FOCUS GRAPHITE INC.

Condensed Interim Financial Statements

For the three and nine month periods ended June 30, 2017

(Expressed in Canadian Dollars)
(Unaudited)

Condensed Interim Financial Statements

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NOTICE TO READER

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

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

Focus Graphite Inc.

Condensed Interim Statements of Financial Position (Unaudited)

(Expressed in Canadian dollars)

As at	**June 30, 2017**	September 30, 2016
	$	$
ASSETS		
Current assets		
Cash	**543,452**	1,085,731
Amounts receivable (Note 4)	**158,833**	299,702
Amounts due from related parties (Note 17)	**86,360**	102,672
Tax credits and credit on duties receivable	**82,765**	231,472
Prepaid expenses	**234,084**	234,232
	1,105,494	1,953,809
Amounts due from related party (Note 17)	**1,852,539**	360,000
Long-term investment (Note 5)	**100,000**	125,000
Investment in associate (Note 6)	**187,038**	730,407
Property and equipment (Note 7)	**-**	14,801
Mineral exploration properties (Note 8)	**1,380,857**	1,380,857
Exploration and evaluation assets (Note 8)	**24,996,400**	24,217,684
Total assets	**29,622,328**	28,782,558
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (Note 17)	**1,275,577**	2,035,874
Deposit (Note 18)	**-**	349,333
Other current liabilities (Note 9)	**253,583**	82,582
Total liabilities	**1,529,160**	2,467,789
EQUITY		
Share capital (Note 11)	**51,962,015**	48,153,759
Warrants (Note 12)	**724,590**	634,117
Contributed surplus	**10,450,735**	10,282,050
Accumulated other comprehensive income	**258,326**	283,326
Deficit	**(35,302,498)**	(33,038,483)
Total equity	**28,093,168**	26,314,769
Total liabilities and equity	**29,622,328**	28,782,558

Going concern (Note 2)

On behalf of the Board

(signed) "Gary Economo"	(signed) "Jeffrey York"
Gary Economo, Director	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 June 30,		Nine months ended June 30,	
	2017	2016	**2017**	2016
	$	$	**$**	$
Operating expenses				
Management and consulting fees	**260,366**	278,823	**792,976**	734,933
Salaries and benefits	**84,867**	74,595	**206,372**	334,310
Travel and promotion	**49,951**	56,061	**209,600**	191,603
Professional fees	**24,544**	37,075	**189,028**	243,349
Office	**112,457**	92,344	**335,180**	244,883
Depreciation of property and equipment (Note 7)	**3,829**	5,983	**14,801**	21,551
Stock-based compensation	**-**	11,631	**-**	352,546
Government assistance	**-**	(28,227)	**-**	(78,541)
Loss from operations	**(536,014)**	(528,285)	**(1,747,957)**	(2,044,634)
Other income				
Interest income	**(1,399)**	1,047	**(21)**	4,601
Other income related to flow-through shares (Note 9)	**-**	23,029	**27,332**	32,648
Impairment of long-term investment (Note 5)	**-**	-	**-**	(50,000)
Share of net loss of associate (Note 6)	**(143,236)**	(258,900)	**(543,369)**	(816,655)
Net loss	**(680,649)**	(763,109)	**(2,264,015)**	(2,874,040)
Other comprehensive income				
Items that will be reclassified to profit or loss				
Change in fair value of available-for-sale investments	**-**	75,000	**(25,000)**	25,000
Impairment of available-for-sale investments reclassified to profit or loss	**-**	-	**-**	50,000
Other comprehensive income	**-**	75,000	**(25,000)**	75,000
Total comprehensive loss	**(680,649)**	(688,109)	**(2,289,015)**	(2,799,040)
Basic and diluted net loss per common share	**(0.003)**	(0.005)	**(0.012)**	(0.02)
Basic and diluted weighted average number of common shares outstanding	**206,761,638**	154,748,992	**184,987,305**	142,218,459

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, 2015	**127,632,172**	**44,412,649**	**347,903**	**9,975,810**	**229,040**	**(29,375,926)**	**25,589,476**
Shares issued for cash	29,024,921	3,588,617	-	-	-	-	3,588,617
Warrants issued	-	-	8,500	-	-	-	8,500
Shares issued on exercise of warrants	325,341	51,588	(12,334)	-	-	-	39,254
Stock-based compensation	-	-	-	352,546	-	-	352,546
Share issuance costs	-	(567,853)	179,492	-	-	-	(388,361)
Net loss	-	-	-	-	-	(2,874,040)	(2,874,040)
Change in fair value of available-for-sale investments	-	-	-	-	25,000	-	25,000
Impairment of available-for-sale investments reclassified to profit or loss	-	-	-	-	50,000	-	50,000
Balance, June 30, 2016	**156,982,434**	**47,485,001**	**523,561**	**10,328,356**	**304,040**	**(32,249,966)**	**26,390,992**
Shares issued for cash	8,200,000	656,000	-	-	-	-	656,000
Warrants issued	-	-	164,000	-	-	-	164,000
Shares issued on exercise of warrants	250,000	37,399	(12,399)	-	-	-	25,000
Expiry of warrants	-	-	(41,045)	41,045	-	-	-
Stock-based compensation	-	-	-	(87,351)	-	-	(87,351)
Share issuance costs	-	(24,641)	-	-	-	-	(24,641)
Net loss	-	-	-	-	-	(788,517)	(788,517)
Change in fair value of available-for-sale investments	-	-	-	-	(25,000)	-	(25,000)
Share of other comprehensive income of associate	-	-	-	-	4,286	-	4,286
Balance, September 30, 2016	**165,432,434**	**48,153,759**	**634,117**	**10,282,050**	**283,326**	**(33,038,483)**	**26,314,769**
Shares issued for cash	57,133,306	4,404,790	-	-	-	-	4,404,790
Warrants issued	-	-	85,000	-	-	-	85,000
Expiry of warrants	-	-	(168,685)	168,685	-	-	-
Share issuance costs	-	(596,534)	174,158	-	-	-	(422,376)
Net loss	-	-	-	-	-	(2,264,015)	(2,264,015)
Change in fair value of available-for-sale investments	-	-	-	-	(25,000)	-	(25,000)
Balance, June 30, 2017	**222,565,740**	**51,962,015**	**724,590**	**10,450,735**	**258,326**	**(35,302,498)**	**28,093,168**

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)

	Three months ended June 30,		Nine months ended June 30,	
	2017	2016	**2017**	2016
	$	$	**$**	$
OPERATING ACTIVITIES				
Net loss	**(680,649)**	(763,109)	**(2,264,015)**	(2,874,040)
Adjustments for:				
Stock-based compensation	**-**	11,631	**-**	352,546
Depreciation of property and equipment	**3,829**	5,983	**14,801**	21,551
Interest income	**1,399**	(1,047)	**21**	(4,601)
Other income related to flow-through shares	**-**	(23,029)	**(27,332)**	(32,648)
Impairment of long-term investment	**-**	-	**-**	50,000
Share of net loss of associate	**143,236**	258,900	**543,369**	816,655
Changes in working capital items (Note 14)	**(1,473,840)**	(238,741)	**(1,726,159)**	(233,093)
Net cash used in operating activities	**(2,006,025)**	(749,412)	**(3,459,315)**	(1,903,630)
INVESTING ACTIVITIES				
Exploration advances	**-**	8,036	**-**	26,742
Interest received	**(1,399)**	1,047	**(21)**	4,601
Exploration and evaluation costs	**(159,257)**	(507,707)	**(1,529,353)**	(1,420,499)
Tax credits and mining duties received	**(18,335)**	-	**180,663**	423,645
Net cash used in investing activities	**(178,991)**	(498,624)	**(1,348,711)**	(965,511)
FINANCING ACTIVITIES				
Common shares issued	**2,399,775**	2,263,825	**4,603,123**	3,797,205
Warrants issued	**-**	8,500	**85,000**	8,500
Warrants exercised	**-**	22,934	**-**	39,254
Share issuance costs	**(159,619)**	(236,957)	**(422,376)**	(388,361)
Net cash provided by financing activities	**2,240,156**	2,058,302	**4,265,747**	3,456,598
Increase (decrease) in cash	**55,140**	810,266	**(542,279)**	587,457
Cash, beginning of the period	**488,312**	177,634	**1,085,731**	400,443
Cash, end of the period	**543,452**	987,900	**543,452**	987,900

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, Kingston, Ontario, Canada. Focus Graphite Inc.'s common shares are listed for trading on the TSX Venture Exchange ("TSX-V") under the symbol "FMS" and on the OTCQX Exchange in the U.S. under the symbol "FCSMF".

2. GOING CONCERN ASSUMPTION

These financial statements have been prepared on a going concern basis in accordance with International Financial Reporting Standards ("IFRS"). The going concern basis of presentation assumes the Company will continue to operate for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of business. The Company is in the exploration stage and has not earned revenue from operations. During the nine months ended June 30, 2017, the Company incurred a net loss of $2,264,015 and negative cash flows from operations of $3,459,315. In addition, the Company has a working capital deficiency of $423,666 and a deficit of $35,302,498.

The above factors raise 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, is dependent upon Management's ability to obtain additional financing, through various means including but not limited to equity financing. No assurance can be given that any such additional financing will be available, or that it can be obtained on terms favorable to the Company.

These financial statements do not reflect adjustments that would be necessary if the going concern assumption was not appropriate. If the going concern basis was not appropriate for these financial statements, then adjustments would be necessary to the carrying amounts of assets and liabilities, the reported expenses and the classifications used in the statements of financial position.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

These condensed interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company's annual financial statements for the years ended September 30, 2016 and 2015, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

These condensed interim financial statements were authorized for issue by the Board of Directors on August 29, 2017.

(b) Basis of presentation

These condensed interim financial statements have been prepared on a historical cost basis, except for available-for-sale financial assets which are measured at fair value, and are expressed in Canadian dollars, which is also the functional currency of the Company.

These condensed interim financial statements have been prepared using accounting policies that are consistent with those used in the preparation of the Company's audited annual financial statements for the years ended September 30, 2016 and 2015.

(c) Judgments, estimates and assumptions

When preparing the financial statements, Management makes a number of judgments, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses.

Significant Management judgment

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

Significant influence assessment

The assessment as to whether or not the Company has significant influence over an investee requires judgment. Even though Focus holds less than 20% of the voting rights in Grafoid Inc. ("Grafoid"), with an ownership interest of 18% as at June 30, 2017 (Note 6), Management considers the Company to have significant influence over Grafoid. Management considers various facts and circumstances in arriving at this assessment, including but not limited to Focus' representation on the Board of Directors of Grafoid.

Determination of technical feasibility and commercial viability of mineral property

Mining rights and expenses related to exploration and evaluation activities are capitalized on a property by property basis pending determination of the technical feasibility and commercial viability of the project. When technical feasibility and commercial viability of extracting a mineral resource are demonstrable, mining rights and expenses related to exploration and evaluation activities of the related mining property are transferred to mining assets under construction and all subsequent expenditures on the construction, installation or completion of infrastructure facilities are capitalized to mining assets under construction. The determination as to when a mineral property is deemed to be technically feasible and commercially viable is subject to Management judgment. Management considers various facts and circumstances, including but not limited to the securing of financing and the approval of the Company's Board of Directors, in arriving at this assessment.

Recognition of deferred income tax assets and measurement of income tax expense

Management continually evaluates the likelihood that its deferred tax assets could be realized. This requires Management to assess whether it is probable that sufficient taxable income will exist in the future to utilize these losses within the carry-forward period. By its nature, this assessment requires significant judgment. To date, Management has not recognized any deferred tax assets in excess of existing taxable temporary differences expected to reverse within the carry-forward period.

Going concern

The assessment of the Company's ability to continue as a going concern and to raise sufficient funds to pay for its ongoing operating expenditures, meet its liabilities for the ensuing year, and to fund planned and contractual exploration programs, involves significant judgment based on historical experience and other factors including expectation of future events that are believed to be reasonable under the circumstances. See Note 2 for more information.

<u>Estimation uncertainty</u>

Information about estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below. Actual results may be substantially different.

Impairment of mineral exploration properties and exploration and evaluation assets

Determining if there are any facts or circumstances indicating impairment loss or reversal of impairment losses is a subjective process involving judgment and a number of estimates and interpretations in many cases.

Determining whether to test for impairment of mineral exploration properties and exploration and evaluation assets requires Management's judgment, among others, regarding the following: the period for which the entity has the right to explore in the specific area has expired or will expire in the near future, and is not expected to be renewed; substantive expenditure on further exploration and evaluation of mineral resources in a specific area is neither budgeted nor planned; exploration for and evaluation of mineral resources in a specific area have not led to the discovery of commercially viable quantities of mineral resources and the entity has decided to discontinue such activities in the specific area; or sufficient data exists to indicate that, although a development in a specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

When an indication of impairment loss or a reversal of an impairment loss exists, the recoverable amount of the individual asset must be estimated. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs must be determined. Identifying the cash-generating units requires Management judgment. In testing an individual asset or cash-generating unit for impairment and identifying a reversal of impairment losses, Management estimates the recoverable amount of the asset or the cash-generating unit. This requires Management to make several assumptions as to future events or circumstances. These assumptions and estimates are subject to change if new information becomes available. Actual results with respect to impairment losses or reversals of impairment losses could differ in such a situation and significant adjustments to the Company's assets and earnings may occur during the next period.

The total impairment loss on mineral exploration properties and exploration and evaluation assets for the nine months ended June 30, 2017 was $Nil (2016 - $Nil). No reversal of impairment losses has been recognized for the reporting periods.

Share-based payments

The estimation of stock-based compensation and warrants requires the selection of an appropriate valuation model and consideration as to the inputs necessary for the valuation model chosen. The Company has made estimates as to the volatility of its own shares, the probable life of stock options and warrants granted and the time of exercise of those stock options and warrants. The valuation model used by the Company is the Black-Scholes model.

The Company allocates values to share capital and to warrants on the residual basis when the two are issued together as a unit. As this allocation is based upon the share price at the time of issuance and the stock is thinly-traded, the actual value of the components may differ from this allocation.

(Expressed in Canadian dollars)

4. AMOUNTS RECEIVABLE

	June 30, 2017	September 30, 2016
	$	$
Sales taxes receivable	**66,854**	204,398
Travel advances to Management	**91,979**	91,979
Other receivables	**-**	3,325
Total amounts receivable	**158,833**	299,702

5. LONG-TERM INVESTMENT

Investment in Mincom Capital Inc.

On May 8, 2014, further to the sale of the Company's Romer property to Mincom Capital Inc. ("Mincom"), Focus received 2,500,000 common shares in Mincom, valued at $450,000 (Note 8a)). The fair value of the shares received was based on the quoted market price on the closing date of the transaction. The shares are classified as available-for-sale financial assets and are measured at fair value. The Company does not exercise significant influence over Mincom.

As at June 30, 2017, the Company's investment in Mincom was as follows:

	Cost	Impairment	Fair value adjustment	Fair value
	$	$	$	$
2,500,000 common shares in Mincom	450,000	(375,000)	25,000	100,000

As at September 30, 2016, the Company's investment in Mincom was as follows:

	Cost	Impairment	Fair value adjustment	Fair value
	$	$	$	$
2,500,000 common shares in Mincom	450,000	(375,000)	50,000	125,000

6. INVESTMENT IN ASSOCIATE

Grafoid Inc.

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

As at June 30, 2017, 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.

(Expressed in Canadian dollars)

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

Subsequent to July 3, 2013 and continuing through to June 30, 2017, 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.

As at June 30, 2017, the Company's ownership interest in Grafoid was 18% and the carrying value of the investment was determined as follows:

		$
Balance, September 30, 2016		730,407
Dilution gain on investment in associate		-
Share of net loss of associate		(543,369)
Share of other comprehensive income of associate		-
Balance, June 30, 2017		187,038

As at September 30, 2016, the Company's ownership interest in Grafoid was 18% and the carrying value of the investment was determined as follows:

		$
Balance, September 30, 2015		1,629,019
Dilution gain on investment in associate		93,426
Share of net loss of associate		(996,324)
Share of comprehensive income of associate		4,286
Balance, September 30, 2016		730,407

The shares of Grafoid are not publicly listed on a stock exchange and hence published price quotes are not available. The dilution gain is impacted by equity financings closed by Grafoid with independent third party investors at US$5.00 per share.

(Expressed in Canadian dollars)

7. PROPERTY AND EQUIPMENT

	Computer hardware and equipment	Vehicles	Lab equipment	Office furniture	Total
	$	$	$	$	$
Cost, September 30, 2016 and June 30, 2017	**14,115**	**38,614**	**102,423**	**5,000**	**160,152**
Accumulated depreciation					
Balance, September 30, 2016	14,115	38,614	88,539	4,083	145,351
Depreciation	-	-	13,884	917	14,801
Accumulated depreciation, June 30, 2017	**14,115**	**38,614**	**102,423**	**5,000**	**160,152**
Net Book Value, June 30, 2017	**-**	**-**	**-**	**-**	**-**

	Computer hardware and equipment	Vehicles	Lab equipment	Office furniture	Total
	$	$	$	$	$
Cost, September 30, 2015 and September 30, 2016	**14,115**	**38,614**	**102,423**	**5,000**	**160,152**
Accumulated depreciation					
Balance, September 30, 2015	14,115	33,177	68,054	3,083	118,429
Depreciation	-	5,437	20,485	1,000	26,922
Accumulated depreciation, September 30, 2016	**14,115**	**38,614**	**88,539**	**4,083**	**145,351**
Net Book Value, September 30, 2016	**-**	**-**	**13,884**	**917**	**14,801**

(Expressed in Canadian dollars)

8. MINERAL EXPLORATION PROPERTIES AND EXPLORATION AND EVALUATION ASSETS

	June 30, 2017		September 30, 2016	
	Mineral exploration properties	**Exploration and evaluation assets**	Mineral exploration properties	Exploration and evaluation assets
	$	**$**	$	$
a) Labrador Trough	**-**	**-**	-	-
b) Kwyjibo	**-**	**6,232,370**	-	6,106,139
c) Lac Knife	**642,578**	**15,799,044**	642,578	15,531,999
d) Manicouagan	**289,101**	**2,425,995**	289,101	2,060,495
d) Lac au Sorcier	**-**	**-**	-	-
e) Island and Asbury	**53,258**	**75,315**	53,258	72,995
f) Eastmain-Leran	**395,920**	**463,676**	395,920	446,056
TOTAL	**1,380,857**	**24,996,400**	1,380,857	24,217,684

a) Labrador Trough

On March 30, 2009 and as amended on May 22, 2009, December 11, 2009, March 25, 2010 and April 30, 2010, the Company signed an acquisition agreement with Everton Resources Inc. (“Everton”) to acquire a 100% interest in 13 properties (“Labrador Trough”) in the Labrador Trough region of Quebec: Romer, Canyon, Colombet, Diana, Fox, Goose, Jack Rabbit, Lac Aulneau, Lac Ribero, Lemming, Leopard, Minowean and Otelnuk, in consideration for the issuance of 6,000,000 common shares of the Company, at a price of $0.06 per share. On May 21, 2010, concurrent with the listing of the Company’s securities on the TSX Venture Exchange, the Company completed the acquisition of the Labrador Trough properties.

During the year ended September 30, 2010, the Company wrote down the cost of the Labrador Trough property by $73,104 further to the expiry of certain claims. Also during the year ended September 30, 2010, the Company acquired additional mining claims via staking.

Sale of Romer Property

On September 27, 2013, the Company signed a letter agreement with Mincom Capital Inc. (“Mincom”), a related party which shares common management, pursuant to which Focus was to sell to Mincom all of its rights, title and interest in its Romer property (the “Property”). The consideration due to Focus from Mincom for the purchase of the Property was $1,000,000, as determined following an independent valuation prepared at the request of Mincom, payable as follows: (i) cash consideration of $250,000; (ii) 2,500,000 common shares of Mincom. The transaction closed in May 2014.

During the year ended September 30, 2016, the Company wrote down the cost of the Labrador Trough properties to $Nil ($6,991 in acquisition costs and $243,274 in exploration and evaluation assets), as there has been limited exploration activity on these properties in recent years. The Company does however intend to keep these claims in good standing.

As at June 30, 2017, the Labrador Trough consists of 4 properties: Minowean, Otelnuk, Lemming and Diana.

(Expressed in Canadian dollars)

b) Kwyjibo

In August 2010, the Company signed an option agreement with SOQUEM Inc. ("SOQUEM") to acquire a 50% interest in the Kwyjibo property, located in the Grenville Geological Province, north-east of Sept-Iles, Quebec, by spending $3,000,000 in exploration work on the property over a period of five years, of which $1,000,000 had to be spent during the first two years. SOQUEM is acting as the operator for all exploration work carried out on the property. Focus has the option to become the operator by paying $50,000 in cash or by issuing common shares valued at $50,000.

During the year ended September 30, 2012, the Company fulfilled its commitment to spend $3,000,000 on exploration and earned a 50% interest in the property.

c) 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.

d) Manicouagan, Gatineau/Laurentides and Lac au Sorcier

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.

e) Island and Asbury

In January, 2012, the Company acquired mining claims, located in south-western Quebec, in consideration for cash payments totalling $60,000 and the issuance of 100,000 common shares of the Company (75,000 common shares were issued in fiscal 2012; 25,000 common shares were issued in fiscal 2013). The claims, located on four properties (Mayo, Perkins, Asbury and Island), are all natural flake-graphite prospects including a past producing property. All claims are located in the Gatineau/Laurentides area.

During the year ended September 30, 2013, the Company wrote down the cost of the Mayo and Perkins properties to $Nil ($66,045 in acquisition costs and $8,337 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, 2015, the Company wrote down the cost of Island by $41,088 ($19,172 in acquisition costs and $21,916 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.

f) Eastmain-Leran

In October 2012, the Company signed an agreement with Ressources Miniere Alta Inc. ("Alta") whereby Focus secured the exclusive right to exercise a purchase option in respect of Alta's 100% owned Eastmain-Leran property, located in the Otish mountains area of northern Quebec. In consideration for the exclusive right, which covers a period of twelve months, Focus paid $15,000 in cash.

In October 2012, the Company acquired additional mining claims, via staking.

In October, 2013, the Company executed a purchase agreement with Alta whereby Focus acquired a 100% interest in the Eastmain-Leran property in consideration for $50,000 cash and the issuance of 689,655 common shares at a price of $0.435 per share. Alta retained a 2% net smelter return royalty on the property (the "Royalty"). The Company shall have the right, at any time and at its sole discretion, to purchase the Royalty by paying $500,000. The property was recorded at a value of $350,000 upon initial recognition, based on the fair value of the property received and the consideration paid.

(Expressed in Canadian dollars)

The following table reflects changes to mineral exploration properties between October 1, 2015 and June 30, 2017:

		Nine months ended June 30, 2017	Year ended September 30, 2016
		$	$
Balance, beginning of the period		**1,380,857**	1,394,074
Write-down of mineral exploration properties		**-**	(13,217)
Balance, end of the period		**1,380,857**	1,380,857

The following table reflects changes to exploration and evaluation assets between October 1, 2015 and June 30, 2017:

		Nine months ended June 30, 2017	Year ended September 30, 2016
		$	$
Balance, beginning of the period		**24,217,684**	22,633,294
Additions			
Drilling		**359,765**	1,051,147
Independent technical studies		**66,347**	41,750
Geological mapping		**21,871**	16,332
Geochemical survey		**6,549**	-
Metallurgical analysis		**198,669**	230,982
Resource estimate		**18,806**	-
Property maintenance		**13,612**	61,193
Feasibility studies		**105,460**	357,144
Environmental studies		**19,593**	72,326
		810,672	1,830,874
Write-down of exploration and evaluation assets		**-**	(246,484)
Tax credits and credit on duties		**(31,956)**	-
Balance, end of the period		**24,996,400**	24,217,684

(Expressed in Canadian dollars)

9. OTHER CURRENT LIABILITIES

Other current liabilities include the following:

	June 30, 2017	September 30, 2016
	$	$
Obligation to pass on tax deductions (1)(2)(3)(4)	**253,583**	82,582
Total other current liabilities	**253,583**	82,582

(1) In December 2015, the Company closed a flow-through private placement (Note 11) for gross proceeds of $1,533,380. The proceeds from the financing were allocated between share capital ($1,380,042) and a deferred liability ($153,338) using the residual method. The liability component represents the Company's obligation to pass on the tax deductions to investors. Further to the renunciation of the tax deductions to investors in February 2016, effective December 31, 2015, the Company has proportionately reduced the initial liability by the percentage of the required exploration expenditures which have been incurred. The Company incurred all of the required flow-through expenditures by the December 31, 2016 deadline and the remaining liability is $Nil.

(2) On May 17, 2016, the Company closed a flow-through private placement (Note 11) for gross proceeds of $276,250. The proceeds from the financing were allocated between share capital ($221,000) and a deferred liability ($55,250) using the residual method. The liability component represents the Company's obligation to pass on the tax deductions to investors.

(3) On November 8, 2016, the Company closed a flow-through private placement (Note 11) for gross proceeds of $700,000. The proceeds from the financing were allocated between share capital ($560,000) and a deferred liability ($140,000) using the residual method. The liability component represents the Company's obligation to pass on the tax deductions to investors.

(4) On June 20, 2017, the Company closed a flow-through private placement (Note 11) for gross proceeds of $1,050,000. The proceeds from the financing were allocated between share capital ($991,667) and a deferred liability ($58,333) using the residual method. The liability component represents the Company's obligation to pass on the tax deductions to investors.

10. FLOW-THROUGH INTEREST AND TAX EXPENSE

The Company is permitted, under Canadian income tax legislation, to renounce flow-through related resources expenditures to investors in advance of the Company incurring all of the expenditures. In accordance with this legislation, the Company has twelve months following the effective date of renunciation to incur the remaining expenditures. The Company begins incurring interest charges for unspent funds after two months following renunciation.

In December 2015, the Company completed a flow-through private placement for gross proceeds of $1,533,380. In February 2016, the related tax deductions were renounced to investors with an effective date of December 31, 2015. The Company incurred all of the required flow-through expenditures by the December 31, 2016 deadline and paid an amount of $6,331 for Part XII.6 tax and tax on deemed expenses in Quebec, which is calculated on the monthly balance of unspent flow through funds.

In April and May 2016, the Company completed flow-through private placements for gross proceeds of $1,530,600. In February 2017, the related tax deductions were renounced to investors with an effective date of December 31, 2016. As at June 30, 2017, the Company has incurred $248,254 of the required flow-through expenditures and has until December 31, 2017 to incur the remaining exploration expenditures of $1,282,346.

(Expressed in Canadian dollars)

In November 2016, the Company completed a flow-through private placement for gross proceeds of $700,000. In February 2017, the related tax deductions were renounced to investors with an effective date of December 31, 2016. As at June 30, 2017, the Company has not incurred any of the required flow-through expenditures and has until December 31, 2017 to incur the remaining exploration expenditures of $700,000.

In June 2017, the Company completed a flow-through private placement for gross proceeds of $1,050,000. The related tax deductions will be renounced to investors no later than December 31, 2017, at which point the Company will have twelve months to incur any remaining exploration expenditures that have not yet been incurred up to that point. As at June 30, 2017, the Company has not incurred any of the required flow-through expenditures.

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, 2015	**127,632,172**	**44,412,649**
Shares issued for cash (1)(2)(3)(4)(5)(6)(7)	37,224,921	4,244,617
Shares issued on exercise of warrants	575,341	88,987
Share issuance costs	-	(592,494)
Balance, September 30, 2016	**165,432,434**	**48,153,759**
Shares issued for cash (8)(9)(10)(11)(12)(13)(14)	57,133,306	4,404,790
Share issuance costs	-	(596,534)
Balance, June 30, 2017	**222,565,740**	**51,962,015**

(1) In December 2015, the Company completed a flow-through private placement for gross proceeds of $1,533,380. The private placement was comprised of 15,333,800 flow-through common shares at a price of $0.10 per share. In connection with the financing, the Company paid cash finders' fees of $114,670 and issued, as additional consideration, 1,146,704 non-transferable broker warrants, each broker warrant entitling the holder to acquire one common share of the Company at a price of $0.10 until December 23, 2017. The proceeds from the financing ($1,533,380) were allocated between share capital ($1,380,042) and a deferred liability ($153,338) 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 $56,871 based on the Black-Scholes option pricing model, using the following assumptions: stock price

of $0.09, risk-free interest rate of 0.50%, expected life of warrants of 2 years, annualized volatility of 112% 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 grant with an expiry commensurate with the expected life of the warrants. Other share issuance costs total $36,733. The value of the warrants, commissions and other issue costs were presented as a reduction of share capital. A Director of the Company participated in the private placement for an amount of $100,000.

(2) On April 1, 2016, the Company completed a flow-through private placement for gross proceeds of $1,254,350. The private placement was comprised of 7,167,714 flow-through common shares at a price of $0.175 per share. In connection with the financing, the Company paid cash finders' fees of $92,348 and issued, as additional consideration, 527,702 non-transferable broker warrants, each broker warrant entitling the holder to acquire one common share of the Company at a price of $0.20 until April 1, 2020. The proceeds from the financing ($1,254,350) were allocated entirely to share capital ($1,254,350), after which there existed no residual amount to allocate to a deferred liability. The warrants issued as commissions have been recorded at a value of $68,005 based on the Black-Scholes option pricing model, using the following assumptions: stock price of $0.175, risk-free interest rate of 0.69%, expected life of warrants of 4 years, annualized volatility of 115% and dividend rate of 0%. The underlying expected stock price volatility is based on historical data of the Company's shares over the last four years. The risk-free interest rate is based on the yield of a Government of Canada benchmark bond in effect at the time of grant with an expiry commensurate with the expected life of the warrants. Other share issuance costs total $43,219. The value of the warrants, commissions and other issue costs were presented as a reduction of share capital. A Director of the Company participated in the private placement for an amount of $100,000.

(3) On April 1, 2016, the Company completed a private placement for gross proceeds of $277,200. The private placement was comprised of 1,848,000 units at a price of $0.15 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 $0.20 until April 1, 2020. In connection with the financing, the Company paid cash finder's fees totaling $21,456 and issued, as additional consideration, 143,040 non-transferable broker warrants, each broker warrant entitling the holder to acquire one common share of the Company at a price of $0.20 until April 1, 2020. The warrants issued in connection to the private placement have been recorded at a value of $Nil based on the residual method and warrants issued as commissions have been recorded at a value of $18,433 based on the Black-Scholes option pricing model, using the following assumptions: stock price of $0.175, risk-free interest rate of 0.69%, expected life of warrants of 4 years, annualized volatility of 115% and dividend rate of 0%. The underlying expected stock price volatility is based on historical data of the Company's shares over the last four years. The risk-free interest rate is based on the yield of a Government of Canada benchmark bond in effect at the time of grant with an expiry commensurate with the expected life of the warrants. Other share issuance costs total $8,308. The value of the warrants, commissions and other issue costs were presented as a reduction of share capital.

(4) On May 5, 2016, the Company completed a private placement for gross proceeds of $337,025. The private placement was comprised of 2,246,835 units at a price of $0.15 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 $0.20 until May 5, 2020. In connection with the financing, the Company paid cash finder's fees totaling $19,882 and issued, as additional consideration, 132,546 non-transferable broker warrants, each broker warrant entitling the holder to acquire one common share of the Company at a price of $0.20 until May 5, 2020. The warrants issued in connection to the private placement have been recorded at a value of $Nil based on the residual method and warrants issued as commissions have been recorded at a value of $17,086 based on the Black-Scholes option pricing model, using the following assumptions: stock price of $0.175, risk-free interest rate of 0.73%, expected life of warrants of 4 years, annualized volatility of 115% and dividend rate of 0%. The underlying expected stock price volatility is based on historical data of the Company's shares

over the last four years. The risk-free interest rate is based on the yield of a Government of Canada benchmark bond in effect at the time of grant with an expiry commensurate with the expected life of the warrants. Other share issuance costs total $6,572. The value of the warrants, commissions and other issue costs were presented as a reduction of share capital.

(5) On May 17, 2016, the Company completed a flow-through private placement for gross proceeds of $276,250. The private placement was comprised of 1,578,572 flow-through common shares at a price of $0.175 per share. In connection with the financing, the Company paid cash finders' fees of $22,100 and issued, as additional consideration, 126,285 non-transferable broker warrants, each broker warrant entitling the holder to acquire one common share of the Company at a price of $0.20 until May 17, 2020. The proceeds from the financing ($276,250) were allocated between share capital ($221,000) and a deferred liability ($55,250) 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 $12,413 based on the Black-Scholes option pricing model, using the following assumptions: stock price of $0.14, risk-free interest rate of 0.71%, expected life of warrants of 4 years, annualized volatility of 114% and dividend rate of 0%. The underlying expected stock price volatility is based on historical data of the Company's shares over the last four years. The risk-free interest rate is based on the yield of a Government of Canada benchmark bond in effect at the time of grant with an expiry commensurate with the expected life of the warrants. Other share issuance costs total $10,387. The value of the warrants, commissions and other issue costs were presented as a reduction of share capital.

(6) On May 17, 2016, the Company completed a private placement for gross proceeds of $127,500. The private placement was comprised of 850,000 units at a price of $0.15 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 $0.20 until May 17, 2020. In connection with the financing, the Company paid cash finder's fees totaling $10,200 and issued, as additional consideration, 68,000 non-transferable broker warrants, each broker warrant entitling the holder to acquire one common share of the Company at a price of $0.20 until May 17, 2020. The warrants issued in connection to the private placement have been recorded at a value of $8,500 based on the residual method and warrants issued as commissions have been recorded at a value of $6,684 based on the Black-Scholes option pricing model, using the following assumptions: stock price of $0.14, risk-free interest rate of 0.71%, expected life of warrants of 4 years, annualized volatility of 114% and dividend rate of 0%. The underlying expected stock price volatility is based on historical data of the Company's shares over the last four years. The risk-free interest rate is based on the yield of a Government of Canada benchmark bond in effect at the time of grant with an expiry commensurate with the expected life of the warrants. Other share issuance costs total $2,486. The value of the warrants, commissions and other issue costs were presented as a reduction of share capital.

(7) On September 30, 2016, the Company completed a private placement for gross proceeds of $820,000. The private placement was comprised of 8,200,000 units at a price of $0.10 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 $0.12 until September 30, 2020. The warrants issued in connection to the private placement have been recorded at a value of $164,000 based on the residual method. Other share issuance costs total $24,640. The value of the warrants and other issue costs were presented as a reduction of share capital. A Director of the Company participated in the private placement for an amount of $800,000.

(8) On November 8, 2016, the Company completed a flow-through private placement for gross proceeds of $700,000. The private placement was comprised of 7,000,000 flow-through common shares at a price of $0.10 per share. In connection with the financing, the Company paid cash finders' fees of $56,000 and issued, as additional consideration, 560,000 non-transferable broker warrants, each broker warrant entitling the holder to acquire one common share of the Company at a price of $0.20 until November 8, 2020. The proceeds from the financing ($700,000) were allocated between share capital ($560,000) and

a deferred liability ($140,000) 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 $18,894 based on the Black-Scholes option pricing model, using the following assumptions: stock price of $0.08, risk-free interest rate of 0.69%, expected life of warrants of 4 years, annualized volatility of 85% and dividend rate of 0%. The underlying expected stock price volatility is based on historical data of the Company's shares over the last four years. The risk-free interest rate is based on the yield of a Government of Canada benchmark bond in effect at the time of grant with an expiry commensurate with the expected life of the warrants. Other share issuance costs total $19,951. The value of the warrants, commissions and other issue costs were presented as a reduction of share capital.

(9) On December 23, 2016, the Company completed a private placement for gross proceeds of $212,500. The private placement was comprised of 2,125,000 units at a price of $0.10 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 $0.10 until December 23, 2020. In connection with the financing, the Company paid cash finder's fees totaling $16,000 and issued, as additional consideration, 160,000 non-transferable broker warrants, each broker warrant entitling the holder to acquire one common share of the Company at a price of $0.10 until December 23, 2018. The warrants issued in connection to the private placement have been recorded at a value of $85,000 based on the residual method and warrants issued as commissions have been recorded at a value of $3,249 based on the Black-Scholes option pricing model, using the following assumptions: stock price of $0.06, risk-free interest rate of 1.20%, expected life of warrants of 2 years, annualized volatility of 88% 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 grant with an expiry commensurate with the expected life of the warrants. Other share issuance costs total $10,076. The value of the warrants, commissions and other issue costs were presented as a reduction of share capital.

(10) On March 7, 2017, the Company completed a private placement for gross proceeds of $937,015. The private placement was comprised of 12,493,536 units at a price of $0.075 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 $0.10 until March 7, 2021. In connection with the financing, the Company paid cash finder's fees totaling $70,761 and issued, as additional consideration, 934,482 non-transferable broker warrants, each broker warrant entitling the holder to acquire one common share of the Company at a price of $0.10 until March 7, 2021. The warrants issued in connection to the private placement have been recorded at a value of $Nil based on the residual method and warrants issued as commissions have been recorded at a value of $58,377 based on the Black-Scholes option pricing model, using the following assumptions: stock price of $0.10, risk-free interest rate of 1.18%, expected life of warrants of 4 years, annualized volatility of 87% and dividend rate of 0%. The underlying expected stock price volatility is based on historical data of the Company's shares over the last four years. The risk-free interest rate is based on the yield of a Government of Canada benchmark bond in effect at the time of grant with an expiry commensurate with the expected life of the warrants. Other share issuance costs total $22,547. The value of the warrants, commissions and other issue costs were presented as a reduction of share capital.

(11) On March 24, 2017, the Company completed a private placement for gross proceeds of $438,833. The private placement was comprised of 5,851,103 units at a price of $0.075 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 $0.10 until March 24, 2021. In connection with the financing, the Company paid cash finder's fees totaling $33,107 and issued, as additional consideration, 441,422 non-transferable broker warrants, each broker warrant entitling the holder to acquire one common share of the Company at a price of $0.10 until March 24, 2021. The warrants issued in connection to the private placement have been recorded at a value of $Nil based on the residual method and warrants issued as commissions have been recorded at a value of $25,766

based on the Black-Scholes option pricing model, using the following assumptions: stock price of $0.095, risk-free interest rate of 1.12%, expected life of warrants of 4 years, annualized volatility of 87% and dividend rate of 0%. The underlying expected stock price volatility is based on historical data of the Company's shares over the last four years. The risk-free interest rate is based on the yield of a Government of Canada benchmark bond in effect at the time of grant with an expiry commensurate with the expected life of the warrants. Other share issuance costs total $34,315. The value of the warrants, commissions and other issue costs were presented as a reduction of share capital.

(12) On April 21, 2017, the Company completed a private placement for gross proceeds of $1,113,525. The private placement was comprised of 14,847,001 units at a price of $0.075 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 $0.10 until April 21, 2021. In connection with the financing, the Company paid cash finder's fees totaling $46,000 and issued, as additional consideration, 613,333 non-transferable broker warrants, each broker warrant entitling the holder to acquire one common share of the Company at a price of $0.10 until April 21, 2021. The warrants issued in connection to the private placement have been recorded at a value of $Nil based on the residual method and warrants issued as commissions have been recorded at a value of $33,223 based on the Black-Scholes option pricing model, using the following assumptions: stock price of $0.09, risk-free interest rate of 0.91%, expected life of warrants of 4 years, annualized volatility of 87% and dividend rate of 0%. The underlying expected stock price volatility is based on historical data of the Company's shares over the last four years. The risk-free interest rate is based on the yield of a Government of Canada benchmark bond in effect at the time of grant with an expiry commensurate with the expected life of the warrants. Other share issuance costs total $12,632. The value of the warrants, commissions and other issue costs were presented as a reduction of share capital.

(13) On June 6, 2017, the Company completed a private placement for gross proceeds of $236,250. The private placement was comprised of 3,150,000 units at a price of $0.075 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 $0.10 until June 6, 2021. The warrants issued in connection to the private placement have been recorded at a value of $Nil based on the residual method. Other share issuance costs total $2,803 and were presented as a reduction of share capital.

(14) On June 20, 2017, the Company completed a flow-through private placement for gross proceeds of $1,050,000. The private placement was comprised of 11,666,666 flow-through common shares at a price of $0.09 per share. In connection with the financing, the Company paid cash finders' fees of $76,000 and issued, as additional consideration, 844,444 non-transferable broker warrants, each broker warrant entitling the holder to acquire one common share of the Company at a price of $0.09 until June 20, 2019. The proceeds from the financing ($1,050,000) were allocated between share capital ($991,667) and a deferred liability ($58,333) 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 $34,649 based on the Black-Scholes option pricing model, using the following assumptions: stock price of $0.085, risk-free interest rate of 0.91%, expected life of warrants of 2 years, annualized volatility of 94% 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 grant with an expiry commensurate with the expected life of the warrants. Other share issuance costs total $22,183. The value of the warrants, commissions and other issue costs were presented as a reduction of share capital.

(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, 2015	**17,051,473**	**0.39**
Granted	15,289,112	0.15
Exercised	(575,341)	0.11
Expired	(142,940)	0.60
Balance, September 30, 2016	**31,622,304**	**0.28**
Granted	42,020,321	0.10
Expired	(4,840,054)	0.53
Balance, June 30, 2017	**68,802,571**	**0.15**

(Expressed in Canadian dollars)

As at June 30, 2017, the following warrants were issued and outstanding:

Number of warrants	Fair value	Exercise price	Expiry date
	$	$	
3,861,000	-	0.60	September 23, 2018
847,000	67,760	0.60	February 9, 2019
3,210,381	32,104	0.17	August 28, 2019
241,868	14,577	0.17	August 28, 2017
3,748,646	18,743	0.17	September 30, 2019
63,584	4,029	0.17	September 30, 2017
667,363	33,098	0.10	December 23, 2017
1,848,000	-	0.20	April 1, 2020
670,742	86,438	0.20	April 1, 2020
2,246,835	-	0.20	May 5, 2020
132,546	17,086	0.20	May 5, 2020
850,000	8,500	0.20	May 17, 2020
194,285	19,097	0.20	May 17, 2020
8,200,000	164,000	0.12	September 30, 2020
560,000	18,894	0.20	November 8, 2020
2,125,000	85,000	0.10	December 23, 2020
160,000	3,249	0.10	December 23, 2018
12,493,536	-	0.10	March 7, 2021
934,482	58,377	0.10	March 7, 2021
5,851,103	-	0.10	March 24, 2021
441,422	25,766	0.10	March 24, 2021
14,847,001	-	0.10	April 21, 2021
613,333	33,223	0.10	April 21, 2021
3,150,000	-	0.10	June 6, 2021
844,444	34,649	0.09	June 20, 2019
68,802,571	**724,590**		

(Expressed in Canadian dollars)

As at September 30, 2016, the following warrants were issued and outstanding:

Number of warrants	Fair value	Exercise price	Expiry date
	$	$	
3,861,000	-	0.60	September 23, 2018
847,000	67,760	0.60	February 9, 2019
59,290	12,704	0.60	February 9, 2017
2,931,083	-	0.55	March 13, 2017
410,351	84,187	0.35	March 13, 2017
1,262,571	37,877	0.55	March 27, 2017
176,759	33,917	0.35	March 27, 2017
3,210,381	32,104	0.17	August 28, 2019
241,868	14,577	0.17	August 28, 2017
3,748,646	18,743	0.17	September 30, 2019
63,584	4,029	0.17	September 30, 2017
667,363	33,098	0.10	December 23, 2017
1,848,000	-	0.20	April 1, 2020
670,742	86,438	0.20	April 1, 2020
2,246,835	-	0.20	May 5, 2020
132,546	17,086	0.20	May 5, 2020
850,000	8,500	0.20	May 17, 2020
194,285	19,097	0.20	May 17, 2020
8,200,000	164,000	0.12	September 30, 2020
31,622,304	**634,117**		

13. STOCK OPTIONS

On May 3, 2012, the shareholders of the Company approved the conversion of the Company’s Stock Option Plan (“SOP”) from a fixed option plan to a rolling option plan, pursuant to which a maximum of 10% of the issued and outstanding common shares of the Company may be reserved for issuance under its SOP. These options may be granted to employees, officers, directors, and persons providing ongoing services to the Company, subject to regulatory approval. The exercise price of each option can be set equal to or greater than the closing market price, less allowable discounts, of the common shares on the Exchange on the day prior to the date of grant of the option. Options have a maximum term of five years and terminate 12 months following the termination of the optionee’s employment, office, directorship or consulting arrangement. Vesting of options is made at the discretion of the Board of Directors at the time the options are granted.

(Expressed in Canadian dollars)

The following table reflects the continuity of stock options outstanding:

	Number of stock options	Weighted average exercise price
		$
Balance, September 30, 2015	**7,475,000**	**0.82**
Granted (1)	4,800,000	0.10
Forfeited	(47,500)	0.10
Expired	(2,455,000)	1.06
Balance, September 30, 2016	**9,772,500**	**0.41**
Expired	(2,802,500)	0.72
Balance, June 30, 2017	**6,970,000**	**0.28**

(1) On December 23, 2015, 4,800,000 stock options were granted to Directors, Officers, employees and consultants at an exercise price of $0.10 per share, expiring on December 31, 2020.

As at June 30, 2017, 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)			
$0.10	4,697,500	3.48	$0.10	4,697,500	$0.10
$0.66	2,272,500	0.84	$0.66	2,272,500	$0.66
	6,970,000	**2.62**	**$0.28**	**6,970,000**	**$0.28**

As at September 30, 2016, 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)			
$0.10	4,752,500	4.23	$0.10	4,752,500	$0.10
$0.66	2,525,000	1.59	$0.66	2,525,000	$0.66
$0.71- $0.92	2,495,000	0.26	$0.74	2,495,000	$0.74
	9,772,500	**2.54**	**$0.41**	**9,772,500**	**$0.41**

(Expressed in Canadian dollars)

The following table reflects the weighted-average fair value of stock options granted between October 1, 2015 and June 30, 2017 and the related Black-Scholes option pricing model inputs that were used in the calculations:

	Nine months ended June 30, 2017	Year ended September 30, 2016
Stock options granted	-	4,800,000
Weighted average fair value	-	0.06
Weighted-average exercise price	-	0.10
Weighted-average market price at date of grant	-	0.09
Expected life of stock options (years)	-	5
Expected stock price volatility	-	80%
Risk-free interest rate	-	0.74%
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.

In total, $Nil of stock-based payments (all of which relate to equity-settled stock-based payment transactions) were included in profit or loss for the nine months ended June 30, 2017 (2016 - $352,546) and credited to contributed surplus.

(Expressed in Canadian dollars)

14. SUPPLEMENTAL CASH FLOW INFORMATION

	Three months ended June 30,		Nine months ended June 30,	
	2017	2016	**2017**	2016
	$	$	**$**	$
Changes in working capital are as follows:				
Amounts receivable	**19,269**	(41,580)	**140,869**	(29,461)
Amounts due from related parties	**(1,488,594)**	(175,151)	**(1,476,227)**	(354,314)
Prepaid expenses	**24,535**	(23,382)	**148**	(71,628)
Accounts payable and accrued liabilities	**(29,050)**	1,372	**(41,616)**	39,644
Deposit	**-**	-	**(349,333)**	182,666
	(1,473,840)	(238,741)	**(1,726,159)**	(233,093)
Non-cash investing activities as follows:				
Exploration and evaluation assets included in accounts payable and accrued liabilities	**184,327**	256,044	**184,327**	256,044

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, amounts receivable (excluding sales taxes receivable) and amounts due from related parties and maximum exposure is equal to the carrying values of these assets, totalling $2,574,330 at June 30, 2017 ($1,643,707 as at September 30, 2016). 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. No impairment loss has been recognized in the periods presented.

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, 2017, the Company had a working capital deficiency of $423,666. During the nine months ended June 30, 2017, the Company had negative cash flows from operations of $3,459,315. 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 for 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.

The Company has financial liabilities of $1,275,577, all of which are due within twelve months.

(iii) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company has limited exposure to financial risk arising from fluctuations in foreign exchange rates given that its transactions are carried out primarily in Canadian dollars.

(iv) Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's financial assets exposed to interest rate risk include cash held in investment savings accounts bearing variable interest rates. The Company has not entered into any derivative contracts to manage this risk. The Company's policy as it relates to its cash balances is to invest excess cash in highly liquid, low-risk, short-term interest-bearing investments with maturities of 360 days or less from the original date of acquisition. As at June 30, 2017, the Company had cash balances of $543,452 ($1,085,731 as at September 30, 2016).

The Company has limited exposure to financial risk arising from fluctuations in variable interest rates earned on cash given the low interest rates currently in effect and the low volatility of these rates.

(v) Other price risk

The Company holds publicly listed shares of a company in the mineral exploration industry. The Company is exposed to other price risk regarding these shares as unfavorable market conditions could result in the disposal at less than their value at June 30, 2017. As at June 30, 2017, the value of these listed shares was $100,000. At June 30, 2017, had the bid price for these publicly listed shares been 10% lower, the comprehensive loss for the period would have been $10,000 higher. Conversely, has the bid price been 10% higher, the comprehensive loss would have been $10,000 lower.

Capital management

The Company manages its capital to ensure its ability to continue as a going concern and to provide an adequate return to its shareholders as well as ensuring that all flow-through monies obtained are utilized in exploration activities and spent by the required deadline. In the management of capital, the Company includes the components of shareholders' equity. As long as the Company is in the exploration stage of its mining properties, it is not the intention of the Company to contract additional debt obligations to finance its work programs. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares. When financing conditions are not optimal, the Company may enter into option agreements or find other solutions to continue its activities or may slow its activities until conditions improve. While the Company is not subject to any external capital requirements, neither regulatory nor contractual, funds from flow-through financings to be spent on the Company's exploration properties are restricted for this use. In order to facilitate the management of its capital requirements, the Company prepares annual budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

(Expressed in Canadian dollars)

16. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, amounts receivable (net of sales taxes receivable), amounts due from related parties, long-term investment, accounts payable and accrued liabilities and deposit. The long-term investment is carried at fair value. The fair value of the other financial instruments approximates their carrying value due to their short-term nature.

The classification of financial instruments is as follows:

	June 30, 2017	September 30, 2016
	$	$
Financial assets		
Loans and receivables		
Cash	**543,452**	1,085,731
Amounts receivable (net of sales taxes receivable)	**91,979**	95,304
Amounts due from related parties	**1,938,899**	462,672
Available-for-sale-financial assets		
Long-term investment	**100,000**	125,000
Total financial assets	**2,674,330**	1,768,707
Financial liabilities		
Measured at amortized cost		
Accounts payable and accrued liabilities	**(1,275,577)**	(2,035,874)
Deposit	**-**	(349,333)
Total financial liabilities	**(1,275,577)**	(2,385,207)

17. RELATED PARTY TRANSACTIONS

Transactions with related parties not disclosed elsewhere in these financial statements are as follows:

Unless otherwise stated, none of these transactions incorporated special terms and conditions and no guarantees were given or received.

JAG Sky Inc.

During the nine months ended June 30, 2017, the Company was charged $Nil by JAG Sky Inc. ("JAG Sky") (2016 - $5,200), a private air charter services company wholly-owned by an Officer and Director of Focus, for air travel. As at June 30, 2017, the Company has a prepaid balance of $33,070 ($33,070 as at September 30, 2016), included in prepaid expenses, for air travel to be used at a later date.

Alcereco Inc.

During the nine months ended June 30, 2017, the Company was charged $8,800 by Alcereco Inc., a private company which shares common management, for research work (2016 - $74,994). As at June 30, 2017, $Nil was included in accounts payable and accrued liabilities ($36,718 as at September 30, 2016).

GGTC Inc. and JAG Property Holdings Inc. (formerly 2390540 Ontario Inc.)

Under a lease agreement between the Company and GGTC Inc.("GGTC") (Note 18), a privately-held company wholly-owned by an Officer and Director of Focus, the Company leases laboratory space in Kingston, Ontario. The lease was previously with JAG Property Holdings Inc. (formerly 2390540 Ontario Inc.), a private entity which is also wholly-owned by an Officer and Director of Focus, however it was transferred to GGTC upon GGTC's acquisition of the building. During the nine months ended June 30, 2017, the Company was charged a total of $41,613 for rent (2016 - $41,613). As at June 30, 2017, $Nil was included in accounts payable and accrued liabilities ($Nil as at September 30, 2016).

Grafoid Inc.

During the 2016 and 2017 fiscal years, the Company has loaned Grafoid Inc. a total of $1,852,539. The loan is due on or before January 12, 2019 and bears interest at 10%. As at June 30, 2017, the entire amount is presented as a long-term receivable.

Shared costs

During the year ended September 30, 2016, the Company charged Mincom Capital Inc. and Stria Lithium Inc., both of which share common management, $5,000 and $5,000, respectively, for accounting and administrative services and other administrative expenses. As at June 30, 2017, balances of $Nil and $Nil ($5,650 and $5,650 as at September 30, 2016), respectively, are included in amounts due from related parties.

(Expressed in Canadian dollars)

As at June 30, 2017, included in amounts due from related parties was an amount of $26,440 ($29,452 as at September 30, 2016) due from the following companies, which are wholly or partially owned by an Officer and Director of the Company, related to general shared costs:

	June 30, 2017	September 30, 2016
	$	$
JAG Property Holdings Inc. (formerly 2390540 Ontario Inc.)	**598**	598
9174893 Canada Inc.	**-**	1,067
GGTC Inc.	**-**	1,945
JAG Sky Inc.	**20,395**	20,395
SP2 Wafer Pte Ltd.	**5,447**	5,447
	26,440	29,452

As at March 31, 2017, included in amounts due from related parties was an amount of $59,920 ($61,920 as at September 30, 2016) due from the following companies, which share common management, related to general shared costs:

	June 30, 2017	September 30, 2016
	$	$
Grafoid Inc. (including subsidiaries)	**59,920**	61,920
	59,920	61,920

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, 2017	Three months ended June 30, 2016	Nine months ended June 30, 2017	Nine months ended June 30, 2016
	$	$	**$**	$
Salaries (including bonuses) (1)	**40,000**	40,000	**120,000**	120,000
Consulting fees	**111,249**	111,249	**333,748**	343,122
Benefits	**2,061**	2,061	**6,183**	6,183
Stock-based compensation	**-**	-	**-**	262,123
	153,310	153,310	**459,931**	731,428

(1) Includes director's fees which have been included in *Management and consulting fees* in the statements of comprehensive loss.
(2) The figures above have not been adjusted to reflect the allocation of salaries and short-term benefit compensation paid to key Management personnel that the Company charged out to Mincom Capital Inc. and Stria Lithium Inc.

18. COMMITMENTS

Offtake Agreements

Grafoid Inc.

In September 2015, the Company executed two definitive offtake agreements with Grafoid Inc. ("Grafoid"), as follows:

(a) *Graphene Offtake*

Under the terms of the Graphene Offtake agreement, Grafoid will pay Focus $1,000,000, for the right of first refusal to purchase up to an annual maximum of 1,000 tonnes of high-purity graphite concentrate for a 10 year period. It also grants Grafoid the right of first refusal to extend and expand the agreement for an additional 10 year period. The pricing for an additional 10 year period would be set at market price less 10%.

(b) *Polymer Offtake*

Under the terms of the Polymer Offtake agreement, Grafoid will pay Focus $1,000,000, for the right of first refusal to purchase up to an annual maximum of 25,000 tonnes of graphite concentrate for a 10 year period. It also grants Grafoid the right of first refusal to extend and expand the agreement for an additional 10 year period. The pricing for an additional 10 year period would be set at market price less 10%.

Both offtake agreements are conditional on Focus having received the entire $1,000,000 from Grafoid. Given that this condition was not met as of June 30, 2017, Focus did not yet have any obligation to sell graphite concentrate to Grafoid.

Effective September 24, 2016, Focus and Grafoid executed addendums to the offtake agreements, whereby Grafoid now has until September 24, 2018 to make the remaining payments to satisfy the $1,000,000 condition under each agreement. The funds previously paid to Focus were returned to Grafoid during the quarter ended March 31, 2017. As at June 30, 2017, payments of $Nil held by Focus in relation to the offtake agreements ($349,333 as at September 30, 2016) have been presented as a deposit and included within current liabilities, in the statements of financial position.

Other

In December 2013, the Company executed an offtake agreement for future production from the Lac Knife graphite project. The strategic agreement, for up to 40,000 tonnes per year, with a minimum amount of 50% of production of graphite concentrate and value added products produced, was signed on December 19, 2013 with an industrial conglomerate, comprised of heavy industry, manufacturing and technology companies located in Dalian City, Liaoning Province, China. The 10 year agreement calls for the supply of up to 40,000 tonnes per year of large, medium and fine flake graphite concentrate and value added graphite products from the proposed Lac Knife mining and processing facility. The specific terms of the agreement, including pricing and renewal rights, are confidential for competitive reasons.

(Expressed in Canadian dollars)

Leases

The Company's future minimum operating lease payments are as follows:

	Minimum lease payments due		
	Within 1 year	1 to 5 years	**Total**
	$	$	**$**
June 30, 2017 (1)	55,484	83,225	**138,709**
September 30, 2016	55,484	124,838	**180,322**

(1) Includes lease payments due to GGTC Inc. (formerly 9229205 Canada Inc.), a related party (Note 17), of $55,484 due within one year and $83,225 due in one to five years. The lease ends in December 2019.

The Company's lease agreement for office space in Ottawa expired in August 2016 and was not renewed.

Lease payments recognized as an expense during the nine months ended June 30, 2017 amount to $41,613 (2016 - $55,119). This amount consists of minimum lease payments.

19. CONTINGENT LIABILITY

The Company was named as a defendant in a statement of claim filed on behalf of the Company's former President and Chief Operating Officer ("former COO"). The statement of claim alleges that the former COO was wrongfully dismissed by the Company and seeks damages in the amount of $450,000, for, among other things, breach of contract, wrongful dismissal and punitive damages. The Company denies all of the allegations made by the former COO and believes the actions to be without merit. No liability has been recognized in the statements of financial position.

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 Private Placements

On July 18, 2017, the Company closed a private placement for gross proceeds of $154,000. The private placement was comprised of 2,053,333 units at a price of $0.075 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 $0.10 until July 18, 2021.

On August 8, 2017, the Company closed a private placement for gross proceeds of $375,000. The private placement was comprised of 5,000,000 units at a price of $0.075 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 $0.10 until August 8, 2021. In connection with the financing, the Company paid cash finder's fees totaling $26,250 and issued, as additional consideration, 350,000 non-transferable broker warrants, each broker warrant entitling the holder to acquire one common share of the Company at a price of $0.10 until August 8, 2021.

On August 14, 2017, the Company closed a private placement for gross proceeds of $2,922,500. The private placement was comprised of 38,966,667 units at a price of $0.075 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 $0.10 until August 14, 2021.

Additional Private Placement

On August 29, 2017, the Company announced that it intends to complete another private placement for gross proceeds of up to $2,500,000, by issuing up to 33,333,333 units at a price of $0.075 per unit. Each unit will be comprised of one common share and one common share purchase warrant. Each warrant will be exercisable at $0.10 for a period of 48 months following closing. Focus has received commitments for $2,077,500, for which the funds have been deposited in trust pending the receipt of all necessary regulatory approvals.