FOCUS GRAPHITE INC.
(An exploration stage Company)

Condensed Interim Financial Statements

For the three months ended December 31, 2014

(Expressed in Canadian Dollars)
(Unaudited)

Condensed Interim Financial Statements

NOTICE TO READER

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

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

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

As at	**December 31, 2014**	September 30, 2014
	$	$
ASSETS		
Current assets		
Cash	**110,231**	2,200,634
Amounts receivable (Note 4)	**397,559**	781,586
Amounts due from related parties (Note 17)	**94,697**	153,744
Tax credits and credit on duties receivable	**103,620**	-
Prepaid expenses	**186,724**	183,515
	892,831	3,319,479
Exploration advances	**22,653**	9,765
Long-term investment (Note 5)	**225,000**	225,000
Investment in associate (Note 6)	**3,035,798**	2,977,744
Property and equipment (Note 7)	**65,076**	74,926
Mineral exploration properties (Note 8)	**1,521,487**	1,521,487
Exploration and evaluation assets (Note 8)	**22,789,696**	22,013,275
Total assets	**28,552,541**	30,141,676
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	**2,737,370**	3,542,269
Other current liabilities (Note 9)	**-**	47,669
Total liabilities	**2,737,370**	3,589,938
EQUITY		
Share capital (Note 11)	**40,845,778**	40,845,778
Warrants (Note 12)	**131,097**	131,097
Contributed surplus	**9,905,505**	9,905,505
Accumulated other comprehensive income	**29,951**	29,951
Deficit	**(25,097,160)**	(24,360,593)
Total equity	**25,815,171**	26,551,738
Total liabilities and equity	**28,552,541**	30,141,676

Going concern (Note 2)
Subsequent events (Note 19)

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 condensed interim financial statements.

Focus Graphite Inc.
(An exploration stage Company)
Condensed Interim Statements of Comprehensive Loss (Unaudited)
(Expressed in Canadian dollars)

	Three months ended December 31,	
	2014	2013
	$	$
Operating expenses		
Management and consulting fees	**162,510**	252,682
Salaries and benefits	**272,662**	1,284,868
Travel and promotion	**163,535**	274,911
Professional fees	**129,750**	135,282
Office	**105,920**	133,842
Depreciation of property and equipment (Note 7)	**9,850**	9,499
Amortization of intangible assets	**-**	40,319
Stock-based compensation (Note 13)	**-**	156,980
Gain on sale of property and equipment (Note 7)	**-**	(1,512)
Flow-through interest and tax expense (Note 10)	**-**	1,196
Loss from operations	**(844,227)**	(2,288,067)
Other income		
Interest income	**1,937**	40,813
Other income related to flow-through shares (Note 9)	**47,669**	351,868
Dilution gain on investment in associate (Note 6)	**494,507**	10,774
Share of net loss of associate (Note 6)	**(436,453)**	(225,564)
Net loss and total comprehensive loss	**(736,567)**	(2,110,176)
Basic and diluted net loss per common share	**(0.01)**	(0.02)
Basic and diluted weighted average number of common shares outstanding	**110,942,837**	106,714,521

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

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

	Share capital		Warrants	Contributed surplus	Accumulated other comprehensive income	Deficit	Total
	# of shares	$	$	$	$	$	$
Balance, September 30, 2013	106,392,182	38,755,527	373,049	9,350,811	-	(18,309,891)	30,169,496
Shares issued for cash	3,861,000	1,930,500	-	-	-	-	1,930,500
Shares issued to acquire mineral properties	689,655	300,000	-	-	-	-	300,000
Stock-based compensation	-	-	-	271,697	-	-	271,697
Expiry of warrants	-	-	(282,997)	282,997	-	-	-
Share issuance costs	-	(140,249)	41,045	-	-	-	(99,204)
Net loss	-	-	-	-	-	(6,050,702)	(6,050,702)
Change in fair value of available-for-sale investments	-	-	-	-	(225,000)	-	(225,000)
Impairment of available-for-sale investments reclassified to profit or loss	-	-	-	-	225,000	-	225,000
Share of other comprehensive income of associate	-	-	-	-	29,951	-	29,951
Balance, September 30, 2014	**110,942,837**	**40,845,778**	**131,097**	**9,905,505**	**29,951**	**(24,360,593)**	**26,551,738**
Net loss and total comprehensive loss	-	-	-	-	-	(736,567)	(736,567)
Balance, December 31, 2014	**110,942,837**	**40,845,778**	**131,097**	**9,905,505**	**29,951**	**(25,097,160)**	**25,815,171**

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

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

	Three months ended December 31, **2014**	2013
	$	$
OPERATING ACTIVITIES		
Net loss	**(736,567)**	(2,110,176)
Adjustments for:		
Stock-based compensation	**-**	156,980
Depreciation of property and equipment	**9,850**	9,499
Amortization of intangible assets	**-**	40,319
Interest income	**(1,937)**	(40,813)
Other income related to flow-through shares	**(47,669)**	(351,868)
Gain on sale of property and equipment	**-**	(1,512)
Dilution gain on investment in associate	**(494,507)**	(10,774)
Share of net loss of associate	**436,453**	225,564
Changes in non-cash working capital items (Note 14)	**671,083**	(908,420)
Net cash used in operating activities	**(163,294)**	(2,991,201)
INVESTING ACTIVITIES		
Sale of property and equipment	**-**	6,900
Exploration advances	**(12,888)**	(127,758)
Acquisition of mineral exploration properties	**-**	(51,197)
Interest received	**1,937**	40,813
Exploration and evaluation costs	**(1,916,158)**	(3,190,651)
Net cash used in investing activities	**(1,927,109)**	(3,321,893)
Decrease in cash	**(2,090,403)**	(6,313,094)
Cash, beginning of the period	**2,200,634**	12,174,671
Cash, end of the period	**110,231**	5,861,577

Supplemental cash flow information is provided in Note 14

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

1. NATURE OF OPERATIONS

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

Focus is engaged in the acquisition, exploration and development of mineral properties in Quebec, Canada. The Company is in the exploration stage and does not derive any revenue from its properties. The address of the Company's corporate office is 130 Albert Street, Suite 912, Ottawa, Ontario, Canada, K1P 5G4. Focus Graphite Inc.'s common shares are listed for trading on the TSX Venture Exchange ("TSX-V"') under the symbol "FMS" and on the OTCQX Exchange in the U.S. under the symbol "FCSMF".

2. GOING CONCERN ASSUMPTION

These condensed interim financial statements have been prepared on a going concern basis 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 three months ended December 31, 2014, the Company incurred a net loss of $736,567 and negative cash flows from operations of $163,294. In addition, the Company has a working capital deficiency of $1,844,539 and a deficit of $25,097,160.

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 for the next twelve months, is dependent upon Management's ability to obtain additional financing, through various means including but not limited to equity financing. No assurance can be given that any such additional financing will be available, or that it can be obtained on terms favorable to the Company. Failure to obtain additional financing results in material uncertainties that cast significant doubt as to the Company's ability to continue to operate as a going concern.

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

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

These condensed interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company's annual financial statements for the years ended September 30, 2014 and 2013, which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

These condensed interim financial statements were authorized for issue by the Board of Directors on March 2, 2015.

(b) Basis of presentation

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

These condensed interim financial statements have been prepared using accounting policies that are consistent with those used in the preparation of the Company's audited annual financial statements for the years ended September 30, 2014 and 2013.

(c) Judgments, estimates and assumptions

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

Significant management judgment

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

Significant influence assessment

The assessment as to whether or not the Company has significant influence over an investee requires judgment. Even though Focus holds less than 20% of the voting rights in Grafoid Inc. ("Grafoid"), with an ownership interest of 19% as at December 31, 2014 (Note 6), Management considers the Company to have significant influence over Grafoid. Management considers various facts and circumstances in arriving at this assessment, including but not limited to Focus' representation on the Board of Directors of Grafoid.

Determination of technical feasibility and commercial viability of mineral property

Mining rights and expenses related to exploration and evaluation activities are capitalized on a property by property basis pending determination of the technical feasibility and commercial viability of the project. When technical feasibility and commercial viability of extracting a mineral resource are demonstrable, mining rights and expenses related to exploration and evaluation activities of the related mining property are transferred to mining assets under construction and all subsequent expenditures on the construction, installation or completion of infrastructure facilities are capitalized to mining assets under construction. The determination as to when a mineral property is deemed to be technically feasible and commercially viable is subject to Management judgment.

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 exit 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.

The total impairment loss on mineral exploration properties and exploration and evaluation assets for the three months ended December 31, 2014 was $Nil (2013 - $Nil). No reversal of impairment losses has been recognized for the reporting periods.

Share based payments

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

(Expressed in Canadian dollars)

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.

4. AMOUNTS RECEIVABLE

	December 31, 2014	September 30, 2014
	$	$
Sales taxes receivable	**380,315**	645,139
Other receivables	**17,244**	136,447
Total amounts receivable	**397,559**	781,586

5. LONG-TERM INVESTMENT

Investment in Mincom Capital Inc.

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

In accordance with a Value Security Escrow Agreement, all of the common shares in Mincom received by the Company were required to be escrowed, to be released as follows:

Date of release from escrow	Percentage of total escrowed shares to be released	Number of escrowed shares to be released
May 8, 2014	10%	250,000
November 8, 2014	15%	375,000
May 8, 2015	15%	375,000
November 8, 2015	15%	375,000
May 8, 2016	15%	375,000
November 8, 2016	15%	375,000
May 8, 2017	15%	375,000
	100%	**2,500,000**

(Expressed in Canadian dollars)

As at December 31, 2014 and September 30, 2014, the Company's investment in Mincom was as follows:

	Cost	Impairment	Fair value
	$	$	$
2,500,000 common shares in Mincom (1)	450,000	(225,000)	225,000

(1) 1,875,000 of these shares are held in escrow as at December 31, 2014.

6. INVESTMENT IN ASSOCIATE

Grafoid Inc.

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

As at December 31, 2014, no dividends have been received from Grafoid.

The Company lost control over Grafoid on July 3, 2013, 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 the Company's outstanding $1,500,000 loan to Grafoid into 3,000,000 common shares at a deemed price of $0.50 per share, increasing the Company's holdings in Grafoid to 7,800,000 common shares.

Subsequent to July 3, 2013 and continuing through to December 31, 2014, Focus' ownership interest in Grafoid has fluctuated, further to multiple capital raises and other share issuances by Grafoid, including the 3,000,000 shares issued to the Company, as described above. Despite these fluctuations, Management has not changed its assessment and considers Focus to have maintained significant influence over Grafoid throughout this period. Management takes into consideration various facts and circumstances in arriving at this assessment, including but not limited to Focus' continued representation on Grafoid's Board of Directors.

As at December 31, 2014, the Company's ownership interest in Grafoid was 19% and the carrying value of the investment was determined as follows:

	$
Balance, September 30, 2014	2,977,744
Dilution gain on investment in associate	494,507
Share of net loss of associate	(436,453)
Balance, December 31, 2014	3,035,798

(Expressed in Canadian dollars)

As at September 30, 2014, the Company's ownership interest in Grafoid was 19% and the carrying value of the investment was determined as follows:

	$
Balance, September 30, 2013	2,097,714
Conversion of $1.5M loan	1,500,000
Dilution gain on investment in associate	1,025,494
Share of net loss of associate	(1,675,415)
Share of comprehensive income of associate	29,951
Balance, September 30, 2014	2,977,744

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 financial information of Grafoid as included in its own consolidated financial statements.

As at	**December 31, 2014**	September 30, 2014
	$	$
Percentage ownership interest	**19%**	19%
Current assets	**4,130,468**	2,903,232
Non-current assets	**13,883,510**	13,526,372
Current liabilities	**(2,910,424)**	(2,755,535)
Non-current liabilities	**(1,817,742)**	(1,817,742)
Net assets (100%)	**13,285,812**	11,856,327

	Three months ended December 31,	
	2014	2013
	$	$
Revenue	**822,396**	-
Net loss	**(2,458,004)**	(1,622,994)
Other comprehensive income	**-**	-
Total comprehensive loss	**(2,458,004)**	(1,622,994)

(Expressed in Canadian dollars)

7. PROPERTY AND EQUIPMENT

	Computer hardware and equipment	Vehicles	Lab equipment	Office furniture	Total
	$	$	$	$	$
Cost					
Balance, September 30, 2014	14,115	38,614	102,423	5,000	160,152
Additions	-	-	-	-	-
Cost, December 31, 2014	**14,115**	**38,614**	**102,423**	**5,000**	**160,152**
Accumulated depreciation					
Balance, September 30, 2014	12,050	23,523	47,570	2,083	85,226
Depreciation	2,065	2,414	5,121	250	9,850
Accumulated depreciation, December 31, 2014	**14,115**	**25,937**	**52,691**	**2,333**	**95,076**
Net Book Value, December 31, 2014	**-**	**12,677**	**49,732**	**2,667**	**65,076**

	Computer hardware and equipment	Vehicles	Lab equipment	Office furniture	Total
	$	$	$	$	$
Cost					
Balance, September 30, 2013	14,115	51,544	102,423	5,000	173,082
Disposals (1)	-	(12,930)	-	-	(12,930)
Cost, September 30, 2014	**14,115**	**38,614**	**102,423**	**5,000**	**160,152**
Accumulated depreciation					
Balance, September 30, 2013	8,253	20,873	27,086	1,083	57,295
Depreciation	3,797	10,192	20,484	1,000	35,473
Disposals (1)	-	(7,542)	-	-	(7,542)
Accumulated depreciation, September 30, 2014	**12,050**	**23,523**	**47,570**	**2,083**	**85,226**
Net Book Value, September 30, 2014	**2,065**	**15,091**	**54,853**	**2,917**	**74,926**

(1) In December 2013, the Company sold a vehicle for proceeds of $6,900, realizing a gain of $1,512.

(Expressed in Canadian dollars)

8. MINERAL EXPLORATION PROPERTIES AND EXPLORATION AND EVALUATION ASSETS

	December 31, 2014		September 30, 2014	
	Mineral exploration properties	**Exploration and evaluation assets**	Mineral exploration properties	Exploration and evaluation assets
	$	**$**	$	$
a) Labrador Trough	**6,991**	**232,841**	6,991	232,841
b) Kwyjibo	**-**	**6,048,783**	-	6,029,360
c) Lac Knife	**642,578**	**14,488,856**	642,578	13,819,793
d) Manicouagan	**372,436**	**1,430,014**	372,436	1,345,870
d) Gatineau/ Laurentides	**-**	**-**	-	-
d) Lac au Sorcier	**31,132**	**16,165**	31,132	16,165
e) Island and Asbury	**72,430**	**92,703**	72,430	92,703
f) Caninde	**-**	**-**	-	-
g) Eastmain-Leran	**395,920**	**480,334**	395,920	476,543
h) Hudon	**-**	**-**	-	-
TOTAL	**1,521,487**	**22,789,696**	1,521,487	22,013,275

a) Labrador Trough

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

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

In November 2012, the Company initiated legal recourse against certain parties with respect to the above mentioned transaction regarding a possible net smelter royalty (“NSR”). In April 2013, the Company announced that the matter has been resolved and the property is not subject to any NSR.

Sale of Romer Property

On September 27, 2013, the Company signed a letter agreement with Mincom Capital Inc. (“Mincom”), a related party which shares common management, pursuant to which Focus was to sell to Mincom all of its rights, title and interest in its Romer property (the “Property”).

(Expressed in Canadian dollars)

The consideration due to Focus from Mincom for the purchase of the Property was $1,000,000, as determined following an independent valuation prepared at the request of Mincom, payable as follows: (i) cash consideration of $250,000; (ii) 2,500,000 common shares of Mincom.

On May 8, 2014, the Company announced the closing of the transaction.

As at December 31, 2014, the Labrador Trough consists of 4 properties: Minowean, Otelnuk, Lemming and Diana.

b) Kwyjibo

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

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

c) Lac Knife

The Company acquired a 100% interest in the Lac Knife property upon acquisition of 100% of the issued and outstanding shares of 3765351 Canada Inc. (“3765351”) on October 4, 2010, in consideration for (i) a cash payment of $250,000, (ii) the issuance of 4,016,362 common shares and (iii) 2,008,181 warrants, each warrant entitling the vendor to acquire an additional common share of the Company at a price of $0.10 for a period of 24 months. Effective April 1, 2012, 3765351 was liquidated and ownership of the Lac Knife property was transferred to Focus. The Lac Knife property is located south of Fermont, Quebec, in North-Eastern Quebec near the Labrador border. The property is host to the historical Lac Knife graphite prospect located in the Grenville geological province.

d) Manicouagan, Gatineau/Laurentides and Lac au Sorcier

In August 2011, the Company acquired 8 properties, located in the Manicouagan, Gatineau/Laurentides and Lac au Sorcier regions of Quebec, in consideration for cash payments totalling $125,000 and the issuance of 375,000 common shares of the Company at a price of $0.91 per share. The Company also paid a cash finder’s fee of $25,000.

The properties acquired are as follows:

Manicouagan:	Lac Guinecourt and Lac Tetepisca
Gatineau/Laurentides:	L’Annonciation, Laurentides1, Laurentides2, Cobden and Quyon
Lac au Sorcier:	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, Laurentides, 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.

e) Island and Asbury

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

During the year ended September 30, 2013, the Company wrote down the cost of the Mayo and Perkins properties to $Nil ($66,045 in acquisition costs and $8,337 in exploration and evaluation assets) further to the Company's decision to let the claims lapse as poor exploration results to date did not warrant further exploration on the properties.

f) Caninde

On December 14, 2012, the Company signed a Definitive Option Agreement (the "Agreement") with Lara Exploration Ltd. ("Lara") regarding Lara's wholly-owned Caninde graphite project located in Ceara State, northeastern Brazil.

Under the terms of the Agreement, Lara, through its wholly-owned British Virgin Islands subsidiaries Lara (BVI) Ltd. and Pan Brazilian (BVI) Ltd. which collectively own 100% of the mineral rights to the Caninde property (the "Property"), granted Focus two separate options to acquire a total 60% undivided interest in the Property, subject to an underlying royalty to a third party on 11 exploration licenses (2% of gross revenue from production sales to a lifetime maximum of $750,000 Brazilian Real ("R")), in consideration of a staged exploration expenditure commitment over 5 years, the issuance of 500,000 common shares of Focus to Lara on or before the third anniversary of the Agreement and the reimbursement of Lara for certain claim acquisition costs.

Under the first option, Focus could earn a 51% interest in the Property by:

(i) Paying R$30,000 to a third party for claim acquisition costs on or before the date of the Agreement
(ii) Issuing 500,000 common shares to Lara (100,000 shares upon signing of the Agreement and 400,000 shares by the third anniversary thereof)
(iii) Carrying out exploration on the Property (including 2,000m of drilling and an electromagnetic survey of the entire Property) totaling $2,500,000 by the third anniversary of the Agreement based on the following schedule: $500,000 in each of the first 2 years and $1,500,000 in the third year. Further to an amendment signed on July 9, 2013, the schedule for exploration work was adjusted as follows: $250,000 in the first year, $750,000 in the second year and $1,500,000 in the third year.

Under the second option, Focus could earn an additional 9% interest in the Property by carrying out additional exploration work including a further 5,000m of drilling and by completing a positive Preliminary Economic Assessment ("PEA") as defined in National Instrument 43-101 ("NI 43-101"), for a total expenditure of at least $4,500,000 by the fifth anniversary of the Agreement. Focus would also be responsible for paying R$200,000 due to a third party upon the definition of a graphite deposit on the Property which qualifies as a mineral reserve under NI 43-101 and the approval thereof by the Departamento Nacional de Producao Mineral of Brazil ("DNPM"), whether such reserve is established during the option period or after Focus has exercised the first option or the second option.

During the year ended September 30, 2014, the Company wrote down the cost of the Caninde property to $Nil ($69,580 in acquisition costs and $268,680 in exploration and evaluation assets) further to the Company's decision to terminate the option agreement as poor exploration results to date did not warrant further exploration on the property. The acquisition costs included R$30,000 (CAD$14,580) paid for claim acquisition costs and 100,000 common shares issued at a price of $0.55 per share.

(Expressed in Canadian dollars)

g) 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.

h) Hudon

In March 2013, the Company signed an agreement with Ressources Tectonic Inc. ("Tectonic") whereby Focus secured the exclusive right to exercise a purchase option in respect of Tectonic's 100% owned Hudon Graphite property, located in the Lac St-Jean area of Quebec. In consideration for the exclusive right, which covered a period of twelve months, Focus paid $23,000 in cash.

During the year ended September 30, 2014, the Company wrote down the cost of the Hudon property to $Nil ($23,000 in acquisition costs) further to the Company's decision not to exercise a purchase option, as exploration results to date did not warrant further exploration on the property.

The following table reflects changes to mineral exploration properties between October 1, 2013 and December 31, 2014:

	Three months ended December 31, 2014	Year ended September 30, 2014
	$	$
Balance, beginning of the period	**1,521,487**	1,551,408
Acquisition of mineral exploration properties	**-**	351,197
Sale of mineral exploration properties	**-**	(288,538)
Writedown of mineral exploration properties	**-**	(92,580)
Balance, end of the period	**1,521,487**	1,521,487

(Expressed in Canadian dollars)

The following table reflects changes to exploration and evaluation assets between October 1, 2013 and December 31, 2014:

	Three months ended December 31, 2014	Year ended September 30, 2014
	$	$
Balance, beginning of the period	**22,013,275**	14,494,783
Additions		
Drilling	**427,543**	2,992,025
Independent technical studies	**1,536**	145,470
Geophysical survey	**(3,395)**	612,376
Geological mapping	**56,071**	478,055
Metallurgical analysis	**69,491**	709,659
Resource estimate	**-**	69,545
Property maintenance	**10,285**	72,887
Preliminary economic assessment (PEA)	**-**	9,537
Feasibility studies	**108,549**	1,582,055
Environmental studies	**189,961**	1,401,599
Pre-development agreements	**20,000**	1,414
	880,041	8,074,622
Sale of exploration and evaluation assets	**-**	(287,450)
Writedown of exploration and evaluation assets	**-**	(268,680)
Tax credits and credit on duties	**(103,620)**	-
Balance, end of the period	**22,789,696**	22,013,275

(Expressed in Canadian dollars)

9. OTHER CURRENT LIABILITIES

Other current liabilities include the following:

	December 31, 2014	September 30, 2014
	$	$
Obligation to pass on tax deductions (1)	**-**	47,669
Total other current liabilities	**-**	47,669

(1) On January 31, 2013, the Company closed a flow-through private placement for gross proceeds of $3,003,000. The proceeds from the financing were allocated between share capital ($2,310,000) and a deferred liability ($693,000) 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 2014, the Company has proportionately reduced the initial liability by the percentage of the required exploration expenditures which have been incurred. As at December 31, 2014, all of the required exploration expenditures have been incurred and the remaining liability is $Nil.

10. FLOW-THROUGH INTEREST AND TAX EXPENSE

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

On January 31, 2013, the Company completed a flow-through private placement for gross proceeds of $3,003,000. In February 2014, the related tax deductions were renounced to investors with an effective date of December 31, 2013. The Company incurred all of the required flow-through expenditures by the December 31, 2014 deadline. Included in accounts payable and accrued liabilities is an accrual for $13,120 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)

11. SHARE CAPITAL

Authorized
An unlimited number of the following shares:

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

Issued and fully paid
Class "A" common shares

	Number of shares	$
Balance, September 30, 2013	**106,392,182**	**38,755,527**
Shares issued for cash (1)	3,861,000	1,930,500
Shares issued to acquire mineral properties (Note 8g))	689,655	300,000
Share issuance costs	-	(140,249)
Balance, September 30, 2014 and December 31, 2014	**110,942,837**	**40,845,778**

(1) On September 23, 2014, the Company completed a private placement for gross proceeds of $1,930,500. The private placement was comprised of 3,861,000 units at a price of $0.50 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 $0.60 until September 23, 2018. In connection with the financing, the Company paid cash finder's fees totaling $71,470 and issued, as additional consideration, 142,940 non-transferable broker warrants, each broker warrant entitling the holder to acquire one common share of the Company at a price of $0.60 until September 23, 2016. 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 $41,045 based on the Black-Scholes option pricing model, using the following assumptions: stock price of $0.51, risk-free interest rate of 1.12%, expected life of warrants of 2 years, annualized volatility of 117% 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 $27,734. The value of the warrants, commissions and other issue costs were presented as a reduction of share capital. Directors and officers of the Company participated in the private placement for an aggregate amount of $195,000.

(Expressed in Canadian dollars)

12. WARRANTS

The following table reflects the continuity of warrants outstanding:

	Number of warrants	Weighted average exercise price
		$
Balance, September 30, 2013	**659,580**	**1.18**
Granted	4,003,940	0.60
Expired	(461,580)	1.30
Balance, September 30, 2014 and December 31, 2014	**4,201,940**	**0.61**

As at December 31, 2014 and September 30, 2014, the following warrants were issued and outstanding:

Number of warrants	Fair value	Exercise price	Expiry date
	$	$	
198,000	90,052	0.91	January 31, 2015
142,940	41,045	0.60	September 23, 2016
3,861,000	-	0.60	September 23, 2018
4,201,940	**131,097**		

13. STOCK OPTIONS

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

(Expressed in Canadian dollars)

The following table reflects the continuity of stock options outstanding:

	Number of stock options	Weighted average exercise price
		$
Balance, September 30, 2013	**9,775,625**	**0.72**
Expired	(520,625)	0.94
Forfeited	(25,000)	0.66
Balance, September 30, 2014 and December 31, 2014	**9,230,000**	**0.71**

As at December 31, 2014, 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	1,150,000	0.56	$0.10	1,150,000	$0.10
$0.48- $0.66	3,260,000	3.33	$0.63	3,260,000	$0.63
$0.71- $0.92	2,495,000	2.01	$0.74	2,495,000	$0.74
$1.00	1,675,000	1.36	$1.00	1,675,000	$1.00
$1.15- $1.55	650,000	1.15	$1.33	650,000	$1.33
	9,230,000	**2.11**	**$0.71**	**9,230,000**	**$0.71**

As at September 30, 2014, 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	1,150,000	0.81	$0.10	1,150,000	$0.10
$0.48- $0.66	3,260,000	3.58	$0.63	3,260,000	$0.63
$0.71- $0.92	2,495,000	2.26	$0.74	2,495,000	$0.74
$1.00	1,675,000	1.61	$1.00	1,675,000	$1.00
$1.15- $1.55	650,000	1.40	$1.33	650,000	$1.33
	9,230,000	**2.37**	**$0.71**	**9,230,000**	**$0.71**

(Expressed in Canadian dollars)

14. SUPPLEMENTAL CASH FLOW INFORMATION

	Three months ended December 31, **2014**	2013
	$	$
Changes in non-cash working capital are as follows:		
Amounts receivable	**384,027**	(208,236)
Amounts due from related parties	**59,047**	-
Prepaid expenses	**(3,209)**	(71,988)
Accounts payable and accrued liabilities	**231,218**	(628,196)
	671,083	(908,420)
Non-cash investing activities as follows:		
Intangible assets included in accounts payable and accrued liabilities	**-**	575,000
Exploration and evaluation assets included in accounts payable and accrued liabilities	**2,089,096**	764,234

15. RISK MANAGEMENT AND CAPITAL MANAGEMENT

Risk management

The Company thoroughly examines the various financial risks to which it is exposed and assesses the impact and likelihood of those risks. These risks include credit risk, liquidity risk 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 $222,172 at December 31, 2014 ($2,490,825 at September 30, 2014). The Company's cash is held at several reputable financial institutions with high external credit ratings. The exposure to credit risk for the Company's receivables is considered immaterial. It is management's opinion that the Company is not exposed to significant credit risk. No impairment loss has been recognized in the periods presented.

None of the Company's financial assets are secured by collateral or other credit enhancements.

Management considers that all the above financial assets that are not impaired or past due for each of the reporting dates are of good credit quality. There are no financial assets that are past due but not impaired for the periods presented.

(ii) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company manages its liquidity needs by carefully monitoring cash outflows due in day-to-day business. As at December 31, 2014, the Company had a working capital deficiency of $1,844,539. During the three months ended December 31, 2014, the Company had negative cash flows from operations of $163,294. The Company's ability to realize its assets and discharge its liabilities in the normal course of business, meet its corporate administrative expenses and continue its exploration activities for the next twelve months, is dependent upon Management's ability to obtain additional financing, through various means including but not limited to equity financing. No assurance can be given that any such additional financing will be available, or that it can be obtained on terms favorable to the Company.

The Company has financial liabilities of $2,737,370, all of which are due within twelve months.

(iii) Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's financial assets exposed to interest rate risk include cash held in investment savings accounts bearing variable interest rates. The Company has not entered into any derivative contracts to manage this risk. The Company's policy as it relates to its cash balances is to invest excess cash in highly liquid, low-risk, short-term interest-bearing investments with maturities of 360 days or less from the original date of acquisition. As at December 31, 2014, the Company had cash balances of $110,231 ($2,200,634 as at September 30, 2014) and interest income derived from these investments during the three months ended December 31, 2014 was $1,937.

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.

(iv) 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 December 31, 2014. As at December 31, 2014, the value of these listed shares was $225,000. At December 31, 2014, had the bid price for these publicly listed shares been 10% lower, the comprehensive loss for the period would have been $22,500 higher. Conversely, has the bid price been 10% higher, the comprehensive loss would have been $22,500 lower.

<u>Capital management</u>

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

(Expressed in Canadian dollars)

16. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, amounts receivable (net of sales taxes receivable), amounts due from related parties, long-term investment and accounts payable and accrued liabilities. 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:

	December 31, 2014	September 30, 2014
	$	$
Financial assets		
Loans and receivables		
Cash	**110,231**	2,200,634
Amounts receivable (net of sales taxes receivable)	**17,244**	136,447
Amounts due from related parties	**94,697**	153,744
Available-for-sale-financial assets		
Long-term investment	**225,000**	225,000
Total financial assets	**447,172**	2,715,825
Financial liabilities		
Measured at amortized cost		
Accounts payable and accrued liabilities	**(2,737,370)**	(3,542,269)
Total financial liabilities	**(2,737,370)**	(3,542,269)

17. RELATED PARTY TRANSACTIONS

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

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

JAG Sky Inc.

In October 2013, the Company prepaid an amount of $160,000 to JAG Sky Inc. (“JAG”), a private air charter services company wholly-owned by an Officer and Director of Focus, for air travel to be used at a later date. During the year ended September 30, 2014, the Company used $52,200, net of HST, of air travel with JAG, and another $36,800, net of HST, during the three months ended December 31, 2014. As at December 31, 2014, the Company had a remaining prepaid balance of $59,430 ($101,014 as at September 30, 2014), included in prepaid expenses, for air travel to be used at a later date.

(Expressed in Canadian dollars)

<u>Shared costs</u>

During the year ended September 30, 2014, the Company charged Mincom Capital Inc. and Stria Lithium Inc., both of which share common management, $25,000 and $10,000, respectively, for accounting and administrative services and other administrative expenses. As at December 31, 2014, balances of $25,000 and $6,342 ($25,000 and $10,000 as at September 30, 2014), respectively, are included in amounts due from related parties.

As at December 31, 2014, included in amounts due from related parties was an amount of $32,024 ($38,852 as at September 30, 2014) due from the following companies, which are wholly or partially owned by an Officer and Director of the Company, related to general shared costs:

	December 31, 2014	September 30, 2014
	$	$
2390540 Ontario Inc.	**1,257**	9,549
2395141 Ontario Inc.	**2,744**	2,744
8479909 Canada Inc.	**2,762**	2,762
Althean Ltd.	**897**	897
JAG Sky Inc.	**17,503**	16,975
JAG Gourmet Food Inc.	**445**	253
SPI Technologies Inc.	**969**	225
SP2 Wafer Pte Ltd.	**5,447**	5,447
	32,024	38,852

As at December 31, 2014, included in amounts due from related parties was an amount of $31,331 ($79,892 as at September 30, 2014) due from the following companies, which share common management, related to general shared costs:

	December 31, 2014	September 30, 2014
	$	$
Grafoid Inc. (including subsidiaries)	**26,354**	71,865
Mincom Capital Inc. (1)	**1,205**	3,172
Stria Lithium Inc. (1)	**3,772**	4,855
	31,331	79,892

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

(Expressed in Canadian dollars)

Transactions with key management personnel

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

	Three months ended December 31, 2014	2013
	$	$
Salaries (including bonuses) (1)	**251,000**	1,151,000
Benefits	**3,795**	3,795
	254,795	1,154,795

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

18. LEASES

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

	Minimum lease payments due			
	Within 1 year	1 to 5 years	After 5 years	**Total**
	$	$	$	**$**
December 31, 2014	22,008	14,672	-	**36,680**
September 30, 2014	22,008	20,174	-	**42,182**

The Company leases its office under a lease expiring in August 2016.

Lease payments recognized as an expense during the three months ended December 31, 2014 amount to $5,502 (2013 - $5,502). This amount consists of minimum lease payments.

19. SUBSEQUENT EVENTS

Closing of Private Placement

On February 9, 2015, the Company announced the closing private placement for gross proceeds of $423,500. The private placement was comprised of 847,000 units at a price of $0.50 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 $0.60 per share until February 9, 2019. In connection with the financing, the Company paid cash finder's fees totaling $29,645 and issued, as additional consideration, 59,290 non-transferable broker warrants, each broker warrant entitling the holder to acquire one common share of the Company at a price of $0.60 until February 9, 2017.

Additional Capital Raise

On March 2, 2015, the Company announced that it has received commitments with respect to a brokered private placement offering of units to raise gross proceeds of $2,000,000. Each unit will be issued in consideration for $0.35 and will consist of one common share of the Company and one-half of a common share purchase warrant. Each full warrant will entitle the holder thereof to acquire one additional common share at a price of $0.55 per share for a period of two years from the date of issuance.

The Company has retained Stormcrow Capital Ltd. ("Stormcrow"), an exempt market dealer headquartered in Toronto, Ontario, as the Company's agent for the offering. Agency fees will be payable according to TSX Venture Exchange guidelines.

The closing of the offering is subject to conditions customary to a best efforts brokered private placement, notably, satisfactory due diligence by Stormcrow, receipt of the required approvals from the TSX Venture Exchange and the delivery of customary closing documents.

The securities issued in connection with the offering will be subject to a four-month hold or restricted period expiring four months from the closing date.