FOCUS GRAPHITE INC.

Financial Statements

For the years ended September 30, 2018 and 2017

(Expressed in Canadian Dollars)

MNP SENCRL srl / LLP

Independent Auditors' Report

To the Shareholders of Focus Graphite Inc.:

We have audited the accompanying financial statements of Focus Graphite Inc., which comprise the statement of financial position as at September 30, 2018 and the statement of loss and other comprehensive loss, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Focus Graphite Inc. as at September 30, 2018 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter
Without qualifying our opinion, we draw attention to Note 2 to the financial statements, which states that Focus Graphite Inc. incurred a net loss of $2,152,318 and negative cash flows from operations of $4,618,247 during the year ended September 30, 2018. In addition, the Company has an accumulated deficit of $41,718,832. These conditions, as described in Note 2, indicate the existence of a material uncertainty that may cast significant doubt on the Company's ability to continue as a going concern. These financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or amounts and classification of liabilities that may result from the outcome of this uncertainty.

Other Matter
The financial statements of Focus Graphite Inc. for the year ended September 30, 2017 were audited by another auditor who expressed an unmodified opinion on those financial statements on January 23, 2018.

MNP SENCRL, srl [1]

Montréal, Québec

January 23, 2019

[1] CPA auditor, CA, public accountancy permit No. A126822

Focus Graphite Inc.
(An exploration stage Company)
Statements of Financial Position
(Expressed in Canadian dollars)

As at	**September 30, 2018**	September 30, 2017
	$	$
ASSETS		
Current assets		
Cash	**110,835**	322,665
Amounts receivable (Note 4)	**888,350**	238,720
Amounts due from related parties (Note 16)	**141,598**	143,556
Tax credits and credit on duties receivable	**399,118**	82,765
Prepaid expenses	**272,393**	1,078,044
	1,812,294	1,865,750
Long-term investment (Note 5)	**100,000**	100,000
Mineral exploration properties (Note 7)	**1,363,977**	1,327,599
Exploration and evaluation assets (Note 7)	**29,825,309**	25,247,496
Total assets	**33,101,580**	28,540,845
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (Note 16)	**2,039,977**	1,357,018
Other current liabilities (Note 8)	**15,625**	253,583
Total liabilities	**2,055,602**	1,610,601
EQUITY		
Share capital (Note 10)	**59,697,225**	54,386,387
Warrants (Note 11)	**1,611,690**	1,367,788
Contributed surplus	**11,182,653**	10,469,341
Accumulated other comprehensive income	**273,242**	273,242
Deficit	**(41,718,832)**	(39,566,514)
Total equity	**31,045,978**	26,930,244
Total liabilities and equity	**33,101,580**	28,540,845

Going concern (Note 2)

On behalf of the Board

(signed) "Gary Economo"
Gary Economo, Director

(signed) "Jeffrey York"
Jeffrey York, Director

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

Focus Graphite Inc.		
(An exploration stage Company)		
Statements of Comprehensive Loss		
For the years ended September 30		
(Expressed in Canadian dollars)		
	2018	2017
	$	$
Operating expenses		
Management and consulting fees	**3,401,060**	1,099,876
Salaries and benefits	**237,934**	287,166
Travel and promotion	**393,159**	258,468
Professional fees	**320,985**	203,812
Office	**295,654**	364,605
Depreciation of property and equipment	**-**	14,801
Stock-based compensation (Note 12)	**680,214**	-
Write-down of mineral exploration properties and exploration and evaluation assets (Note 7)	**-**	128,573
Loss from operations	**(5,329,006)**	(2,357,301)
Other income (expense)		
Interest income	**366**	-
Legal settlement (Note 18)	**(170,000)**	-
Other income related to flow-through shares (Note 8)	**253,583**	27,332
Share of net loss of associate (Note 6)	**-**	(843,570)
Reversal of impairment/(impairment) of investment in associate (Note 6)	**2,732,739**	(2,994,492)
Reversal of impairment/(impairment) of amount due from related party (Note 6)	**360,000**	(360,000)
Net loss	**(2,152,318)**	(6,528,031)
Other comprehensive (loss) income		
Items that will be reclassified to profit or loss		
Change in fair value of available-for-sale investments	**-**	(25,000)
Share of other comprehensive income of associate	**-**	14,916
Other comprehensive loss	**-**	(10,084)
Total comprehensive loss	**(2,152,318)**	(6,538,115)
Basic and diluted net loss per common share	**(0.01)**	(0.03)
Basic and diluted weighted average number of common shares outstanding	**338,766,073**	200,761,595

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

Focus Graphite Inc.
(An exploration stage Company)
Statements of Changes in Equity
(Expressed in Canadian dollars)

	Share capital		Warrants	Contributed surplus	Accumulated other comprehensive income	Deficit	Total
	# of shares	$	$	$	$	$	$
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	104,153,306	7,281,790	-	-	-	-	7,281,790
Warrants issued	-	-	734,500	-	-	-	734,500
Expiry of warrants	-	-	(187,291)	187,291	-	-	-
Share issuance costs	-	(1,049,162)	186,462	-	-	-	(862,700)
Net loss	-	-	-	-	-	(6,528,031)	(6,528,031)
Change in fair value of available-for-sale investments	-	-	-	-	(25,000)	-	(25,000)
Share of other comprehensive income of associate	-	-	-	-	14,916	-	14,916
Balance, September 30, 2017	**269,585,740**	**54,386,387**	**1,367,788**	**10,469,341**	**273,242**	**(39,566,514)**	**26,930,244**
Shares issued for cash	78,850,600	5,876,923	-	-	-	-	5,876,923
Warrants issued	-	-	277,000	-	-	-	277,000
Expiry of warrants	-	-	(33,098)	33,098	-	-	-
Stock-based compensation	-	-	-	680,214	-	-	680,214
Share issuance costs	-	(566,085)	-	-	-	-	(566,085)
Net loss	-	-	-	-	-	(2,152,318)	(2,152,318)
Balance, September 30, 2018	**348,436,340**	**59,697,225**	**1,611,690**	**11,182,653**	**273,242**	**(41,718,832)**	**31,045,978**

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

Focus Graphite Inc.
(An exploration stage Company)
Statements of Cash Flows
For the years ended September 30
(*Expressed in Canadian dollars)*

	2018	2017
	$	$
OPERATING ACTIVITIES		
Net loss	**(2,152,318)**	(6,528,031)
Adjustments for:		
Stock-based compensation	**680,214**	-
Depreciation of property and equipment	**-**	14,801
Write-down of mineral exploration properties and exploration and evaluation assets	**-**	128,573
Interest income	**(366)**	-
Other income related to flow-through shares	**(253,583)**	(27,332)
Share of net loss of associate	**-**	843,570
Impairment/(Reversal) of Impairment of investment in associate (Note 6)	**(2,732,739)**	2,994,492
Impairment/(Reversal) of Impairment of amount due from related party (Note 6)	**(360,000)**	360,000
Changes in non-cash working capital items (Note 13)	**200,545**	(1,147,645)
Net cash used in operating activities	**(4,618,247)**	(3,361,572)
INVESTING ACTIVITIES		
Loan repayment by associate	**3,092,739**	-
Acquisition of mineral exploration properties	**(36,378)**	-
Interest received	**366**	-
Investment in associate	**-**	(3,092,739)
Exploration and evaluation costs	**(4,253,773)**	(1,841,341)
Tax credits and mining duties received	**-**	180,663
Net cash used in investing activities	**(1,197,046)**	(4,753,417)
FINANCING ACTIVITIES		
Common and flow-through shares issued	**5,892,548**	7,480,123
Warrants issued	**277,000**	734,500
Share issuance costs	**(566,085)**	(862,700)
Net cash provided by financing activities	**5,603,463**	7,351,923
Decrease in cash	**(211,830)**	(763,066)
Cash, beginning of the year	**322,665**	1,085,731
Cash, end of the year	**110,835**	322,665

Supplemental cash flow information is provided in Note 13

The accompanying notes are an integral part of these 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 year ended September 30, 2018, the Company incurred a net loss of $2,152,318 (2017 - $6,528,031) and negative cash flows from operations of $4,618,247 (2017 - $3,361,572). In addition, the Company has a deficit of $41,718,832 (2017 – $39,566,514).

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 in fiscal 2019, 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. Subsequent to year end, the company raised $1,275,000 (Note 21).

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of presentation and compliance with IFRS

These 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 financial statements have been prepared in accordance with IFRS as issued by the International Accounting Standards Board ("IASB").

These financial statements were authorized for issue by the Board of Directors on January 23, 2019.

(b) 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.

<u>Significant Management judgment</u>

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 and assessment of indicators of impairment of an equity-method investee

The assessment as to whether or not the Company has significant influence over an investee requires judgment. Even though Focus holds less than 20% of the voting rights in Grafoid Inc. ("Grafoid"), with an ownership interest of 16.38% as at September 30, 2018 (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.

At each reporting period, judgement is required to assess whether there is objective evidence of an impairment in the Company's net investment in its associate. In fiscal 2018, Management applied judgement in determining impairment/reversal of impairment in its net investment in its associate. Consequently, the amount of impairment to be recognized in fiscal 2017 was reversed because there was a change in circumstance where the associate raised funds through a series of private placements, as discussed further in Note 6.

Determination of technical feasibility and commercial viability of mineral properties

Mining rights and expenses related to exploration and evaluation activities are capitalized on a property by property basis pending determination of the technical feasibility and commercial viability of the project. When technical feasibility and commercial viability of extracting a mineral resource are demonstrable, mining rights and expenses related to exploration and evaluation activities of the related mining property are transferred to mining assets under construction and all subsequent expenditures on the construction, installation or 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.

Estimation uncertainty

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

Impairment of mineral exploration properties and exploration and evaluation assets

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

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

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

Share-based payments

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

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

(c) Investments in associates

Associates are entities over which the Company is able to exert significant influence, but which are not subsidiaries.

The investments in associates are accounted for using the equity method and are initially recognized at cost plus transaction costs.

The carrying amount of the investment in associates is increased or decreased to recognize the Company's share of the profit or loss and other comprehensive income of the associate, adjusted where necessary to ensure consistency with the accounting policies of the Company.

If the Company's share of losses of an associate equals or exceeds its interest in the associate, the Company discontinues recognizing its share of further losses. Additional losses are provided for, and a liability is recognized only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

(d) Foreign currency translation

Foreign currency transactions are translated into the functional currency, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Exchange differences resulting from the settlement of such transactions and from the re-measurement of monetary items at year-end exchange rates are recognized in profit or loss.

Non-monetary items measured at historical cost are translated using the exchange rates at the date of the transaction (not re-translated). Non-monetary items measured at fair value are translated using the exchange rates at the date when fair value was determined.
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(e) Financial instruments

Financial assets and financial liabilities are recognized when the Company becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognized when it is extinguished, discharged, cancelled or when it expires.

Financial assets and financial liabilities are measured initially at fair value plus transactions costs.

Financial assets and financial liabilities are measured subsequently as described below.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortized cost using the effective interest method, less provision for impairment. The Company's cash, amounts receivable (excluding sales taxes receivable) and amounts due from related parties fall into this category of financial instruments.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss. After initial recognition, these assets are measured at fair value with subsequent changes in fair value, other than impairment losses, recognized in other comprehensive income, and presented within equity. When an investment is derecognized, the cumulative gain or loss in other comprehensive income is transferred to profit or loss.

Impairment of financial assets

All financial assets not classified as fair value through profit or loss, including an interest in an equity-accounted investee, are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or a group of financial assets is impaired.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty;
- default or delinquency in interest or principal payments;
- it is becoming probable that the borrower will enter bankruptcy or financial reorganization.
- the disappearance of an active market for a security; or
- observable data indicating that there is a measurable decrease in the expected cash flows from a group of financial assets.

For an investment in an equity security, objective evidence of impairment includes a significant or prolonged decline in its fair value below its cost. The Company generally considers a decline of 20% to be significant and a period of nine months to be prolonged.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Impairment of receivables is presented in profit or loss, if applicable.

Impairment losses on available-for-sale financial assets are recognized by reclassifying the losses accumulated in equity to profit or loss.

An impairment loss in respect of an equity-accounted investee is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognized in profit or loss and is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

Financial liabilities

The Company's financial liabilities include accounts payable and accrued liabilities.

Financial liabilities are measured subsequently at amortized cost using the effective interest method.

All interest-related charges are reported in profit or loss within interest expense, if applicable.

Fair value hierarchy

Financial instruments measured at fair value on the statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels: Level 1 – valuation based on quoted prices unadjusted in active markets for identical assets or liabilities; Level 2 – valuation techniques based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); Level 3 – valuation techniques using inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company’s long-term investment (2,500,000 shares in Braille Energy systems Inc. (“BESI”) (formerly Mincom Capital Inc.), is classified as Level 1 and measured based on the quoted price of the shares of BESI on the TSX Venture Exchange (“TSX-V”), with additional consideration given to BESI’s financials. At September 30, 2016, the Company measured its long-term investment by direct reference to the last trading price of BESI’s shares on the TSX-V, which was $0.05. At the time, Management considered that there was sufficient trading volume of Mincom's shares that it was an appropriate Level 1 input on which fair value could be measured. At September 30, 2017, the trading volume of BESI's shares was no longer considered to be sufficient to be considered a Level 1 input, as the shares were halted for a prolonged period due to a pending transaction. Instead, the last trading price was considered as a Level 2 input and Management considered other financial information of BESI to support the measurement. During the year, the Company's long-term investment was transferred from Level 2 to Level 1 as the shares of BESI have resumed trading. There were no other transfers between fair value hierarchy levels during the year.

(f) Basic and diluted loss per share

Basic loss per share is computed by dividing the net loss attributable to owners of the parent for the period by the weighted average number of common shares outstanding during the period. The computation of diluted loss per share assumes the conversion or exercise of securities only when such conversion or exercise would have a dilutive effect on earnings per share. The diluted loss per share is equal to the basic loss per share because the effect of warrants and stock options (Notes 11 and 12) is antidilutive as it would decrease the loss per share.

(g) Tax credits and credit on duties

The Company is eligible for a refundable credit on mining duties under the Quebec Mining Duties Act. This refundable credit on mining duties is equal to 16% applicable on 50% of the eligible expenses. The accounting treatment for refundable credits on mining duties depends on Management's intention to either go into production in the future or to sell its mining properties to a mining company once the technical feasibility and the economic viability of the properties have been demonstrated. This assessment is made at the level of each mining property.

In the first case, the credit on mining duties is recorded as an income tax recovery, under IAS 12, Income Taxes, which generates a deferred tax liability and deferred tax expense since the exploration and evaluation assets have no tax basis following the Company's election to claim the refundable credit.

In the second case, it is expected that no mining duties will be paid in the future and, accordingly, the credit on mining duties is recorded against exploration and evaluation assets.

Currently, it is Management's intention to have the Company sell its mining properties to a mining company, as such, the credit on mining duties is recorded against exploration and evaluation assets.

The Company is also eligible for a refundable tax credit related to resources for mining industry companies in relation to eligible expenses incurred. The refundable tax credit related to resources can represent up to 38.50% for eligible expenses and is recorded as a government grant against exploration and evaluation assets.

Credits related to resources and credits for mining duties recognized against exploration and evaluation assets are initially recorded at fair value when there is reasonable assurance that they will be received and the Company will comply with the conditions associated with the grant.

(h) Research and development costs

Costs related to research activities are expensed as incurred. Costs that are directly attributable to a project's development phase are recognized as intangible assets, provided they meet the following recognition requirements: (i) the development costs can be measured reliably; (ii) the project is technically and commercially feasible; (iii) the Company intends to and has sufficient resources to complete the project; (iv) the Company has the ability to use or sell the product or equipment; and (v) the product, equipment or process will generate probable future economic benefits. Development costs not meeting all these criteria are expensed as incurred. To date, no development costs have been capitalized.

(i) Mineral exploration properties and exploration and evaluation assets

Mineral exploration properties include the cost of acquiring mining rights. Exploration and evaluation assets include expenses directly related to the exploration and evaluation activities. These costs are capitalized and are carried at cost less any impairment loss recognized. Costs incurred before the legal right to undertake exploration and evaluation activities on a project was acquired, are expensed in the statement of comprehensive loss.

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. No amortization is recognized during the exploration and evaluation phase. Costs capitalized include drilling, project consulting, geophysical, geological and geochemical studies, as well as other costs related to the evaluation of the technical feasibility and commercial viability of extracting a mineral resource.

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. Before the reclassification, mineral exploration properties and exploration and evaluation assets are tested for impairment and any impairment loss is recognized in profit or loss before reclassification.

Upon transfer of exploration and evaluation assets into mining assets under construction, all subsequent expenditures on the construction, installation or completion of infrastructure facilities are capitalized with mining assets under construction. After the development stage, all assets included in mining assets under construction are transferred to mining assets and amortized over the expected productive lives of the assets.

(j) Joint arrangements

Investments in joint arrangements (IFRS 11 Joint Arrangements)

A joint arrangement is a contractual arrangement whereby the two or more parties have joint control. Joint control is the contractually agreed sharing control of an arrangement, which exists only when decisions about relevant activities require unanimous consent of the parties sharing control.

Joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities relating to the joint arrangement.
The Company recognizes assets, liabilities, revenue and expenses in relation to its interest in joint operations on a line by line basis in accordance with the IFRSs applicable to the particular financial statement line item.

With respect to transactions with joint operations that has joint control], the Company recognizes gains and losses only to the extent of the other parties' interests in the joint operation. However, when the transaction provides evidence of a reduction in net realizable value or an impairment loss the Company fully recognizes those losses.

When the Company enters into a transaction with a joint operation, the Company does not recognize its share of gains and losses until it resells the related assets to third parties. However, when the transaction provides evidence of a reduction in net realizable value or an impairment loss the Company recognizes its share of those losses."

(k) Impairment of non-financial assets

For impairment assessment and testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating unit ("CGU"). The Company considers each mineral property to be a separate CGU, and therefore assesses for indicators of impairment individually for each mineral property.

At each reporting date, the Company assesses non-financial assets including mineral exploration properties and exploration and evaluation assets, property and equipment and intangible assets for impairment when facts and circumstances suggest that the carrying amount of the asset may exceed its recoverable amount, being the higher of the value in use and the fair value less costs of disposal. Additionally, when technical feasibility and commercial viability of extracting a mineral resource are demonstrable, the assets of the mineral property are tested for impairment before these items are transferred to mining assets under construction. If the recoverable amount of the asset is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount with the impairment recognized immediately in profit or loss.

Where an impairment subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, subject to the amount not exceeding the carrying amount that would have been determined had impairment not been recognized for the asset in prior periods. Any reversal of impairment is recognized immediately in profit or loss.

(l) Provisions and contingent liabilities

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation, and the amount of the obligation can be reliably estimated. Timing or amount of the outflow may still be uncertain. If the effect is material, provisions are measured by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

The Company's operations are governed by government environment protection legislation. Environmental consequences are difficult to identify in terms of amounts, timetable and impact. As of the reporting date, Management believes that the Company's operations are in compliance with current laws and regulations. Site restoration costs currently incurred are negligible. When the technical feasibility and commercial viability of extracting a mineral resource have been demonstrated, a restoration provision will be recognized in the cost of the mining property when there is a constructive commitment that has resulted from past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be measured with sufficient reliability.

All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. The Company had no material provisions as at September 30, 2018 and September 30, 2017.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognized, unless it was assumed in the course of a business combination. In a business combination, contingent liabilities are recognized in the course of the allocation of the purchase price to the assets and liabilities acquired in the business combination. They are subsequently measured at the higher amount of a comparable provision as described above and the amount initially recognized, less any amortization.

(m) Employee benefits

The cost of short-term employee benefits (including non-monetary benefits such as group medical and dental insurance) are recognized in the period in which the service is rendered and are not discounted.

(n) Income taxes

Tax expense recognized in profit or loss comprises the sum of deferred and current tax not recognized in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements. Calculation of current tax is based on tax rates and laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with shares in subsidiaries and associates is not provided if reversal of these temporary differences can be controlled by the Company and it is probable that the reversal will occur in the foreseeable future.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantively enacted by the end of the reporting period. Deferred tax liabilities are always provided for in full. Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income.

Deferred tax assets and liabilities are offset only when the Company has a right and intention to set off current tax assets and liabilities from the same taxation authority.

Changes in deferred tax assets or liabilities are recognized as deferred income tax expense in profit or loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

(o) Equity

Share capital

Share capital represents the amount received on the issue of shares. Transaction costs directly attributable to the issuance of common shares are recognized as a reduction of share capital. If shares are issued when options and warrants are exercised, the share capital account also comprises amounts previously recorded as contributed surplus. In addition, if shares are issued as consideration for the acquisition of a mineral property or some other form of non-monetary assets, they are measured at the fair value of the assets or services received or the fair value of the shares issued, according to the quoted price on the day of the conclusion of the agreement.

Flow-through financings

Issuance of flow-through units represents in substance an issue of common shares, warrants (if applicable) and the sale of the right to tax deductions to the investors. When the flow-through units are issued, the sale of the right to tax deductions is deferred and presented as other liabilities in the statement of financial position. The proceeds received from flow-through placements are allocated between share capital, warrants issued and the liability using the residual method. Proceeds are first allocated to shares according to the quoted price of existing shares at the time of issuance, then to warrants (if applicable) according to the fair value of the warrants at the time of issuance and any residual in the proceeds is allocated to the liability. The fair value of the warrants is estimated using the Black-Scholes valuation model. The liability component recorded initially on the issuance of shares is reversed on renouncement of the right to tax deductions to the investors and when eligible expenses are incurred and recognized in profit or loss in other income related to flow-through shares.

Unit placements

Under the residual method, proceeds are first allocated to shares according to the quoted prices of existing shares at the time of issuance and any residual in the proceeds is allocated to warrants.

Warrants

Warrants include charges related to the issuance of warrants until such equity instruments are exercised.

Contributed surplus

Contributed surplus includes charges related to stock-based compensation until such equity instruments are exercised, as well as expired or forfeited warrants.

Deficit

Deficit includes all current and prior period profits or losses.

(p) Equity-settled stock-based payment transactions

The Company operates an equity-settled stock-based remuneration plan (stock option plan) for directors, officers, employees and certain consultants. The Company's plan does not feature any options for a cash settlement. Occasionally, the Company may issue warrants to brokers.

All goods and services received in exchange for the grant of any stock-based payments are measured at their fair values, unless that fair value cannot be estimated reliably. If the Company cannot estimate reliably the fair value of the goods or services received, the Company shall measure their value indirectly by reference to the fair value of the equity instruments granted. Where employees, or consultants providing similar services, are rewarded using stock-based payments, the fair values of the services rendered are determined indirectly by reference to the fair value of the equity instruments granted. The fair value is measured at the grant date and if applicable, recognized over the vesting period. The fair value of the options granted is measured using the Black-Scholes option-pricing model, taking into account the terms and conditions upon which the options were granted. Estimates are subsequently revised if there is any indication that the number of stock options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment is made to any expense recognized in prior periods if stock options ultimately exercised are different to that estimated on vesting. Stock-based compensation expense incorporates an expected forfeiture rate.

All stock-based payments under the plan (except warrants to brokers) are ultimately recognized as an expense in the profit or loss or capitalized as an exploration and evaluation asset, depending on the nature of the payment with a corresponding credit to contributed surplus, in equity. At the same time, upon exercise of a stock option, the proceeds received net of any directly attributable transaction costs are recorded as share capital. The accumulated charges related to the stock options recorded in contributed surplus are then transferred to share capital. Warrants issued to brokers are recognized as issuance cost of equity instruments with a corresponding credit to warrants, in equity.

(q) Segmented reporting

The Company is organized into business units based on mineral properties and has determined that there was only one business segment, being the acquisition, exploration and potential development of mineral properties, based on information that is regularly reviewed by the chief operating decision-maker.

(r) Operating lease agreements

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments under an operating lease are charged to the statement of comprehensive loss on a straight-line basis over the period of the lease. Related expenses, such as maintenance and insurance expenses, are charged as incurred.

(s) Standards, amendments and interpretations

Effective in the current year

The IASB has issued the following amendments, which are applicable to the Company in the current year.

Issued but not yet effective

The IASB has issued the following new and revised standards and amendments, which are not yet effective which may have future applicability to the Company.

IFRS 9, Financial Instruments ("IFRS 9")

The IASB issued the final version of IFRS 9, bringing together the classification and measurement, impairment and hedge accounting phases of the project to replace IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 is to be applied retrospectively with some exemptions for annual periods beginning on or after January 1, 2018. Early application is permitted. The extent of the impact on the Company of adopting IFRS 9 has not yet been determined.

IFRS 16, Leases ("IFRS 16")

In January 2016, the IASB issued IFRS 16, completing its project to improve the financial reporting of leases. The new standard will replace IAS 17 "Leases" (IAS 17), and it sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract. For lessees, IFRS 16 eliminates the classification of leases as either operating or finance leases that exist under IAS 17, and requires recognition of assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. IFRS 16 substantially carries forward the lessor accounting requirements under IAS 17. IFRS 16 is to be applied retrospectively, using either a full retrospective approach or a modified retrospective approach, for annual periods beginning on or after January 1, 2019. Early application is permitted, but only if IFRS 15 has also been adopted. The extent of the impact on the Company of adopting IFRS 16 has not yet been determined.

(Expressed in Canadian dollars)

4. AMOUNTS RECEIVABLE

	September 30, 2018	September 30, 2017
	$	$
Sales taxes receivable	**888,350**	108,140
Other receivables	**-**	130,580
Total amounts receivable	**888,350**	238,720

5. LONG-TERM INVESTMENT

Investment in Braille Energy Systems Inc. ("BESI") (formerly Mincom Capital Inc)

On May 8, 2014, further to the sale of the Company's Romer property to Braille Energy Systems Inc. ("BESI") (formerly Mincom Capital Inc), Focus received 2,500,000 common shares in BESI, valued at $450,000 (Note 8e). 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 BESI.

As at September 30, 2018 and 2017, the Company's investment in BESI was as follows:

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

(1) 2,500,000 (2017 – NIL) of these shares are held in escrow as at September 30, 2018.

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 September 30, 2018, no dividends were 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.

(Expressed in Canadian dollars)

Subsequent to July 3, 2013 and continuing through to September 30, 2018, Focus' ownership interest in Grafoid has fluctuated, further to multiple capital raises and other share issuances by Grafoid, including the 3,000,000 shares issued to the Company, as described above. Despite these fluctuations, Management has not changed its assessment and considers Focus to have maintained significant influence over Grafoid throughout this period. Management takes into consideration various facts and circumstances in arriving at this assessment, including but not limited to Focus' continued representation on Grafoid's Board of Directors.

During the 2017 fiscal year, loan advances were made to Grafoid in the amount of $3,092,739 that, in substance, form part of the Company's net investment in Grafoid. At September 30, 2017, Management determined that there was objective evidence of an impairment of its equity interest in Grafoid taking into consideration factors including Grafoid's financial position and results from operations. As a result, Management estimated the recoverable amount of the Company's investment in Grafoid to be $Nil and recognized an impairment of the carrying amount of the net investment in Grafoid after the application of the equity method. There was estimation uncertainty associated with determining the recoverable amount for the investment in Grafoid as it is a privately-held research and development company. Grafoid had a net asset deficiency and is dependent on future financings to continue to operate as a going concern. An impairment loss is reversed if there has been favourable change in the estimates used to determine the recoverable amount.

During the year ended September 30, 2018, there was change in circumstances that enabled Grafoid to make loan repayments. Grafoid raised US$6M through a series of private placements that resulted in loan repayments in full, in the amount of $3,092,739. As a result, the amount due from Grafoid ($360,000) classified under due from related parties was reclassified to be included in the net investment of Grafoid. There was no change in the determination by management that the recoverable amount of the investment in associate is $NIL due to uncertainty of the next cash infusion and generation of profits. Therefore, the net investment in Grafoid is to be $NIL (please see discussion above) 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 September 30, 2018, the Company's ownership interest in Grafoid was 16.38% (2017 – 18%) and the carrying value of the investment was determined as follows:

	$
Balance, September 30, 2016	730,407
Long-term receivable from Grafoid	3,092,739
Share of net loss of associate	(843,570)
Share of comprehensive income of associate	14,916
Impairment	(2,994,492)
Balance, September 30, 2017	-
Long-term receivable repayment from Grafoid	(3,092,739)
Due to grafoid (reclassification)	360,000
Share of net loss of associate	-
Impairment reversal	2,732,739
Balance, September 30, 2018	-

The shares of Grafoid are not publicly listed on a stock exchange and hence published price quotes are not available.
The following table summarizes the company's share of the net loss in Grafoid. As illustrated below, Grafoid continued to generate losses which are driven by investment in graphene research and development. Since

(Expressed in Canadian dollars)

the Company's Investment in Associate as at September 30, 2018 is $Nil ($Nil - 2017), there will be no inclusion of the share of said net losses.

For the year ended September 30		2018
		$
Revenue		2,900,000
Expenses		(4,570,023)
Other income		110,610
Other expenses		(438,416)
Net loss:		(1,997,829)
Less: Related Party Adjustments (1)		2,400,000
Total loss:		(4,397,829)
Percentage ownership:		16.34%
Share of net loss of associate		(718,605)
(1) Consulting agreement between Grafoid and Focus graphite (Note 16).		

Since the net investment in associate as at September 30, 2018 is $NIL (2017 - $NIL) and the share of net loss will not be included in the value of the investment, the company believes that no additional information is necessary.

(Expressed in Canadian dollars)

7. MINERAL EXPLORATION PROPERTIES AND EXPLORATION AND EVALUATION ASSETS

	September 30, 2018		September 30, 2017	
	Mineral exploration properties	**Exploration and evaluation assets**	Mineral exploration properties	Exploration and evaluation assets
	$	**$**	$	$
a) Lac Knife	**642,578**	**17,379,119**	642,578	15,842,684
b) Kwyjibo	**-**	**6,662,341**	-	6,331,211
c) Manicouagan	**289,101**	**4,046,119**	289,101	2,449,366
d) Eastmain-Leran	**432,298**	**1,737,730**	395,920	624,235
TOTAL	**1,363,977**	**29,825,309**	1,327,599	25,247,496

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 (if) a cash payment of $250,000, (ii) the issuance of 4,016,362 common shares and (iii) 2,008,181 warrants, each warrant entitling the vendor to acquire an additional common share of the Company at a price of $0.10 for a period of 24 months. Effective April 1, 2012, 3765351 was liquidated and ownership of the Lac Knife property was transferred to Focus. The Lac Knife property is located south of Fermont, Quebec, in North-Eastern Quebec near the Labrador border. The property is host to the historical Lac Knife graphite prospect located in the Grenville geological province.

On February 7, 2018, Focus staked the Montagne-aux-Bouleaux claims, a block of 12 contiguous CDC claims covering 626.88ha located 11 km to the North of the Lac Knife property.

b) Kwyjibo

In August 2010, the Company signed an option agreement with SOQUEM Inc. (“SOQUEM”) to acquire a 50% interest in the Kwyjibo property, located in the Grenville Geological Province, north-east of Sept-Iles, Quebec, by spending $3,000,000 in exploration work on the property over a period of five years, of which $1,000,000 had to be spent during the first two years. SOQUEM 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.

The Company has assessed this arrangement under the requirements of IFRS 11 Joint Arrangements and, based on the contractual terms, has classified it as a joint operation. Therefore, the Company recognizes assets, liabilities, revenue and expenses in relation to its interest in Kwyjibo on a line by line basis in accordance with the IFRSs applicable to the particular financial statement line item.
During the year ended September 30, 2012, the Company fulfilled its commitment to spend $3,000,000 on exploration and earned a 50% interest in the property.

c) Manicouagan

In August 2011, the Company acquired 8 properties, located in the Manicouagan, Gatineau/Laurentides and Mauricie regions of Quebec, in consideration for cash payments totalling $125,000 and the issuance of

(Expressed in Canadian dollars)

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 September 30, 2018, Manicouagan consists of the Lac Tetepisca, Lac Tetepisca North and Lac Guinecourt properties.

d) 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.

On February 27, 2018, the Company staked 245 claims (CDC) at the eastern edge of the Eastmain-Laran property in consideration for $36,378 cash. In total, the Eastmain-Laran property now comprises of 492 claims covering an area of 25,7556 ha, while the Eastmain-Léran/Alta Option property consist of 32 claims covering an area of 1,679 ha.

(Expressed in Canadian dollars)

e) 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 May 8, 2014, the Company sold to sold Braille Energy Systems Inc. ("BESI") (formerly Mincom Capital Inc), all of its rights, title and interest in its Romer property (the "Property"). The consideration due to Focus from BESI for the purchase of the Property was $1,000,000, as determined following an independent valuation prepared at the request of BESI, payable as follows: (i) cash consideration of $250,000; (ii) 2,500,000 common shares of BESI.

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 September 30, 2018, the Labrador Trough consists of 4 properties: Minowean, Otelnuk, Lemming and Diana.

The following table reflects changes to mineral exploration properties between October 1, 2016 and September 30, 2018:

	Year ended September 30, 2018	Year ended September 30, 2017
	$	$
Balance, beginning of the year	**1,327,599**	1,380,857
Acquisition of mineral exploration properties	**36,378**	-
Write-down of mineral exploration properties	**-**	(53,258)
Balance, end of the year	**1,363,977**	1,327,599

(Expressed in Canadian dollars)

The following table reflects changes to exploration and evaluation assets between October 1, 2016 and September 30, 2018:

	Year ended September 30, 2018	Year ended September 30, 2017
	$	$
Balance, beginning of the year	**25,247,496**	24,217,684
Additions		
Drilling	**3,079,424**	382,964
Independent technical studies	**3,792**	80,995
Geophysical survey	**272,390**	1,170
Geological mapping	**-**	26,866
Geochemical survey	**844,874**	177,491
Metallurgical analysis	**24,931**	200,833
Resource estimate	**50,451**	81,917
Property maintenance	**60,040**	25,538
Preliminary economic assessment (PEA)	**185,563**	-
Feasibility studies	**8,456**	138,230
Environmental studies	**314,921**	21,079
Pre-development agreements	**49,324**	-
	4,894,166	1,137,083
Write-down of exploration and evaluation assets	**-**	(75,315)
Tax credits and credit on duties	**(316,353)**	(31,956)
Balance, end of the year	**29,825,309**	25,247,496

8. OTHER CURRENT LIABILITIES

Other current liabilities include the following:

	September 30, 2018	September 30, 2017
	$	$
Obligation to pass on tax deductions (1)(2)(3)(4)(5)	**15,625**	253,583
Total other current liabilities	**15,625**	253,583

(1) In December 2015, the Company closed a flow-through private placement (Note 10) 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 10) 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. As at September 30, 2018, the liability is $Nil (2017- $55,250)

(3) On November 8, 2016, the Company closed a flow-through private placement (Note 10) 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. As at September 30, 2018, the liability is $Nil (2017- $140,000)

(4) On June 20, 2017, the Company closed a flow-through private placement (Note 10) 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. Further to the renunciation of the tax deductions to investors in February 2018, effective December 31, 2017, the Company has proportionately reduced the initial liability by the percentage of the required exploration expenditures which have been incurred. As at September 30, 2018, the remaining liability is $Nil (2017- $58,333).

(5) On December 22, 2017, the Company closed a flow-through private placement (Note 10) for gross proceeds of $250,000. The proceeds from the financing were allocated between share capital ($234,375) and a deferred liability ($15,625) 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 2018, effective December 31, 2017, the Company has proportionately reduced the initial liability by the percentage of the required exploration expenditures which have been incurred. As at September 30, 2018, the remaining liability is $15,625.

9. FLOW-THROUGH INTEREST AND TAX EXPENSE

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

In 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. The Company incurred all of the required flow-through expenditures by the December 31, 2017 deadline and paid an amount of $7,809 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 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. The Company incurred all of the required flow-through expenditures by the December 31, 2017 deadline and paid an amount of $6,012 for Part XII.6 tax and tax on deemed expenses in Quebec, which is calculated on the monthly balance of unspent flow through funds.

(Expressed in Canadian dollars)

In June 2017, the Company completed a flow-through private placement for gross proceeds of $1,050,000. In February 2018, the related tax deductions were renounced to investors with an effective date of December 31, 2017. As at September 30, 2018, the Company met the required flow-through requirements.

In November and December 2017, the Company completed flow-through private placements for gross proceeds of $3,492,048. In February 2018, the related tax deductions were renounced to investors with an effective date of December 31, 2017. As at September 30, 2018, the Company has incurred $1,393,745 of the required flow-through expenditures and has until December 31, 2018 to incur the remaining exploration expenditures of $2,098,303. The Company has met its flow through obligation for this flow-through private placement as of December 31, 2018.

10. SHARE CAPITAL

Authorized
An unlimited number of the following shares:

Class "A" common shares	voting common shares, no par value
Preferred Shares	special non-voting shares, no par value

Issued and fully paid
Class "A" common shares

	Number of shares	$
Balance, September 30, 2016	**165,432,434**	**48,153,759**
Shares issued for cash (1)(2)(3)(4)(5)(6)(7)(8)(9)(10)(11)	104,153,306	7,281,790
Share issuance costs	-	(1,049,162)
Balance, September 30, 2017	**269,585,740**	**54,386,387**
Shares issued for cash (12)(13)(14)(15)(16)	78,850,600	5,876,923
Share issuance costs	-	(566,085)
Balance, September 30, 2018	**348,436,340**	**59,697,225**

(1) 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.

(2) 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.

(3) 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.

(4) 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.

(5) 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 $36,752. The value of the warrants, commissions and other issue costs were presented as a reduction of share capital.

(6) 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 $26,708 and were presented as a reduction of share capital.

(7) 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 $28,183. 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.

(8) On July 18, 2017, the Company completed 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. 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 $13,342 and were presented as a reduction of share capital.

(9) On August 8, 2017, the Company completed 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. The warrants issued in connection to the private placement have been recorded at a value of $50,000 based on the residual method and warrants issued as commissions have been recorded at a value of $12,304 based on the Black-Scholes option pricing model, using the following assumptions: stock price of $0.065, risk-free interest rate of 1.46%, 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 $9,444. The value of the warrants, commissions and other issue costs were presented as a reduction of share capital.

(10) On August 14, 2017, the Company completed 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. The warrants issued in connection to the private placement have been recorded at a value of $584,500 based on the residual method. Other share issuance costs total $337,262 and were presented as a reduction of share capital.

(11) On September 25, 2017, the Company completed a private placement for gross proceeds of $75,000. The private placement was comprised of 1,000,000 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 September 25, 2021. The warrants issued in connection to the private placement have been recorded at a value of $15,000 based on the residual method.

(12) On October 4, 2017, the Company completed a private placement for gross proceeds of $2,077,500. The private placement was comprised of 27,700,000 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 October 4, 2021. The warrants issued in connection to the private placement have been recorded at a value of $277,000 based on the residual. Other share issuance costs total $280,938 and were presented as a reduction of share capital.

(13) On November 6, 2017, the Company completed a flow-through private placement for gross proceeds of $1,290,000. The private placement was comprised of 16,125,000 flow-through common shares at a price of $0.08 per share. In connection with the financing, the Company paid cash finders' fees of $60,000. The proceeds from the financing ($1,290,000) were allocated entirely to share capital ($1,290,000), after which there existed no residual amount to allocate to a deferred liability. Other share issuance costs total $16,861. The commissions and other issue costs were presented as a reduction of share capital. A Director and Officer of the Company participated in the private placement for a total amount of $200,000.

(14) On December 18, 2017, the Company completed a flow-through private placement for gross proceeds of $1,952,048. The private placement was comprised of 24,400,600 flow-through common shares at a price of $0.08 per share. In connection with the financing, the Company paid cash finders' fees of $114,123. The proceeds from the financing ($1,952,048) were allocated entirely to share capital ($1,952,048), after

(Expressed in Canadian dollars)

which there existed no residual amount to allocate to a deferred liability. Other share issuance costs total $23,112. The commissions and other issue costs were presented as a reduction of share capital.

(15) On December 20, 2017, the Company completed a private placement for gross proceeds of $600,000. The private placement was comprised of 7,500,000 units at a price of $0.08 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 December 20, 2020. In connection with the financing, the Company paid cash finder's fees totaling $36,000. 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 $11,355. The commissions and other issue costs were presented as a reduction of share capital.

(16) On December 22, 2017, the Company completed a flow-through private placement for gross proceeds of $250,000. The private placement was comprised of 3,125,000 flow-through common shares at a price of $0.08 per share. In connection with the financing, the Company paid cash finders' fees of $15,000. The proceeds from the financing ($250,000) were allocated between share capital ($234,375) and a deferred liability ($15,625) 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. Other share issuance costs total $8,696. The commissions and other issue costs were presented as a reduction of share capital.

11. WARRANTS

The following table reflects the continuity of warrants outstanding:

	Number of warrants	Weighted average exercise price
		$
Balance, September 30, 2016	**31,622,304**	**0.28**
Granted	89,390,321	0.10
Expired	(5,145,506)	0.51
Balance, September 30, 2017	**115,867,119**	**0.13**
Granted	35,200,000	0.10
Expired	(4,528,363)	0.53
Balance, September 30, 2018	**146,538,756**	**0.11**

(Expressed in Canadian dollars)

As at September 30, 2018, the following warrants were issued and outstanding:

Number of warrants	Fair value	Exercise price	Expiry date
	$	$	
847,000	67,760	0.60	February 9, 2019
3,210,381	32,104	0.17	August 28, 2019
3,748,646	18,743	0.17	September 30, 2019
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
2,053,333	-	0.10	July 18, 2021
5,000,000	50,000	0.10	August 8, 2021
350,000	12,304	0.10	August 8, 2021
38,966,667	584,500	0.10	August 14, 2021
1,000,000	15,000	0.10	September 25, 2021
27,700,000	277,000	0.10	October 4, 2021
7,500,000	-	0.12	December 20, 2020
146,538,756	**1,611,690**		

(Expressed in Canadian dollars)

As at September 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
3,748,646	18,743	0.17	September 30, 2019
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
2,053,333	-	0.10	July 18, 2021
5,000,000	50,000	0.10	August 8, 2021
350,000	12,304	0.10	August 8, 2021
38,966,667	584,500	0.10	August 14, 2021
1,000,000	15,000	0.10	September 25, 2021
115,867,119	**1,367,788**		

(Expressed in Canadian dollars)

12. 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.

The following table reflects the continuity of stock options outstanding:

	Number of stock options	Weighted average exercise price
		$
Balance, September 30, 2016	**9,772,500**	**0.41**
Expired	(3,137,500)	0.68
Balance, September 30, 2017	**6,635,000**	**0.28**
Granted (1)	26,060,000	0.05
Forfeited	(25,000)	0.05
Expired	(2,290,000)	0.62
Balance, September 30, 2018	**30,380,000**	**0.06**

(1) On July 30, 2018, 26,060,000 stock options were granted to Directors, Officers, employees and consultants at an exercise price of $0.05 per share, expiring on July 30, 2023.

As at September 30, 2018, 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	4,345,000	2.23	$0.10	4,345,000	$0.10
$0.05	26,035,000	4.83	$0.05	26,035,000	$0.05
	30,380,000	**4.46**	**$0.06**	**30,380,000**	**$0.06**

(Expressed in Canadian dollars)

As at September 30, 2017, the following stock options were outstanding and exercisable:

	Outstanding			Exercisable	
Range of exercise prices	Number outstanding	Weighted average remaining contractual life (in years)	Weighted average outstanding exercise price	Number vested	Weighted average vested exercise price
$0.10	4,492,500	3.23	$0.10	4,492,500	$0.10
$0.66	2,142,500	0.59	$0.66	2,142,500	$0.66
	6,635,000	**2.38**	**$0.28**	**6,635,000**	**$0.28**

The following table reflects the weighted-average fair value of stock options granted between October 1, 2016 and September 30, 2018 and the related Black-Scholes option pricing model inputs that were used in the calculations:

	Year ended September 30, 2018	Year ended September 30, 2017
Stock options granted	**26,060,000**	-
Weighted average fair value	**0.03**	-
Weighted-average exercise price	**0.05**	-
Weighted-average market price at date of grant	**0.04**	-
Expected life of stock options (years)	**5**	-
Expected stock price volatility	**87%**	-
Risk-free interest rate	**2%**	-
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, $680,214 of stock-based payments (all of which relate to equity-settled stock-based payment transactions) were included in loss for the year ended September 30, 2018 (2017 - $Nil) and credited to contributed surplus.

(Expressed in Canadian dollars)

13. SUPPLEMENTAL CASH FLOW INFORMATION

	2018	2017
	$	$
Changes in non-cash working capital are as follows:		
Amounts receivable	**(649,630)**	(30,997)
Amounts due from related parties	**1,958**	(40,884)
Prepaid expenses	**805,651**	(751,833)
Accounts payable and accrued liabilities	**42,566**	25,402
Deposit	**-**	(349,333)
	200,545	(1,147,645)
Non-cash investing activities as follows:		
Exploration and evaluation assets included in accounts payable and accrued liabilities	**839,143**	198,750

14. RISK MANAGEMENT AND CAPITAL MANAGEMENT

Risk management

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

(i) Credit risk

Credit risk is the risk of an unexpected loss if a party to its financial instruments fails to meet its contractual obligations. The Company's financial assets exposed to credit risk are primarily composed of cash, 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 $252,433 at September 30, 2018 (2017 - $596,801). 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 September 30, 2018, the Company had a working capital deficit of $243,308. During the year ended September 30, 2018, the Company had negative cash flows from operations of $4,618,427 (2017 - $3,361,572). 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 in fiscal 2019, 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 $2,039,977 (2017 - $1,357,018), 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 September 30, 2018, the Company had cash balances of $110,835 ($322,665 as at September 30, 2017) and interest income derived from these investments during the year ended September 30, 2018 was $366 (2017 - $Nil).

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 September 30, 2018. As at September 30, 2018, the value of these listed shares was $100,000. At September 30, 2018, had the bid price for these publicly listed shares been 10% lower, the comprehensive loss for the year 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)

15. 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:

	September 30, 2018	September 30, 2017
	$	$
Financial assets		
Loans and receivables		
Cash	**110,835**	322,665
Amounts receivable (net of sales taxes receivable)	**-**	130,580
Amounts due from related parties	**141,598**	143,556
Available-for-sale-financial assets		
Long-term investment	**100,000**	100,000
Total financial assets	**352,433**	696,801
Financial liabilities		
Measured at amortized cost		
Accounts payable and accrued liabilities	**2,039,977**	1,357,018
Total financial liabilities	**2,039,977**	1,357,018

16. 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 year ended September 30, 2018, the Company was charged $Nil by JAG Sky Inc. ("JAG Sky") (2017 - $Nil), a private air charter services company wholly-owned by an Officer and a Director of Focus, for air travel. As at September 30, 2018, the Company has a prepaid balance of $45,278 ($33,070 as at September 30, 2017), included in prepaid expenses, for air travel to be used at a later date.

Alcereco Inc.

During the year ended September 30, 2018, the Company was charged $Nil by Alcereco Inc., a private company which shares common management, for research work (2017 - $8,800). As at September 30, 2018, $Nil was included in accounts payable and accrued liabilities ($Nil as at September 30, 2017).

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

Under a lease agreement between the Company and GGTC Inc.(“GGTC”) (Note 17), 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 a Director of Focus, however it was transferred to GGTC upon GGTC’s acquisition of the building. During the year ended September 30, 2018, the Company was charged a total of $55,483 for rent (2017 - $55,483). As at September 30, 2018, $Nil was included in accounts payable and accrued liabilities ($10,449 as at September 30, 2017). As at September 30, 2018, $15,674 was advanced to GGTC in the form of advance rent payments ($Nil as at September 30, 2017).

Grafoid Inc.

During the year ended September 30, 2016, the Company loaned Grafoid Inc. $360,000. As at September 30, 2016, there were no terms of repayment and, accordingly, the entire amount was included as a long-term receivable. At September 30, 2017, the Company recorded an allowance for doubtful collection for the entire $360,000, as collectability is uncertain given Grafoid’s financial position. The allowance was reversed during the year end September 30, 2018 and the amount receivable is now accounted for as a part of the net investment in Grafoid (Note 6).

During the year ended September 30, 2017, the Company advanced additional amounts totalling $3,092,739 to Grafoid that, in substance, formed part of the Company’s net investment in Grafoid (Note 6). These amounts were subsequently repaid during the during the year ended September 30, 2018.

During the year ended September 30, 2018, the Company was charged $2,400,000 by Grafoid for consulting services which consists of marketing, product development and auxiliary services for Focus’ Lac Knife Graphite material (2017 - $Nil). As at September 30, 2018, $92,905 was included in prepaid expenses for consulting services that are to be provided in the near future ($Nil as at September 30, 2017).

During the year ended September 30, 2018, the Company was charged $113,263 by Grafoid for shared administrative expenses (2017 - $88,731). As at September 30, 2018, the Company has $NIL included in accounts payable and accrued liabilities ($36,409 as at September 30, 2017).

Shared costs

During the year ended September 30, 2018, the Company charged BESI and Stria Lithium Inc., both of which share common management, $10,000 and $5,000 (2017 - $15,000 and $5,000), respectively, for accounting and administrative services and other administrative expenses. As at September 30, 2018, balances of $10,000 and $5,650 ($16,950 and $5,650 as at September 30, 2017), respectively, are included in amounts due from related parties.

Additionally, during the year ended September 30, 2018 Focus charged BESI $29,500 for employee & consultant costs directly attributable to the sale of Braille Battery Inc from Grafoid to BESI. As at September 30, 2018, balances of $29,500 ($Nil as at September 30, 2017), respectively, are included in amounts due from related parties

Other

As at September 30, 2018. travel advances to management in the amount of $Nil are included in prepaid expenses (2017 - $91,979). These amounts have been written off during the year ended September 30, 2018.

(Expressed in Canadian dollars)

As at September 30, 2018, included in amounts due from related parties was an amount of $53,339 ($41,556 as at September 30, 2017) due from the following companies, which are wholly or partially owned by an Officer and a Director of the Company, related to general shared costs:

	September 30, 2018	September 30, 2017
	$	$
JAG Property Holdings Inc. (formerly 2390540 Ontario Inc.)	**3,169**	1,371
9174893 Canada Inc.	**7,485**	2,447
9170655 Canada Inc.	**3,419**	-
GGTC Inc.	**10,611**	4,460
JAG Sky Inc.	**21,847**	21,124
Mistura Beauty Solutions Inc.	**1,361**	6,707
SP2 Wafer Pte Ltd.	**5,447**	5,447
	53,339	41,556

As at September 30, 2018, included in amounts due from related parties was an amount of $72,610 ($79,400 as at September 30, 2017) due from the following companies, which share common management, related to general shared costs:

	September 30, 2018	September 30, 2017
	$	$
Grafoid Inc. (including subsidiaries)	**31,517**	77,925
Braille Energy Systems Inc (including subsidiaries) (1)	**10,118**	
Stria Lithium Inc. (1)	**1,475**	1,475
	43,110	79,400

(1) Excludes amounts receivable in respect of charges for accounting/administrative services and other administrative expenses described above.

Transactions with key Management personnel

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

	2018	2017
	$	$
Salaries (including bonuses) (1)	**146,667**	160,000
Consulting fees	**564,996**	522,693
Benefits	**8,244**	8,244
Stock-based compensation	**443,731**	-
	1,163,638	690,937

(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 BESI and Stria Lithium Inc.
(3) As at September 30, 2018 balances of $719,167 included in accounts payable and accrued liabilities due to Directors of the Company (2017 - $572,500).
(4) As at September 30, 2018 balances of $45,916 included in prepaid expenses for consulting services that are to be provided in the near future by Officers of the Company (2017 - $572,500).

17. COMMITMENTS

Offtake Agreements

Grafoid Inc.

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

(a) *Graphene Offtake*

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

Both offtake agreements are conditional on Focus having received the entire $1,000,000 from Grafoid. Given that this condition was not met as of September 30, 2018, Focus did not yet have any obligation to sell graphite concentrate to Grafoid.

Effective September 24, 2016, Focus and Grafoid executed addendums to the offtake agreements, whereby Grafoid had until September 24, 2018 to make the remaining payments to satisfy the $1,000,000 condition under each agreement. These addendums to the offtake agreements have now been extended by one additional year, giving Grafoid until September 24, 2019 to make the payments. As at September 30, 2018, payments of $Nil held by Focus in relation to the offtake agreements (NIL as at September 30, 2017) 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 tons 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 tons 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**
	$	$	**$**
September 30, 2018	55,484	13,871	**69,355**
September 30, 2017	55,484	69,354	**124,838**

(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 $13,871 due in one to five years. The lease ends in December 2019.

Lease payments recognized as an expense during the reporting period amount to $55,484 (2016 - $55,484). This amount consists of minimum lease payments.

18. 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 alleged that the former COO was wrongfully dismissed by the Company and sought damages in the amount of $450,000, for, among other things, breach of contract, wrongful dismissal and punitive damages.

The Company denied all of the allegations and commenced a counterclaim for damages in the amount of $950,000 for, among other things, negligent misrepresentation, breach of contract, breach of fiduciary duty, and unjust enrichment.

The parties settled the dispute, and the action, including the counterclaim, were dismissed on a without costs basis. As part of the settlement, the Company paid the former COO $170,000 and the parties executed a Mutual Full and Final Release. Both parties acknowledged that the settlement did not constitute any admission of liability whatsoever and that any such liability was in fact denied.

(Expressed in Canadian dollars)

19. INCOME TAXES

Relationship between expected tax expense and accounting profit or loss

The relationship between the expected tax expense (recovery) based on the combined federal and provincial income tax rate in Canada and the reported tax expense in the statements of comprehensive loss can be reconciled as follows:

	2018	2017
	$	$
Accounting loss before income tax	**(2,152,318)**	(6,528,031)
Expected tax recovery calculated using the combined federal and provincial income tax rate in Canada of 26.9% (26.9% in 2017)	**(576,821)**	(1,749,512)
Adjustments for the following items:		
Tax impact of temporary difference for which no deferred tax asset was recorded	**179,133**	431,108
Change in enacted tax rates and tax rate differences on capital amounts	**(411,878)**	61,186
Stock-based compensation	**182,297**	-
Other	**5,073**	(987)
Tax effect of issuance of flow-through shares	**690,156**	237,228
Tax effect of reversal of other liabilities relating to flow-through shares	**(67,960)**	(7,325)
Impairment of investment in associate	**-**	929,332
Non-taxable portion of investment in associate	**-**	98,970
Deferred income tax expense (recovery)	-	-

The Quebec general corporate tax rate decreased from 11.9% to 11.8% in 2017, The rate will decrease to 11.7% in 2018, 11.6% in 2019 and 11.5% in 2020. The rate reductions will be effective January 1 of each year to 2020.

(Expressed in Canadian dollars)

Deferred tax assets and liabilities and variation of recognized amounts during the period

The following differences between the carrying amounts and tax bases from timing differences, unused tax loss and unused tax credits give rise to the following recognized and unrecognized deferred taxes, and the following unrecognized timing differences, unused tax losses and unused tax credits:

	Balance September 30, 2017	Recognized in profit or loss	Recognized in equity	Balance September 30, 2018
	$	$	$	$
Property and equipment	214,461	-		214,461
Mineral exploration properties and				-
exploration and evaluation assets	(4,613,020)	(800,831)		(5,413,851)
Non-capital losses	4,398,559	800,831		5,199,390
	-	-	-	-

	Balance September 30, 2016	Recognized in profit or loss	Recognized in equity	Balance September 30, 2017
	$	$	$	$
Property and equipment	208,802	5,659	-	214,461
Mineral exploration properties and				
exploration and evaluation assets	(4,180,134)	(432,886)	-	(4,613,020)
Non-capital losses	3,971,332	427,227	-	4,398,559
	-	-	-	-

(Expressed in Canadian dollars)

As at September 30, 2018, the Company had the following temporary differences. No deferred tax assets were recorded for these temporary differences.

	Federal	Quebec
	$	$
Share issuance costs	1,441,689	1,441,689
Non-capital losses	12,969,747	11,169,998
Investment in associate	1,500,040	1,500,040
Long-term investment	350,000	350,000
	16,261,476	14,461,727

As at September 30, 2017, the Company had the following temporary differences. No deferred tax assets were recorded for these temporary differences.

	Federal	Quebec
	$	$
Share issuance costs	1,467,530	1,467,530
Non-capital losses	11,827,208	13,059,704
Investment in associate	1,500,040	1,500,040
Long-term investment	350,000	350,000
	15,144,778	16,377,274

As at September 30, 2018, the Company has the following non-capital losses, which expire as follows:

	Federal	Quebec
	$	$
2038	5,391,422	5,391,422
2037	2,711,972	2,711,972
2036	2,783,588	2,789,150
2035	4,268,790	4,020,463
2034	6,740,069	5,396,188
2033	5,837,034	5,730,494
2032	3,952,469	3,845,906
2031	2,139,288	2,139,288
2030	311,109	311,109
2029	108,446	108,446
2028	155,980	155,980
2027	19,000	19,000
2026	4,480	4,480
	34,423,647	32,623,898

(Expressed in Canadian dollars)

As at September 30, 2017, the Company has the following non-capital losses, which expire as follows:

	Federal	Quebec
	$	$
2037	2,711,972	2,711,972
2036	2,783,588	2,789,150
2035	4,268,790	4,020,463
2034	6,740,069	5,396,188
2033	5,837,034	5,730,494
2032	3,952,469	3,845,906
2031	2,139,288	2,139,288
2030	311,109	311,109
2029	108,446	108,446
2028	155,980	155,980
2027	19,000	19,000
2026	4,480	4,480
	29,032,225	27,232,476

The temporary difference relating to the share issuance costs which the Company has not recognized will be deductible until the year 2022.

20. ENTITY-WIDE REPORTING

The Company has reviewed its activities and determined that it operates in a single reportable operating segment (see Note 3(q)).

The Company's non-current assets are all in Canada.

21. SUBSEQUENT EVENTS

Closing of Flow-Through Private Placements

On December 11 and 27, 2018, the Company closed a flow-through private placement (1st tranche) for gross proceeds of $650,000. The flow-through private placement was comprised of 13M flow-through units at a price of $0.05 per unit. Each Unit is comprised of one (1) flow-through common share and one common share purchase warrant (a "Warrant"). Each Warrant entitles its holder to purchase one (1) common share at a price of $0.055 per common share until December 11, 2020 respectively. In connection with the financing, the Company paid cash finders' fees of $38,500 and issued, as additional consideration, 770,000 non-transferable broker warrants, each broker warrant entitling the holder to acquire one common share of the Company at a price of $0.05 until December 11, 2020 respectively. A Director of the Company participated in the private placement for a total amount of $100,000.

On December 27, 2018, the Company closed a flow-through private placement (2nd tranche) for gross proceeds of $625,000. The flow-through private placement was comprised of 12.5M flow-through units at a price of $0.05 per unit. Each Unit is comprised of one (1) flow-through common share and one common share purchase warrant (a "Warrant"). Each Warrant entitles its holder to purchase one (1) common share at a price of $0.055 per common share until December 27, 2020. In connection with the financing, the Company paid cash finders' fees of $43,750 and issued, as additional consideration, 875,000 non-transferable broker warrants, each broker warrant entitling the holder to acquire one common share of the Company at a price of $0.05 until December 27, 2020 respectively.