,424)
Balance, September 30, 2023	57,924,602	75,367,050	17,399	19,532,753	273,242	(61,581,968)	33,608,476
Shares issued for cash	1,874,118	318,600	-	-	-	-	318,600
Share issuance costs	-	(42,229)	13,718	-	-	-	(28,511)
Stock-based compensation	-	-	-	236,208	-	-	236,208
Net loss	-	-	-	-	-	(652,693)	(652,693)
Balance, March 31, 2024	59,798,720	75,643,421	31,117	19,768,961	273,242	(62,234,661)	33,482,080

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

Focus Graphite Inc.

Condensed Interim Statements of Cash Flows (Unaudited)

(Expressed in Canadian dollars)

	Six months ended March 31,	
	2024	2023
	\$	\$
OPERATING ACTIVITIES		
Net loss	(652,693)	(1,116,515)
Adjustments for:		
Stock-based compensation	236,208	504,374
Other income related to flow-through shares	(197,728)	(231,112)
Gain on sale of mineral assets	(183,195)	-
Loss on sale of marketable securities	214,148	54,101
Forgiveness of long-term debt	(20,000)	-
Changes in non-cash working capital items (Note 14)	386,045	(331,313)
Net cash flows from operating activities	(217,215)	(1,120,465)
INVESTING ACTIVITIES		
Proceeds from sale of mineral assets (Note 7)	400,000	250,000
Proceeds from sale of marketable securities (Note 4)	185,852	195,899
Deposits	85,141	-
Exploration and evaluation costs	(683,842)	(2,079,269)
Tax credits and mining duties received	-	306,714
Net cash flows from investing activities	(12,849)	(1,326,656)
FINANCING ACTIVITIES		
Proceeds from issuance of shares/units	350,200	842,616
Proceeds from exercise of warrants	-	83,333
Proceeds from exercise of options	-	200,000
Repayment of long-term debt	(40,000)	-
Share issuance costs	(28,511)	(9,956)
Net cash flows from financing activities	281,689	1,115,993
Increase (decrease) in cash	51,625	(1,331,128)
Cash, beginning of the period	137,711	1,473,783
Cash, end of the period	189,336	142,655

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

Focus Graphite Inc.

Notes to the Condensed Interim Financial Statements (Unaudited)

For the three and six month periods ended March 31, 2024

(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 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 March 31, 2024, the Company had cash of \$189,336 and a working capital deficit of \$4,943,853. During the six month period ended March 31, 2024, the Company had a net loss of \$652,693 and had negative cash flows from operations of \$217,215. In addition, the Company has a deficit of \$62,234,661.

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 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.

3. BASIS OF PRESENTATION AND COMPLIANCE WITH IFRS

The condensed interim financial statements for the three and six month periods ended March 31, 2024 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, 2023 and 2022.

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, 2023 and 2022.

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

Focus Graphite Inc.

Notes to the Condensed Interim Financial Statements (Unaudited)

For the three and six month periods ended March 31, 2024

(Expressed in Canadian dollars)

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, 2023 and 2022.

The condensed interim financial statements were approved for issue by the Board of Directors on May 22, 2024.

4. MARKETABLE SECURITIES

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

	March 31, 2024	September 30, 2023
	\$	\$
Mont Royal Resources Ltd. (1)(2)	-	-

(1) In December 2022, the Company received 1,446,717 common shares of Mont Royal Resources Ltd. ("Mont Royal"), with a fair value of \$250,000. 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 three month period ended December 31, 2022, the Company sold the 1,446,717 common shares for gross proceeds of \$195,899, recognizing a loss on sale of marketable securities of \$54,101.

(2) In December 2023, the Company received 2,734,858 common shares of Mont Royal, with a fair value of \$400,000. The shares were issued to the Company in accordance with the Mineral Property Acquisition Agreement (Note 7). During the three month period ended March 31, 2024, the Company sold the 2,734,858 common shares for gross proceeds of \$185,852, recognizing a loss on sale of marketable securities of \$214,148.

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 of March 31, 2024, no dividends have been received from Grafoid.

As at March 31, 2024, the Company's ownership interest in Grafoid was 6.8%. The Company accounts for its investment in Grafoid using the equity method. The Company is able to exert significant influence over Grafoid by virtue of common directors and management. The Company has no obligation to fund Grafoid beyond its value, which remains \$Nil at March 31, 2024, due to the accumulated share of losses in Grafoid.

Focus Graphite Inc.

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

	March 31, 2024		September 30, 2023	
	Mineral exploration properties	Exploration and evaluation assets	Mineral exploration properties	Exploration and evaluation assets
	\$	\$	\$	\$
a) Lac Knife	642,578	24,908,505	642,578	24,747,937
b) Manicouagan	289,101	12,638,249	289,101	12,114,975
TOTAL	931,679	37,546,754	931,679	36,862,912

a) Lac Knife

The Company holds a 100% interest in the Lac Knife property, located south of Fermont, Quebec, in North-Eastern Quebec near the Labrador border.

b) Manicouagan

The Company holds a 100% interest in the Manicouagan properties, located in Quebec. As at September 30, 2023 and 2022, Manicouagan consists of the Lac Tetepisca, Lac Tetepisca North and Lac Guinecourt properties.

Focus Graphite Inc.

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The following table reflects changes to exploration and evaluation assets during the six month period ended March 31, 2024 and the year ended September 30, 2023:

	Six months ended March 31, 2024	Year ended September 30, 2023
	\$	\$
Balance, beginning of the period	36,862,912	34,417,205
Additions		
Drilling	594,152	1,981,922
Independent technical studies	-	525
Geophysical survey	-	133,945
Geological mapping	275	-
Geochemical survey	46,514	54,391
Resource estimate	-	3,910
Property maintenance	21,557	9,548
Feasibility studies	-	285,102
Environmental studies	15,370	713
Community relations	5,974	24,305
	683,842	2,494,361
Tax credits and credit on duties	-	(48,654)
Balance, end of the period	37,546,754	36,862,912

Although the Company has taken steps to verify title to the properties on which it is conducting exploration and in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to government licensing requirements, unregistered prior claims and agreements, Indigenous claims, social license requirements and non-compliance with regulatory requirements.

7. MINERAL ASSETS HELD FOR SALE

On July 6, 2020, the Company signed a Mineral Property Acquisition Agreement (the "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 in July 2020)

-\$500,000 in cash by December 1, 2021 (received \$350,000 in cash and \$150,000 in shares in December 2021)

-\$500,000 in cash by December 1, 2022 (received \$250,000 in cash and \$250,000 in shares in December 2022) (Note 4)

-\$800,000 in cash by December 1, 2023 (received \$400,000 in cash and \$400,000 in shares in December 2023) (Note 4)

In December 2023, the final obligation under the MPA Agreement was met and the Company transferred all mineral titles to the Purchaser. The Company retained (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.

Focus Graphite Inc.

Notes to the Condensed Interim Financial Statements (Unaudited)

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(Expressed in Canadian dollars)

The following table reflects changes to mineral assets held for sale during the six month period ended March 31, 2024 and the year ended September 30, 2023:

	Six months ended March 31, 2024	Year ended September 30, 2023
	\$	\$
Balance, beginning of the period	616,805	1,116,805
Payments received in accordance with MPA agreement	(800,000)	(500,000)
Gain recognized on sale of mineral assets	183,195	-
Balance, end of the period	-	616,805

8. OTHER CURRENT LIABILITIES

The Company may indemnify subscribers to flow-through shares for tax-related amounts that may become due in the event the Company does not meet its obligations under flow-through subscription agreements. The laws and regulations related to flow-through shares are subject to interpretation by various parties, including management, law makers and tax authorities. Such interpretations may be subjective.

Other current liabilities include the following:

	March 31, 2024	September 30, 2023
	\$	\$
Obligation to pass on tax deductions:		
December 2021 flow-through financing (2)	-	-
December 2022 flow-through financing (3)	-	197,728
December 2023 flow-through financing (4)	31,600	-
Penalty provision related to flow-through obligation (1)	929,397	929,397
Total other current liabilities	960,997	1,127,125

- (1) In December 2018, the Company closed a flow-through private placement for gross proceeds of \$1,275,000. 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 until October 2020, which was after the December 31, 2019 deadline. As a result, 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.

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Notes to the Condensed Interim Financial Statements (Unaudited)

For the three and six month periods ended March 31, 2024

(Expressed in Canadian dollars)

- (2) In December 2021, the Company closed a flow-through private placement for gross proceeds of \$5,200,000. 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. The Company has incurred all of the required flow-through expenditures and reduced the deferred liability to \$Nil, recognizing other income related to flow through shares of \$346,666 during the year ended September 30, 2022 and \$231,112 during the year ended September 30, 2023.
- (3) In December 2022, the Company closed a flow-through private placement for gross proceeds of \$642,616 (Note 11). The proceeds from the financing were allocated between share capital (\$444,888) and a deferred liability (\$197,728), using the residual method, where the liability component represents the Company's obligation to pass on the tax deductions to investors. The Company has incurred all of the required flow-through expenditures and reduced the deferred liability to \$Nil, recognizing other income related to flow through shares of \$197,728 during the six month period ended March 31, 2024.
- (4) In December 2023, the Company closed a flow-through private placement for gross proceeds of \$300,200 (Note 11). The proceeds from the financing were allocated between share capital (\$268,600) and a deferred liability (\$31,600), using the residual method, where the liability component represents the Company's obligation to pass on the tax deductions to investors. As at March 31, 2024, the Company has not incurred any of the required flow-through expenditures.

9. LONG TERM DEBT

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 received loans totaling \$60,000 (the "CEBA Loan"), with \$40,000 received in fiscal 2020 and another \$20,000 received in fiscal 2021.

During three month period ended March 31, 2024, the Company repaid \$40,000 of the CEBA Loan. In doing so, the Company qualified for partial loan forgiveness in the amount of \$20,000, effectively settling the balance of the CEBA Loan.

10. DEFERRED GOVERNMENT GRANT

In June 2022, the Company was awarded a \$350,000 grant by the government of Quebec's Ministry of Energy and Natural Resources (MERN). The grant will be used to finance a geometallurgical study at the Company's Lac Tetepisca property.

As at March 31, 2024, \$52,500 was included in deferred government grant in the condensed interim statements of financial position (\$52,500 as at September 30, 2023). This amount, representing 15% of the total grant, was received by the Company in September 2022 and has been deferred until the related work has been conducted.

Focus Graphite Inc.

Notes to the Condensed Interim Financial Statements (Unaudited)

For the three and six month periods ended March 31, 2024

(Expressed in Canadian dollars)

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, September 30, 2022	55,746,107	74,196,785	
Shares issued for cash (1)(2)	1,488,640	644,888	
Shares issued on exercise of stock options	400,000	452,000	
Shares issued on exercise of warrants	289,855	83,333	
Share issuance costs	-	(9,956)	
Balance, September 30, 2023	57,924,602	75,367,050	
Shares issued for cash (3)(4)	1,874,118	318,600	
Share issuance costs	-	(42,229)	
Balance, March 31, 2024	59,798,720	75,643,421	

- (1) On December 29, 2022, the Company completed a flow-through private placement for gross proceeds of \$642,616. The private placement was comprised of 988,640 flow-through shares at a price of \$0.65 per share. The proceeds from the financing (\$642,616) were allocated between share capital (\$444,888) and a deferred liability (\$197,728) 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 Company incurred share issuance costs of \$9,956 which have been presented as a reduction of share capital.
- (2) On December 29, 2022, the Company completed a private placement for gross proceeds of \$200,000. The private placement was comprised of 500,000 units at a price of \$0.40 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 \$0.65 until December 29, 2023. 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.
- (3) On December 21, 2023, the Company completed a flow-through private placement for gross proceeds of \$300,200. The private placement was comprised of 1,580,000 flow-through shares at a price of \$0.19 per share. In connection with the financing, the Company paid cash finders' fees of \$17,714 and issued, as additional consideration, 94,800 non-transferable broker warrants, each broker warrant entitling the holder to acquire one common share of the Company at a price of \$0.22 until December 21, 2026. The proceeds from the financing (\$300,200) were allocated between share capital (\$268,600) and a deferred liability (\$31,600) 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

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Notes to the Condensed Interim Financial Statements (Unaudited)

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position The warrants issued as commissions have been recorded at a value of \$11,565 based on the Black-Scholes option pricing model, using the following assumptions: stock price of \$0.17, risk-free interest rate of 3.73%, expected life of warrants of 3 years, annualized volatility of 129% and dividend rate of 0%. The stock price is based on the closing price of the Company's shares on the day prior to the closing of the private placement. The underlying expected stock price volatility is based on historical data of the Company's shares over the last three 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. The Company incurred other share issuance costs of \$7,499 which have been presented as a reduction of share capital.

- (4) On December 21, 2023, the Company completed a private placement for gross proceeds of \$50,000. The private placement was comprised of 294,118 units at a price of \$0.17 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 \$0.22 until December 21, 2026. In connection with the financing, the Company paid cash finders' fees of \$3,298 and issued, as additional consideration, 17,647 non-transferable broker warrants, each broker warrant entitling the holder to acquire one common share of the Company at a price of \$0.22 until December 21, 2026. The proceeds from the financing (\$50,000) were allocated entirely to share capital (\$50,000), after which there was no residual amount to allocate to warrants. The warrants issued as commissions have been recorded at a value of \$2,153 based on the Black-Scholes option pricing model, using the following assumptions: stock price of \$0.17, risk-free interest rate of 3.73%, expected life of warrants of 3 years, annualized volatility of 129% and dividend rate of 0%. The stock price is based on the closing price of the Company's shares on the day prior to the closing of the private placement. The underlying expected stock price volatility is based on historical data of the Company's shares over the last three 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.

12. WARRANTS

The following table reflects the continuity of warrants outstanding:

	Number of warrants	Weighted average exercise price
		\$
Balance, September 30, 2022	3,749,019	0.71
Issued	250,000	0.65
Exercised	(289,855)	0.2875
Expired	(2,504,947)	0.73
Balance, September 30, 2023	1,204,217	0.77
Issued	406,565	0.22
Expired	(250,000)	0.65
Balance, March 31, 2024	1,360,782	0.62

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(Expressed in Canadian dollars)

As at March 31, 2024, the following warrants were issued and outstanding:

Number of warrants	Allocated value	Exercise price	Expiry date
	\$	\$	
148,148	-	1.125	July 5, 2024
156,863	-	1.0625	December 23, 2024
428,571	-	0.55	December 29, 2024
42,857	17,399	0.55	December 29, 2024
177,778	-	0.9375	February 10, 2025
294,118	-	0.22	December 21, 2026
112,447	13,718	0.22	December 21, 2026
1,360,782	31,117		

As at September 30, 2023, the following warrants were issued and outstanding:

Number of warrants	Allocated value	Exercise price	Expiry date
	\$	\$	
250,000	-	0.65	December 29, 2023
148,148	-	1.125	July 5, 2024
156,863	-	1.0625	December 23, 2024
428,571	-	0.55	December 29, 2024
42,857	17,399	0.55	December 29, 2024
177,778	-	0.9375	February 10, 2025
1,204,217	17,399		

13. STOCK OPTIONS

The following table reflects the continuity of stock options outstanding:

	Number of stock options	Weighted average exercise price
		\$
Balance, September 30, 2022	9,183,000	0.73
Exercised	(400,000)	0.50
Expired	(288,000)	0.52
Balance, September 30, 2023 and March 31, 2024	8,495,000	0.74

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As at March 31, 2024, 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
\$0.50	5,545,000	2.13	\$0.50	5,545,000	\$0.50
\$1.20	2,950,000	1.91	\$1.20	2,360,000	\$1.20
	8,495,000	2.05	\$0.74	7,905,000	\$0.71

As at September 30, 2023, 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
\$0.50	5,545,000	2.63	\$0.50	5,366,000	\$0.50
\$1.20	2,950,000	2.41	\$1.20	1,770,000	\$1.20
	8,495,000	2.55	\$0.74	7,136,000	\$0.67

Stock-based compensation of \$236,208 (all of which relates to equity-settled stock-based payment transactions) was included in the condensed interim statements of comprehensive loss for the six month period ended March 31, 2024 (2023 - \$504,374) and credited to contributed surplus.

14. SUPPLEMENTAL CASH FLOW INFORMATION

	Six months ended March 31,	
	2024	2023
	\$	\$
Changes in non-cash working capital are as follows:		
Sales taxes receivable	5,961	136,271
Other receivables	-	9,535
Amounts due from related parties	18,171	-
Prepaid expenses	5,638	(107,978)
Accounts payable and accrued liabilities	356,275	(369,141)
	386,045	(331,313)

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.

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(i) Credit risk

Credit risk is the risk of an unexpected loss if a party to its financial instruments fails to meet its contractual obligations. The Company's financial assets exposed to credit risk are primarily composed of cash, amounts due from related parties and other receivables and maximum exposure is equal to the carrying values of these assets, totalling \$234,026 at March 31, 2024. 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 March 31, 2024, the Company had a working capital deficiency of \$4,943,853. During the six month period ended March 31, 2024, the Company had negative cash flows from operations of \$217,215 (2023 - \$1,120,465). 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 March 31, 2024, the Company has financial liabilities of \$5,312,855 (\$5,016,580 as at September 30, 2023) all of which are due within twelve months (\$4,956,580 as at September 30, 2023).

(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 interest bearing bank accounts with 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 March 31, 2024, the Company had cash balances of \$189,336 (\$137,711 as at September 30, 2023) and interest income derived from these investments during the six month period ended March 31, 2024 was \$186 (2023 - \$4,989).

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

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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.

The Company is not subject to any capital requirements imposed by a lending institution or regulatory body, other than of the TSX Venture Exchange ("TSXV") which requires adequate working capital or financial resources of the greater of (i) \$50,000 and (ii) an amount required in order to maintain operations and cover general and administrative expenses for a period of 6 months. As of March 31, 2024, the Company was non-compliant with respect to the above TSXV capital requirement. Any impact of non-compliance is at the discretion of the TSXV.

16. FINANCIAL INSTRUMENTS

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

The classification of financial instruments is as follows:

As at	March 31, 2024	September 30, 2023
	\$	\$
Financial assets		
Amortized cost		
Cash	189,336	137,711
Amounts due from related parties (Note 17)	33,796	51,967
Other receivables	10,894	10,894
Total financial assets	234,026	200,572
Financial liabilities		
Amortized cost		
Accounts payable and accrued liabilities	(2,083,458)	(1,727,183)
Other current liabilities (Note 8)	(929,397)	(929,397)
Amounts due to related parties (Note 17)	(2,300,000)	(2,300,000)
Long-term debt (Note 9)	-	(60,000)
Total financial liabilities	(5,312,855)	(5,016,580)

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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.

As at	March 31, 2024	September 30, 2023
	\$	\$
<u>Included in amounts due from related parties</u>		
Grafoid Inc.	33,796	51,967
<u>Included in amounts due to related parties</u>		
JJY Holdings Inc.	2,300,000	2,300,000

Transactions with key management personnel

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

	Three months ended March 31,		Six months ended March 31,	
	2024	2023	2024	2023
	\$	\$	\$	\$
Salaries	43,750	-	87,500	43,750
Consulting fees	25,314	25,314	50,628	50,628
Stock-based compensation	82,494	195,182	199,759	421,631
	151,558	220,496	337,887	516,009

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 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%.

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(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 March 31, 2024, 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.

Contracts

As at March 31, 2024, the Company has unrecognized contractual commitments of approximately \$920,000, in aggregate. As triggering events have not taken place, the contingent payments have not been reflected in these financial statements.

19. CONTINGENCIES

The Company may, from time to time, be involved in various claims, legal proceedings or complaints arising in the ordinary course of business. The Company cannot reasonably predict the likelihood or outcome of any such actions. The Company does not believe that adverse decisions in any other pending or threatened proceedings related to any matter, or any amount which may be required to be paid by reason thereof, will have a material effect on the financial condition or future results of operations.

As at March 31, 2024, two legal claims remained ongoing against the Company by a former officer of the Company. The pleadings are closed in the first action, which was commenced in 2021. However, the exchange of productions remains ongoing and examinations for discovery have not been completed. In the second action, which was commenced in 2022, the pleadings are not closed, productions have not been exchanged, and examinations for discovery have not been completed. As such, it is too early to evaluate these claims.

20. 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.

21. SUBSEQUENT EVENTS

Closing of flow-through private placement

On May 6, 2024, the Company closed a flow-through private placement for gross proceeds of \$400,001. The flow-through private placement was comprised of 2,352,950 flow-through shares at a price of \$0.17 per flow-through share. In connection with the financing, the Company paid cash finders' fees of \$24,000 and issued, as additional consideration, 141,177 broker warrants, each broker warrant entitling the holder to acquire one common share of the Company at a price of \$0.20 until May 6, 2027.

Closing of private placement

On May 6, 2024, the Company completed a private placement for gross proceeds of \$50,000. The private placement was comprised of 312,500 units at a price of \$0.16 per unit. Each unit is comprised of one common share and a common share purchase warrant. Each warrant entitles the holder to purchase one additional common share of the Company at a price of \$0.20 until May 6, 2027. In connection with the financing, the Company paid cash finders' fees of \$3,000 and issued, as additional consideration, 18,750 broker warrants,

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each broker warrant entitling the holder to acquire one common share of the Company at a price of \$0.20 until May 6, 2027.