FOCUS GRAPHITE INC.

Condensed Interim Financial Statements

For the three month period ended December 31, 2022

(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.
(An exploration stage Company)
Condensed Interim Statements of Financial Position (Unaudited)
(Expressed in Canadian dollars)

As at	**December 31, 2022**	September 30, 2022
	$	$
ASSETS		
Current assets		
Cash	**1,024,565**	1,473,783
Sales tax receivable	**638,780**	658,401
Other receivables	**10,894**	20,429
Tax credits	**869,941**	1,128,001
Prepaid expenses	**148,946**	13,909
	2,693,126	3,294,523
Deposits	**85,141**	85,141
Mineral exploration properties (Note 6)	**931,679**	931,679
Exploration and evaluation assets (Note 6)	**36,692,918**	34,417,205
Mineral assets held for sale (Note 7)	**616,805**	1,116,805
Total assets	**41,019,669**	39,845,353
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (Note 17)	**3,380,868**	2,567,445
Amounts due to related parties (Note 17)	**2,300,000**	2,300,000
Other current liabilities (Note 8)	**1,127,125**	1,160,509
	6,807,993	6,027,954
Long-term liability (Note 9)	**60,000**	60,000
Deferred government grant (Note 10)	**52,500**	52,500
Total liabilities	**6,920,493**	6,140,454
EQUITY		
Share capital (Note 11)	**74,831,717**	74,196,785
Warrants (Note 12)	**111,817**	324,010
Contributed surplus (Note 13)	**19,067,157**	18,583,891
Accumulated other comprehensive income	**273,242**	273,242
Deficit	**(60,184,757)**	(59,673,029)
Total equity	**34,099,176**	33,704,899
Total liabilities and equity	**41,019,669**	39,845,353

Going concern (Note 2)
Contingent liability (Note 19)

On behalf of the Board

(signed) "Marc Roy"	(signed) "Jeffrey York"
Marc Roy, Director	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 December 31,	
	2022	2021
	$	$
Operating expenses		
Management and consulting fees	**158,912**	227,478
Salaries and benefits	**56,597**	61,745
Travel and promotion	**8,306**	1,712
Professional fees	**139,426**	99,274
Stock-based compensation (Note 13 & 17)	**271,073**	3,023,372
Office	**58,891**	57,334
Loss from operations	**(693,205)**	(3,470,915)
Other income (expenses)		
Interest income	**2,319**	-
Other income	**2,147**	2,526
Loss on sale of marketable securities (Note 4)	**(54,101)**	-
Other income related to flow-through shares (Note 8)	**231,112**	-
Net loss and total comprehensive loss	**(511,728)**	(3,468,389)
Basic and diluted net loss per common share	**(0.01)**	(0.07)
Basic and diluted weighted average number of common shares outstanding	**55,794,650**	49,363,258

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, 2021	**48,699,338**	**69,583,593**	**497,877**	**14,240,623**	**273,242**	**(54,867,622)**	**29,727,713**
Shares issued for cash	6,091,503	4,822,222	-	-	-	-	4,822,222
Shares issued on exercise of options	20,000	13,574	-	(3,574)	-	-	10,000
Expiry of warrants	-	-	(277,000)	277,000	-	-	-
Share issuance costs	-	(510,761)	103,133	-	-	-	(407,628)
Stock-based compensation	-	-	-	3,023,372	-	-	3,023,372
Net loss	-	-	-	-	-	(3,468,389)	(3,468,389)
Balance, December 31, 2021	**54,810,841**	**73,908,628**	**324,010**	**17,537,421**	**273,242**	**(58,336,011)**	**33,707,290**
Shares issued for cash	935,266	300,000	-	-	-	-	300,000
Share issuance costs	-	(11,843)	-	-	-	-	(11,843)
Stock-based compensation	-	-	-	1,046,470	-	-	1,046,470
Net loss	-	-	-	-	-	(1,337,018)	(1,337,018)
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
Expiry of warrants	-	-	(212,193)	212,193	-	-	-
Share issuance costs	-	(9,956)	-	-	-	-	(9,956)
Stock-based compensation	-	-	-	271,073	-	-	271,073
Net loss	-	-	-	-	-	(511,728)	(511,728)
Balance, December 31, 2022	**57,234,747**	**74,831,717**	**111,817**	**19,067,157**	**273,242**	**(60,184,757)**	**34,099,176**

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)*

	Three months ended December 31,	
	2022	2021
	$	$
OPERATING ACTIVITIES		
Net loss	**(511,728)**	(3,468,389)
Adjustments for:		
Stock-based compensation	**271,073**	3,023,372
Other income related to flow-through shares	**(231,112)**	-
Government grant revenue	**-**	(2,526)
Loss on sale of marketable securities	**54,101**	-
Accretion expense on long-term liability	**-**	2,538
Changes in non-cash working capital items (Note 14)	**(404,576)**	(155,687)
Net cash flows from operating activities	**(822,242)**	(600,692)
INVESTING ACTIVITIES		
Proceeds from sale of mineral assets (Note 7)	**250,000**	350,000
Proceeds from sale of marketable securities (Note 4)	**195,899**	-
Deposits	**-**	(750,000)
Exploration and evaluation costs	**(1,212,249)**	(1,233,373)
Tax credits and mining duties received	**306,714**	-
Net cash flows from investing activities	**(459,636)**	(1,633,373)
FINANCING ACTIVITIES		
Proceeds from issuance of shares/units	**842,616**	5,400,000
Proceeds from exercise of options	**-**	10,000
Repayment of loans from related parties	**-**	(115,000)
Share issuance costs	**(9,956)**	(407,628)
Net cash flows from financing activities	**832,660**	4,887,372
(Decrease) increase in cash	**(449,218)**	2,653,307
Cash, beginning of the period	**1,473,783**	4,935,494
Cash, end of the period	**1,024,565**	7,588,801

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”) 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 December 31, 2022, the Company had cash of $1,024,565 and a working capital deficit of $4,114,867. During the three month period ended December 31, 2022, the Company had a net loss of $511,728 and had negative cash flows from operations of $822,242. In addition, the Company has a deficit of $60,184,757.

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 month period ended December 31, 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, 2022 and 2021.

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, 2022 and 2021

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.

(Expressed in Canadian dollars)

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, 2022 and 2021.

The condensed interim financial statements were approved for issue by the Board of Directors on February 28, 2023.

4. MARKETABLE SECURITIES

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

	December 31, 2022	September 30, 2022
	$	$
Mont Royal Resources Ltd. (1)	**-**	-

(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.

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 December 31, 2022, no dividends have been received from Grafoid.

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

In February 2014, Focus' Board of Directors approved the conversion of an outstanding $1,500,000 loan to Grafoid into 3,000,000 common shares at a deemed price of $0.50 per share, increasing the Company's holdings in Grafoid to 7,800,000 common shares.

Subsequent to July 3, 2013, 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.

(Expressed in Canadian dollars)

During the 2017 fiscal year, loan advances were made to Grafoid in the amount of $3,092,739 that, in substance, formed 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 December 31, 2022, the Company's ownership interest in Grafoid was 7.3%. The Company has no obligation to fund Grafoid beyond its value, which remains $Nil at December 31, 2022, due to the accumulated share of losses in Grafoid.

6. MINERAL EXPLORATION PROPERTIES AND EXPLORATION AND EVALUATION ASSETS

	December 31, 2022		September 30, 2022	
	Mineral exploration properties	**Exploration and evaluation assets**	Mineral exploration properties	Exploration and evaluation assets
	$	**$**	$	$
a) Lac Knife	**642,578**	**24,595,524**	642,578	24,358,580
b) Manicouagan	**289,101**	**12,097,394**	289,101	10,058,625
TOTAL	**931,679**	**36,692,918**	931,679	34,417,205

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.

(Expressed in Canadian dollars)

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.

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 December 31, 2022, Manicouagan consists of the Lac Tetepisca, Lac Tetepisca North and Lac Guinecourt properties.

(Expressed in Canadian dollars)

The following table reflects changes to exploration and evaluation assets between October 1, 2021 and December 31, 2022:

	Three months ended December 31, 2022	Year ended September 30, 2022
	$	$
Balance, beginning of the period	**34,417,205**	27,032,389
Additions		
Drilling	**1,971,512**	6,144,647
Geophysical survey	**133,945**	5,625
Geological mapping	**-**	5,682
Geochemical survey	**53,829**	174,975
Metallurgical analysis	**-**	31,369
Resource estimate	**3,910**	116,334
Property maintenance	**3,077**	33,631
Feasibility studies	**152,077**	1,220,895
Environmental studies	**450**	385,011
Community relations	**5,567**	65,469
Other	**-**	371
	2,324,367	8,184,009
Tax credits and credit on duties	**(48,654)**	(799,193)
Balance, end of the period	**36,692,918**	34,417,205

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 October 2013, the Company executed a purchase agreement with Alta whereby it acquired a 100% interest in the Eastmain-Leran property. 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. Separate from the agreement with Alta, the Company also staked additional mining claims in the area in October 2012.

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

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.

(Expressed in Canadian dollars)

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

	Three months ended December 31, 2022	Year ended September 30, 2022
	$	$
Balance, beginning of the period	**1,116,805**	1,616,805
Payments received in accordance with MPA agreement	**(500,000)**	(500,000)
Balance, end of the period	**616,805**	1,116,805

8. OTHER CURRENT LIABILITIES

Other current liabilities include the following:

	December 31, 2022	September 30, 2022
	$	$
Obligation to pass on tax deductions:		
May/June 2021 flow-through financing (2)	**-**	-
December 2021 flow-through financing (3)	**-**	231,112
December 2021 flow-through financing (4)	**197,728**	-
Penalty provision related to flow-through obligation (1)	**929,397**	929,397
Total other current liabilities	**1,127,125**	1,160,509

(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.

(2) In May and June 2021, the Company closed a flow-through private placement for gross proceeds of $2,000,000. The proceeds from the financing were allocated between share capital ($1,955,700) and a

deferred liability ($44,300), using the residual method, where the liability component represents the Company's obligation to pass on the tax deductions to investors. During the year ended September 30, 2022, the Company incurred all of the required flow-through expenditures and reduced the deferred liability to $Nil, recognizing other income related to flow through shares of $44,300 in the statement of comprehensive loss.

(3) In December 2021, the Company closed a flow-through private placement for gross proceeds of $5,200,000 (Note 11). 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 three month period ended December 31, 2022.

(4) 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.

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 received loans totaling $60,000 (the "CEBA Loan"), 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.

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 December 31, 2022, $52,500 was included in deferred government grant in the statements of financial position. 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.

(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

Share Consolidation

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, stock option and loss per share data has been retroactively restated to reflect the share consolidation in these financial statements.

	Number of shares	$
Balance, September 30, 2021	**48,699,338**	**69,583,593**
Shares issued for cash (1)(2)(3)(4)	7,026,769	5,122,222
Shares issued on exercise of stock options	20,000	13,574
Share issuance costs	-	(522,604)
Balance, September 30, 2022	**55,746,107**	**74,196,785**
Shares issued for cash (5)(6)	1,488,640	644,888
Share issuance costs	-	(9,956)
Balance, December 31, 2022	**57,234,747**	**74,831,717**

(1) 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.

(2) 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.

(3) 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.

(4) On September 8, 2022, the Company completed a private placement for gross proceeds of $100,000. The private placement was comprised of 579,711 units at a price of $0.1725 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 $0.2875 until September 8, 2025. The proceeds from the financing ($100,000) were allocated entirely to share capital ($100,000), after which there was no residual amount to allocate to warrants.

(5) 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.

(6) 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.

(Expressed in Canadian dollars)

12. WARRANTS

The following table reflects the continuity of warrants outstanding:

	Number of warrants	Weighted average exercise price
		$
Balance, September 30, 2021	**5,497,856**	**0.80**
Issued	1,021,163	0.99
Expired	(2,770,000)	1.00
Balance, September 30, 2022	**3,749,019**	**0.71**
Issued	250,000	0.65
Expired	(2,406,667)	0.71
Balance, December 31, 2022	**1,592,352**	**0.70**

As at December 31, 2022, the following warrants were issued and outstanding:

Number of warrants	Allocated value	Exercise price	Expiry date
	$	$	
97,697	94,036	1.20	May 4, 2023
583	382	1.20	June 7, 2023
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
289,855	-	0.2875	September 8, 2025
1,592,352	**111,817**		

(Expressed in Canadian dollars)

As at September 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
396,667	103,133	1.50	December 22, 2022
300,000	-	0.55	December 29, 2022
10,000	4,060	0.55	December 29, 2022
97,697	94,036	1.20	May 4, 2023
583	382	1.20	June 7, 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
289,855	-	0.2875	September 8, 2025
3,749,019	**324,010**		

13. STOCK OPTIONS

The following table reflects the continuity of stock options outstanding:

	Number of stock options	Weighted average exercise price
		$
Balance, September 30, 2021	**5,463,000**	**0.88**
Granted (1)(2)	4,105,000	0.50
Exercised	(20,000)	0.50
Forfeited	(261,500)	0.59
Expired	(103,500)	0.50
Balance, September 30, 2022 and December 31, 2022	**9,183,000**	**0.73**

(1) 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.

(2) 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 December 31, 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	6,223,000	3.29	$0.50	5,502,200	$0.50
$1.20	2,960,000	3.16	$1.20	1,184,000	$1.20
	9,183,000	**3.25**	**$0.73**	**6,686,200**	**$0.62**

As at September 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	6,223,000	3.54	$0.50	5,322,000	$0.50
$1.20	2,960,000	3.41	$1.20	1,036,000	$1.20
	9,183,000	**3.50**	**$0.73**	**6,358,000**	**$0.61**

The following table reflects the weighted-average fair value of stock options granted between October 1, 2021 and December 31, 2022 and the related Black-Scholes option pricing model inputs that were used in the calculations:

	Three months ended December 31, 2022	Year ended September 30, 2022
Stock options granted	-	4,105,000
Weighted average fair value	-	0.60
Weighted-average exercise price	-	0.50
Weighted-average market price at date of grant	-	0.65
Expected life of stock options (years)	-	5
Expected stock price volatility	-	187%
Risk-free interest rate	-	1.47%
Expected dividend yield	-	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 $271,073 (all of which relates to equity-settled stock-based payment transactions) was included in the condensed interim statements of comprehensive loss for the three month period ended December 31, 2022 (2021 - $3,023,372) and credited to contributed surplus.

14. SUPPLEMENTAL CASH FLOW INFORMATION

	Three months ended December 31,	
	2022	2021
	$	$
Changes in non-cash working capital are as follows:		
Sales taxes receivable	**19,621**	(328,715)
Other receivables	**9,535**	-
Amounts due from related parties	**-**	85,435
Prepaid expenses	**(135,037)**	479
Accounts payable and accrued liabilities	**(298,695)**	87,114
	(404,576)	(155,687)

15. RISK MANAGEMENT AND CAPITAL MANAGEMENT

Risk management

The Company thoroughly examines the various financial risks to which it is exposed and assesses the impact and likelihood of those risks. These risks include credit risk, liquidity risk, currency risk and interest rate risk. Where material, these risks are reviewed and monitored by the Board of Directors.

(i) Credit risk

Credit risk is the risk of an unexpected loss if a party to its financial instruments fails to meet its contractual obligations. The Company's financial assets exposed to credit risk are primarily composed of cash and other receivables and maximum exposure is equal to the carrying values of these assets, totalling $1,035,459 at December 31, 2022 ($1,494,212 at September 30, 2022). 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 December 31, 2022, the Company had a working capital deficit of $4,114,867. During the three month period ended December 31, 2022, the Company had negative cash flows from operations of $822,242. 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 December 31, 2022, the Company has financial liabilities of $6,670,265 ($5,856,842 as at September 30, 2022) $6,610,265 of which are due within twelve months ($5,796,842 as at September 30, 2022).

(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 December 31, 2022, the Company had cash balances of $1,024,565 ($1,473,783 as at September 30, 2022) and interest income derived from these investments during the three months ended December 31, 2022 was $2,319 (2021 - $Nil). The $60,000 loan received under the Canadian federal government'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.

<u>*Capital management*</u>

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)

16. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, other receivables, accounts payable and accrued liabilities, other current liabilities, amounts due to related parties and long-term liability. 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	**December 31, 2022**	September 30, 2022
	$	$
Financial assets		
Amortized cost		
Cash	**1,024,565**	1,473,783
Other receivables	**10,894**	20,429
Total financial assets	**1,035,459**	1,494,212
Financial liabilities		
Amortized cost		
Accounts payable and accrued liabilities	**(3,380,868)**	(2,567,445)
Other current liabilities (Note 8)	**(929,397)**	(929,397)
Amounts due to related parties (Note 17)	**(2,300,000)**	(2,300,000)
Long-term liability (Note 9)	**(60,000)**	(60,000)
Total financial liabilities	**(6,670,265)**	(5,856,842)

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	**December 31, 2022**	September 30, 2022
	$	$
Included in accounts payable and accrued liabilities		
GGTC Inc.	**124,700**	124,700
Grafoid Inc.	**151,207**	606,900
	275,907	731,600
Included in amounts due to related parties		
JJJY Holdings Inc.	**2,300,000**	2,300,000
	2,300,000	2,300,000

(Expressed in Canadian dollars)

Transactions with related parties

	Three months ended December 31,	
	2022	2021
	$	$
Grafoid Inc. (1)	**-**	60,000

(1) During the three month period ended December 31, 2022, the Company was charged $Nil by Grafoid Inc. for consulting services, including marketing, product development and auxiliary services (2021 - $60,000).

Transactions with key management personnel

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

	Three months ended December 31,	
	2022	2021
	$	$
Salaries	**43,750**	43,550
Consulting fees	**25,314**	25,314
Stock-based compensation	**226,449**	2,124,890
	295,513	2,193,754

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%.

(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 December 31, 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.

19. 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.

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.