

Focus Graphite Inc.

(TSXV: FMS / OTCQB: FCSMF / FSE: FKC0)

The Graphite Arbitrage: High-Grade, Low-Cost Supply for Defense & Critical Industries – Initiating Coverage

BUY

Current Price: \$0.31

Fair Value: \$1.27

Risk*: 5

Sector: Junior Resource

[Click here for more research on the company](#)

Highlights

- **Strategic Quebec Projects:** FMS is advancing two graphite projects, Lac Knife and Tétépisca, in Quebec, a mining-friendly province that hosts Canada's only producing graphite mine. **Lac Knife** features one of North America's highest-grade graphite deposits, with advanced independent economic studies (feasibility) completed. **Tétépisca** is also high-grade, and ranks among the continent's largest graphite resources.
- **High-Grade, Efficient Mining:** Grades at Lac Knife (15.4%) and Tétépisca (10.7%) far exceed the typical 3–5% of most graphite mines, primarily in China; both are open-pit deposits, with favorable strip ratios (easy to mine, low waste-to-ore ratio). We note that these features are highly appealing, as they can potentially support higher production at lower costs.
- **Validation of Quality:** In December 2025, FMS received \$14M in non-repayable government funding to build a plant producing ultra-high-purity graphite (>99.95% C), suitable for high-performance applications in military, defense, aerospace, and advanced technologies.
- **Low-Cost Electricity Advantage:** Quebec has exceptionally low electricity costs due to abundant hydro power. Electricity typically accounts for 10–20% of a graphite mine's operating costs, and rates in Quebec are far lower than those in China, the U.S., or the Canadian average.
- **Battery Anode Market Opportunity:** FMS aims to supply graphite anodes for lithium-ion batteries in North America and Europe. The U.S. currently imports 100% of its graphite and classifies it as a critical mineral. While the global graphite market is currently in surplus, we expect it to shift to a deficit by the end of the decade, implying a favorable long-term price outlook.
- **Lac Knife Flagship Project:** High grades, low-cost hydro power, and open-pit mining make Lac Knife one of Canada's lowest-cost graphite projects (CAPEX and OPEX). The project has a 27-year mine life, making it attractive for buyers seeking long-term supply. A feasibility study estimates an after-tax NPV8% of \$286M, while FMS's MCAP is only \$34M, **an 88% discount**. The company will advance toward permitting, following completion of an Environmental and Social Impact Assessment (ESIA).
- **Tétépisca Project:** High-grade project with one of North America's largest graphite resources; an updated resource estimate is expected soon, likely expanding the already substantial resource base.
- **Undervalued Metrics:** Despite having high-grade projects in a prime location, with relatively low projected capital and operating costs, we estimate FMS is trading at just \$4/t vs the sector average of \$21/t, **an 81% discount**, suggesting the market has yet to fully recognize its project potential.
- **M&A Potential:** We view FMS as an attractive target for mining and technology companies seeking stable, long-term North American graphite supply.

Risks

- The value of the company depends on **graphite prices**
- Permitting
- Access to capital and **share dilution**
- There is no assurance that the company can advance its projects simultaneously

Sid Rajeev, B.Tech, MBA, CFA
Head of Research

Nina Rose Coderis, B.Sc (Geology)
Equity Analyst

Price and Volume (1-year)



	YTD	12M
FMS	-31%	244%
TSXV	-7%	45%

Company Data

52 Week Range	\$0.08 - \$0.76
Shares O/S	108M
Market Cap.	\$34M
Yield (forward)	N/A
P/E (forward)	N/A
P/B	N/A

Key Financial Data (FYE - Sep 30)

(C\$)	FY2025	Q1-FY2026	Current
Cash	\$575,952	\$3,534,264	≈\$2,900,000
Working Capital	-\$3,508,575	-\$315,887	
Total Assets	\$670,296	\$3,730,834	
Revenue	-	-	
Net Income (Loss)	-\$2,881,844	-\$718,559	
EPS	-\$0.03	-\$0.01	

* Qualified Person: *Réjean Girard, P. Geo. (QC), President of IOS Geosciences Inc., a consultant to Focus Graphite*

* Focus Graphite Inc. has paid FRC a fee for research coverage and distribution of reports. See last page for other important disclosures, rating, and risk definitions. All figures in C\$; commodity prices in US\$.

A key component for defense applications, lithium-ion batteries for energy storage and electric vehicles, and other industrial uses

Graphite and lithium are the only materials used in all major battery types

As battery demand grows, NG stands out for its lower production costs and smaller environmental footprint

China is a major producer of advanced graphite products, accounting for 75-80% of global production of both NG and AG

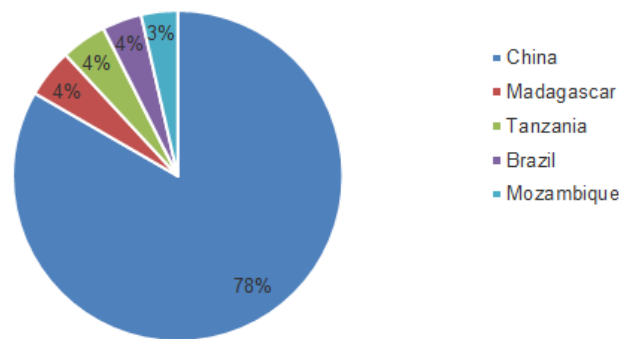
NG demand is projected to rise to 7.2 Mtpa, and AG to 5.4 Mtpa, by 2040, mainly fueled by growth in EV battery and storage markets

Graphite: Market Overview and Outlook

Graphite is used in a **wide range of applications** including energy storage, thermal management, engineering products, graphite powder additives, lubricants, and plastic polymers. Certain products, such as battery anode materials, use a blend of natural graphite (NG) and artificial/synthetic graphite (AG), while in other cases only one type is suitable.

Demand for NG is rising, as AG is often more expensive to produce, and carries greater environmental concerns due to its energy-intensive manufacturing process. **AG is highly sensitive to rising oil and energy costs.** As the battery materials market grows, so does the demand for greener, responsibly sourced alternatives, making high-quality natural graphite increasingly attractive.

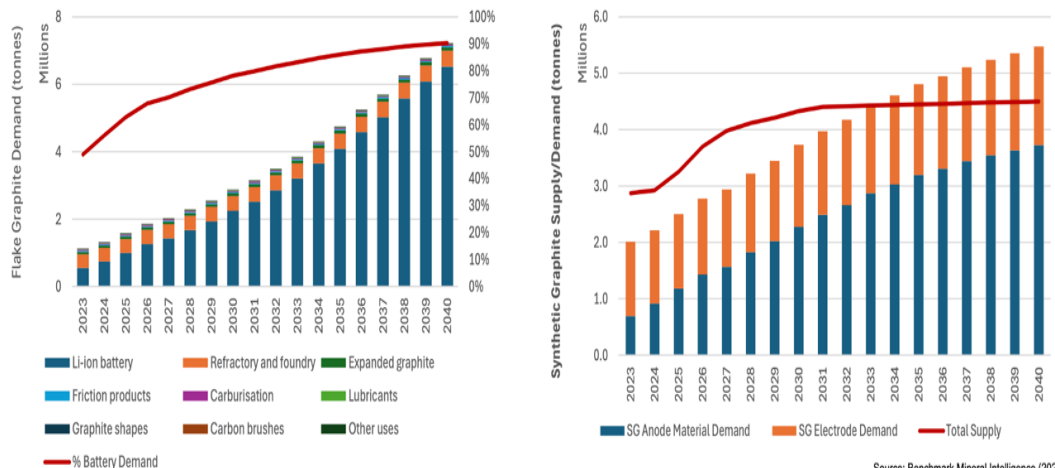
Global Production (NG) - 2025



Source: USGS/FRC

Asia accounts for over 80% of global NG (1.5 Mt/year) and AG (2.5 Mt/year) demand.

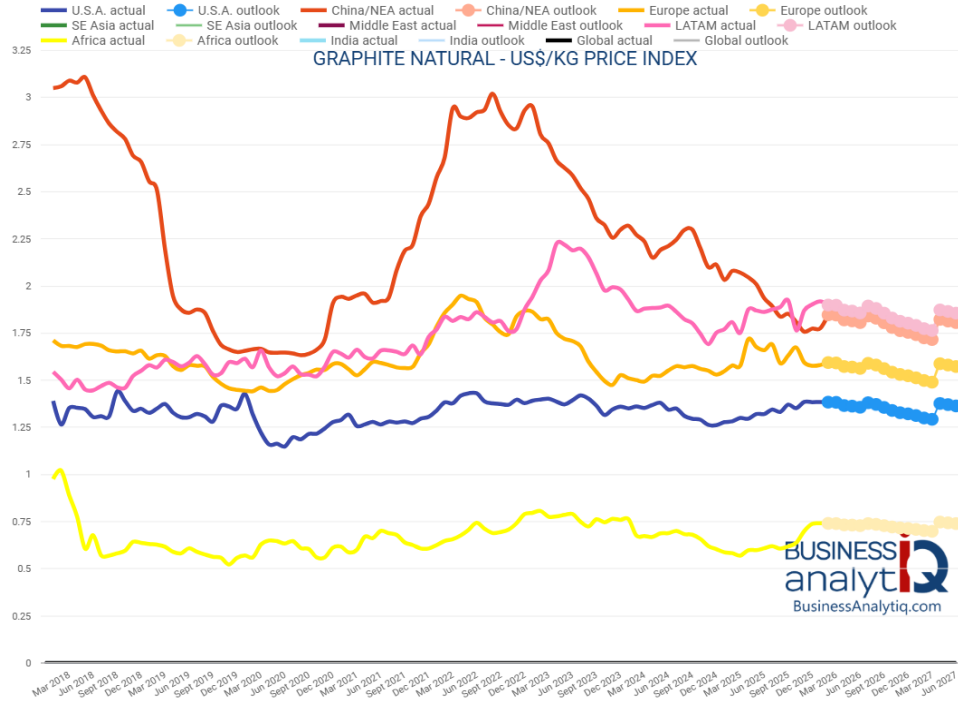
Graphite Demand and Supply



Source: Benchmark Mineral Intelligence (2024b)

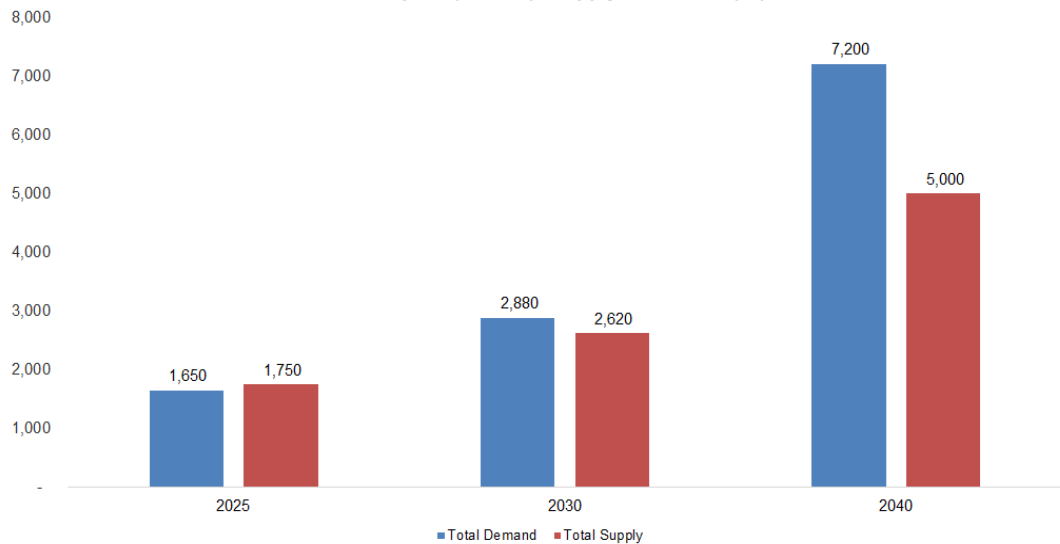
Source: Benchmark Mineral Intelligence (2024c)

Graphite Prices



The graphite market, currently in surplus, is expected to shift to a deficit by decade's end, widening thereafter, suggesting a strong long-term price outlook

Flake Graphite (Natural) - Supply vs Demand (Kt)



Source: IEA, Benchmark Mineral Intelligence, and Others

Securing Domestic Graphite for U.S. Energy and Defense Needs

Graphite is a critical mineral for the U.S., essential in lithium-ion batteries and defense applications, and listed under NATO Defence Critical Raw Materials. We believe the U.S. has a **pressing need for domestic graphite production**, as it imports 100% of its graphite consumption. With U.S. tariffs on Chinese battery-grade graphite ranging from 160% to 200%, domestic demand for graphite projects is rising.

Company Overview

Aims to supply graphite anodes for lithium-ion batteries in North America for defense, energy storage, and high-performance applications

FMS acquired the project in 2010

Strategic location:
27 km south of Fermont, near major iron ore operations including ArcelorMittal (NYSE: MT), Rio Tinto (LSE: RIO), and Champion Iron (ASX: CIA)

Developed infrastructure: Easy access to roads, rail, power, and ports

Portfolio Summary

Two Ultra-High Graphite Projects in Quebec

Lac Knife	One of North America's highest-grade flake graphite deposits
Lac Tétépisca	One of North America's largest flake graphite resources

Source: FRC

Lac Knife Graphite Project (100% owned) Ownership and Location

The Lac Knife project covers 29,863 hectares in northeastern Quebec. Quebec is home to the only natural graphite mine in North America, and several advanced-stage graphite projects. **We believe this makes Lac Knife a prime location for graphite development**, within a leading region for North America's battery and graphite industry.

Project Location



Source: Company

Resources and Feasibility Study

The project is ideal for open-pit mining, with one of the world's highest grades at 15% Cg, well above the usual 3–5%, allowing for relatively low extraction costs

Although the resource is modest, there is significant expansion potential, with mineralization open along strike and below the proposed pit (1.13 km × 400 m × 150 m), and several targets still untested

High grades, low-cost hydro power, and open-pit mining make this project one of Canada's lowest CAPEX and OPEX opportunities—a major advantage for economics

27-year mine life; attractive for buyers seeking long-term supply

After-tax NPV8%: \$286M, IRR: 23%; we view IRR >20% as very attractive

The study used a weighted average product price of \$1,679/t vs the current spot price of \$1,000–\$1,500/t

2023 Resource Estimate (4.0% Cg cut-off)

Classification	Tonnes (Mt)	Graphitic Carbon (%)	Concentrate (Mt)
Measured ^{1,2,3}	-	-	-
Indicated ^{1,2,3}	12.0	15.34	1.7
Total Measured and Indicated	12.0	15.34	1.7
Inferred ^{1,2,3,4}	0.6	16.90	0.1

2023 Feasibility Study Highlights

Economic Parameters

AT-NPV8%	C\$285M
AT-NPV10%	C\$206M
AT-IRR	22.6%
AT- Payback Period	3.3 years
Annual Production of graphite concentrate	47,781 tonnes
Initial CAPEX	C\$236.5M
Operating Costs (per tonne of concentrate)	C\$540.5/t
Average price of graphite concentrate/t	US\$1,679
Mine Life	27 years
Graphite Recovery	86% to 91%
USD/CAD	1.36

QP: Marc-André Bernier géo. (QC), P.Geo., (ON), M.Sc., Technical adviser for Focus Graphite
Source: Company / FRC

Quebec projects benefit from very low electricity costs, thanks to abundant hydroelectric power. Electricity typically represents 10–20% of a graphite mine’s operating costs globally, but only **5–10% in Québec**.

Electricity Cost Comparison

Region	Industrial Rate (US\$/kWh)	Ratio to Quebec
Quebec (Hydro-Québec)	\$0.040 – \$0.050	Baseline
China (Industrial Average)	\$0.085 – \$0.115	~2.3x higher
USA (National Average)	\$0.080 – \$0.095	~2.0x higher
Canada (National Average)	\$0.075 – \$0.085	~1.7x higher

Source: FRC / Various

Electricity rates in Quebec are far below those in China, the U.S., or across Canada

Tests show the project **can produce high-purity graphite** for batteries and high-end applications. Batteries made with Lac Knife graphite showed almost no capacity loss in their first charge cycle, compared with **3.5–6.5%** capacity loss for synthetic graphite.

Next steps include off-take testing and approval with strategic partners, an environmental assessment and permitting, and project financing toward construction. Management intends to advance the project to production within **two to three years**, which we believe is a reasonable timeline.

Project Development Stages



Source: Company

Permitting underway; production expected by 2028-2029

Tétépisca Graphite Project (100% interest)

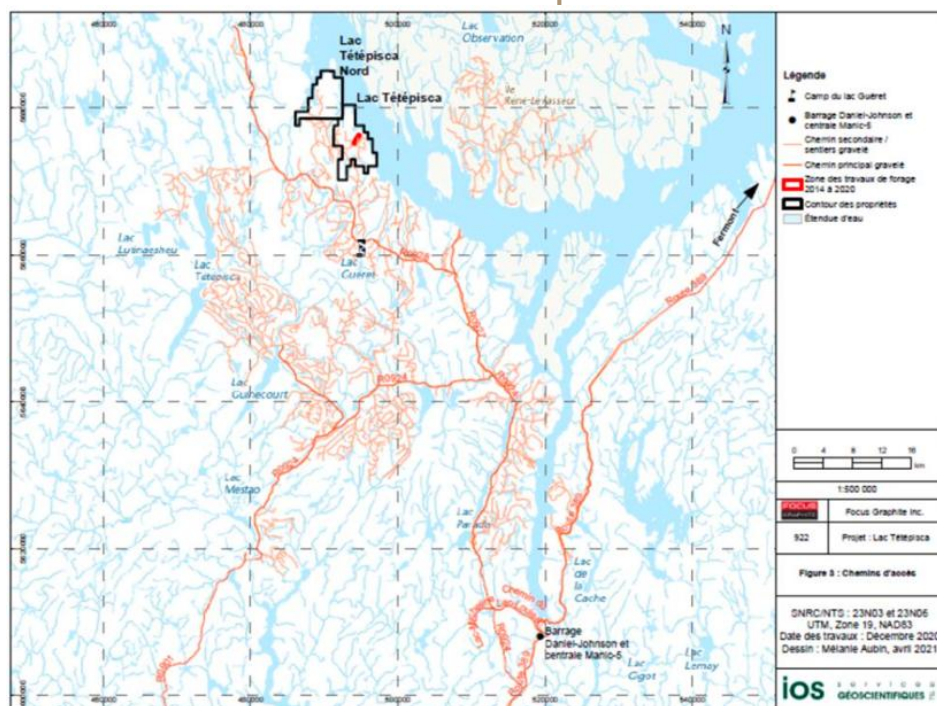
FMS acquired the project in 2011

Ownership and Location

The project covers 6,738 hectares, and includes two connected properties, Lac Tétépisca and Lac Tétépisca Nord.

It is 180 km southwest of the Lac Knife project, which could act as the main hub while Tétépisca supplies material for processing, reducing the need for its own processing facility, lowering capital costs, and speeding up production

Location Map



Source: Company

Resources

Hosts one of the largest graphite resources in North America — almost five times larger than the company's Lac Knife deposit

At 10–11%, grades are slightly lower than Lac Knife, but still above the typical 3–5% range

2022 Resource Estimate (at 3.9% Cg cut-off)

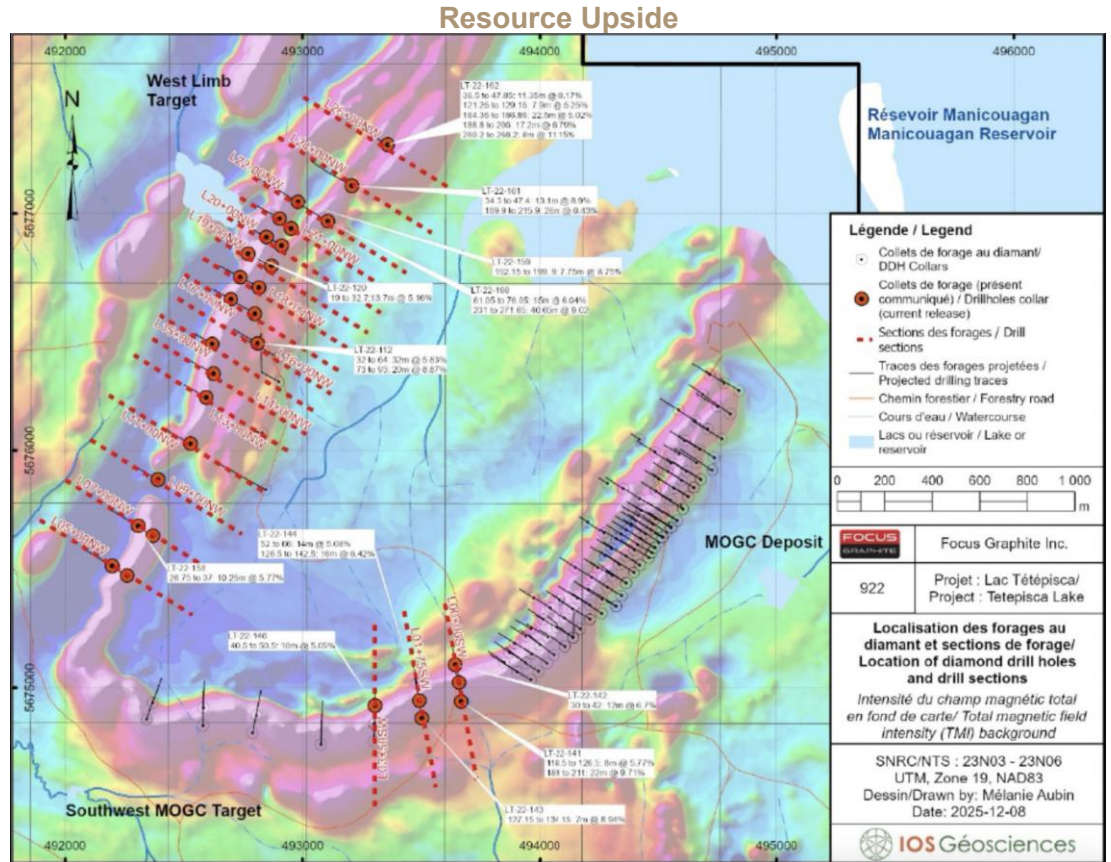
Mineral Resource Category	Tonnes (Mt)	Graphitic Carbon (%)	In-Situ Graphite (Mt)
Measured ^{1,2,3,4}	-	-	-
Indicated ^{1,2,3,4}	59.3	10.61	6.3
Total Measured and Indicated	59.3	10.61	6.3
Inferred ^{1,2,3,4,5}	14.9	11.06	1.6

QP: Schadrac Ibrango, P.Geo. (QC), PhD, MBA, Consultant of DRA Global Limited
Source: Company

The above-mentioned resource estimate was based on 106 drill holes completed between 2014 and 2021. Subsequently, FMS completed a 74-hole (14,900 m) drill program in 2022. The program expanded known mineralization, indicating the project likely hosts more graphite than

previously estimated. It also returned certain high-grade intercepts, including **10.5 m at 24.5% Cg**. We believe the drilling has **clearly increased the project's resource**, though overall grades are expected to remain similar.

The current resource (1.5 km × 0.09 km × 0.2 km) covers only 19% of an 8 km long mineralized zone, and could extend deeper, showing potential to grow



QP: Réjean Girard, P.Geo. (QC), President of IOS Geosciences Inc., a consultant to FMS
Source: Company

Management aims to complete a resource update this quarter

Next Steps: FMS is currently updating the resource estimate to include results from the above-mentioned drill program, expected in the coming weeks, followed by metallurgical testing (to see how much metal can be recovered), and an independent economic assessment (PEA). Given the promising drill results compared to the last resource estimate, **we anticipate a significant increase in the resource.**

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NVDA Fair Value Beta Version

Overvalued Share How it works

Based on FRC's Proprietary Model Used for Allocating Firm Capital

DCF Estimates Technology FY2026 Q4

Mar 2 *Data as of 3/2/2026. This is not financial advice.

CURRENT PRICE	FAIR VALUE	DOWNSIDE
\$182.48	\$125.81	31.1%
<small>04:52 PM</small>	<small>As of Mar 2, 2026</small>	

Technology Initiatives

In addition to its mineral projects, the company is actively advancing innovative technologies aimed at enhancing graphite value, improving battery performance, and expanding downstream applications. We believe these initiatives not only leverage the company's resource base, but also create potential for strategic partnerships, offtake agreements, and future revenue streams.

- **Graphite Purification Plant:** In December 2025, FMS received **\$14M in non-repayable, non-dilutive funding** from the Government of Canada to build a plant producing ultra-high-purity graphite (>99.95% carbon) from the Lac Knife and Lac Tétépisca projects. The plant, expected to be operational by 2028 in Ottawa, allows FMS to advance and test its technology **without using its own capital**, and produce material for customer testing and potential offtake agreements. The plant uses a thermal fluidized bed purification system, and an electro-thermal fluidized bed oven, enabling graphite purification through high-temperature thermal processing instead of chemicals. This process is environmentally friendly, powered by clean hydroelectric energy.

*Government-backed,
ultra-pure graphite
plant*

A **key advantage of the Lac Knife deposit** is that impurities are primarily located on the surface of the graphite flakes, rather than within them. This makes the material well-suited to thermal purification, allowing contaminants to be removed while preserving flake integrity. Maintaining flake structure is critical for high-performance applications, including military, defense, aerospace, and advanced technologies, where other deposits may require chemical processing that can degrade quality.

- **Silicon-Enhanced Graphite Anode Technology:** FMS is developing a silicon-graphite battery anode designed to significantly extend battery performance compared with standard batteries. The technology mixes silicon into engineered graphite particles to store more energy, charge more efficiently, and last longer. The company is waiting for final patent approval from the Canadian Intellectual Property Office. While this technology is still early-stage, and we are not assigning a value, it is still worth mentioning in this report given its upside potential if the technology proves effective.

*Next-gen battery
anode tech*

Management and Board

Management and board own 16% of the company's equity

Management experience includes leading large-scale mining, industrial, and battery technology projects

Three out of four directors are independent

Share Ownership

Management/Directors	Shares	% of Total
Dean Hanisch – CEO & Director	650,000	0.60%
Jason Latkowcer – VP Corporate Development	-	-
Judith Mazvihwa-Maclean – CFO	26,111	0.02%
Jeffrey York, Chairman	15,552,322	14.37%
Lindsay Weatherdon, Independent Director	658,381	0.61%
Susan Rohac, Independent Director	-	-
	16,886,814	15.60%

Source: Sedi/FRC

Brief biographies of the management team and board members, as provided by the company, follow:

Dean Hanisch – CEO & Director

- Dean Hanisch is an entrepreneur with a successful 30-year record of assisting private and public companies in a broad range of industries.
- Experience at all stages of growth from seed to commercialization and monetization. Strategic in preparing and transitioning companies for a sale or divestiture.

Jason Latkowcer – VP Corporate Development

- Accomplished executive with over 15+ years of experience in corporate and business development, capital markets, and strategic partnerships.
- Facilitated multiple transactions and has been directly involved in raising tens of millions in financing and grant funding. Graduated from the University of Ottawa (BA) and Quantic School of Business and Technology (EMBA).

Judith Mazvihwa-Maclean – CFO

- Geologist and accountant with more than 16 years of experience in mining, management, and corporate finance.
- CFO with extensive experience in publicly traded companies. M.Sc. (Geology), MBA, CMA, CPA.

Jeffrey York, Chairman

- CEO of Altea since 2024.
- Previous CEO of Farm Boy Inc., named one of Canada's Best Managed Companies in 2011.
- Served as President and CEO for 10 years at Giant Tiger Stores Ltd.
- Graduated from Princeton with an Economics degree and holds a CFA designation.

Lindsay Weatherdon, Independent Director

- CEO of Braille Energy Systems since 2018; President of Concord National Ontario and Quebec Divisions since 2002.
- Graduated from Algonquin College with a Business Administration and Management degree.

Susan Rohac, Independent Director

- 34+ years with the Business Development Bank of Canada (BDC), including Managing Partner, Climate Tech Fund (2017–2025).
- Oversaw \$1B+ in assets, including a fully deployed \$600M Fund I and \$500M Fund II; Recognized as a Clean50 Climate Leader (2024) and Clean16 award recipient.
- Holds undergraduate degrees in Science and Finance; Executive MBA, University of Ottawa.

Financials

(in C\$) (FYE - Sep 30)	FY2025	Q1-FY2026	Current
Cash	\$575,952	\$3,534,264	≈\$2,900,000
Working Capital	-\$3,508,575	-\$315,887	
Current Ratio	0.16	0.92	
Debt	-	-	
Monthly Burn Rate (G&A)	-\$99,606	-\$147,570	
Cash Spent on Properties	-\$388,992	-\$209,991	
Cash from Financing Activities	\$1,990,114	\$3,832,128	

A reasonably healthy balance sheet

Options	#	Exercise Price (C\$)	Amount
Total	12,683,322	\$0.24	\$3,015,911
In-the-Money	8,733,322	\$0.12	\$1,078,411

In-the-money options and warrants can bring in up to \$5M

Warrants	#	Exercise Price (C\$)	Amount
Total	29,772,025	\$0.33	\$9,736,777
In-the-Money	19,200,337	\$0.33	\$3,393,764

Source: FRC / Company

FRC DCF Valuation

Our DCF valuation returned a fair value estimate of \$1.00/share

We take a conservative approach by using a high 15% discount rate vs our typical 11.6%

This valuation only includes LAC Knife, being the advanced-stage asset, and does not include Tétépisca

Our valuation is highly sensitive to graphite prices

DCF Valuation Summary (Lac Knife)

Annual Production (t)	47,781
Mine Life (in years)	25
Average Product Price (US\$/t)	\$1,500
Average Operating Costs (C\$/t)	\$541
Initial Capital Costs (in C\$M)	\$237
Discount Rate	15%
C\$:US\$	1.37
AT-NPV15%	\$119,612,796
Working Capital	\$2,651,261
Number of Shares*	121,765,133
Value Per Share (C\$)	\$1.00

*calculated based on the treasury stock method

Valuation Sensitivity	Discount Rate (%)				
	5.0%	10.0%	15.0%	20.0%	25.0%
\$900	\$1.51	\$0.15	-\$0.40	-\$0.63	-\$0.71
\$1,100	\$2.86	\$0.90	\$0.06	-\$0.31	-\$0.48
\$1,300	\$4.20	\$1.65	\$0.53	\$0.01	-\$0.25
Weighted Average Graphite Price (US\$/t)	\$5.55	\$2.41	\$1.00	\$0.32	-\$0.03
\$1,750	\$7.23	\$3.35	\$1.59	\$0.72	\$0.25
\$2,000	\$8.91	\$4.29	\$2.18	\$1.11	\$0.53
\$2,250	\$10.59	\$5.23	\$2.76	\$1.51	\$0.82

Source: FRC

FRC Comparables Valuation

FMS outperforms comparables in both resource size and grade, while its projected capital and operating costs remain below industry norms

Despite these attractive metrics, FMS is trading at just \$4/t, compared with the sector average of \$21/t

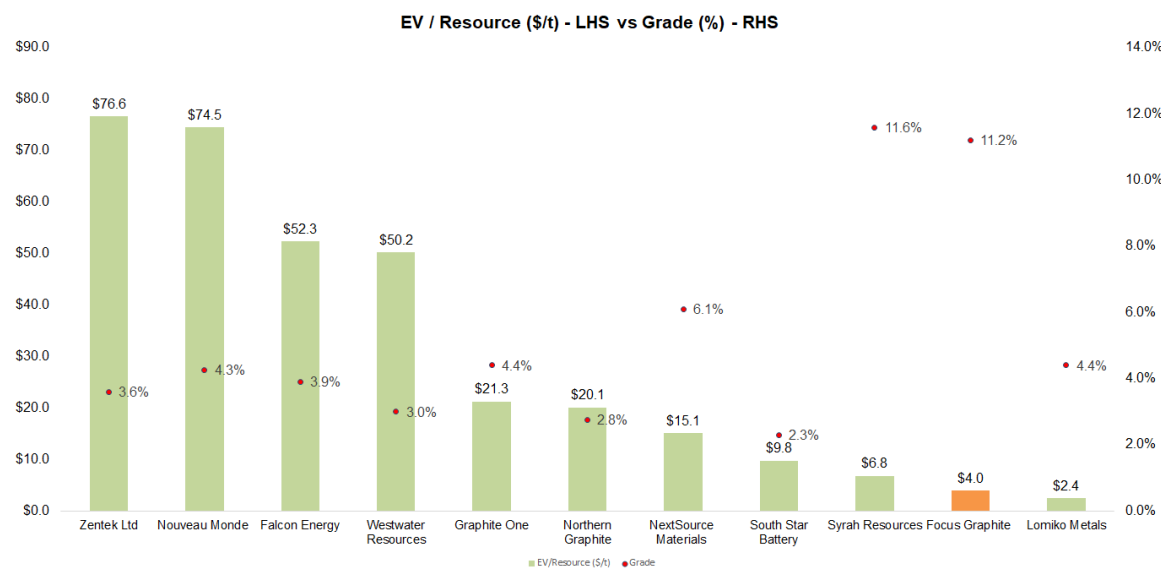
Applying the sector average to FMS's resources, we arrived at a comparables valuation of \$1.53/share

	Company	Location	Enterprise Value (\$M)	Grade	Initial CAPEX (US\$M)	Cash Costs (US\$/t of conc.)	Net Resource (Mt)	EV / Resource*
1	Zentek Ltd	Ontario	\$89	3.6%	N/A	N/A	1.16	\$76.6
2	Nouveau Monde	Quebec	\$450	4.3%	\$415	\$419	6.04	\$74.5
3	Falcon Energy	Republic of Guinea	\$124	3.9%	\$185	\$450	2.37	\$52.3
4	Westwater Resources	Alabama, U.S.	\$113	3.0%	\$245	\$431	2.25	\$50.2
5	Graphite One	Alaska, U.S.	\$225	4.4%	\$950	\$982	10.59	\$21.3
6	Northern Graphite	Canada and Namibia	\$63	2.8%	\$110	\$775	3.13	\$20.1
7	NextSource Materials	Madagascar	\$113	6.1%	\$156	\$479	7.48	\$15.1
8	South Star Battery	Brazil and U.S.	\$13	2.3%	\$40	\$390	1.33	\$9.8
9	Syrax Resources	Mozambique	\$527	11.6%	\$210	\$450	77.32	\$6.8
10	Focus Graphite (Lac Knife)	Quebec		15.4%	\$174	\$398		
	Focus Graphite (Tétépisca)	Quebec		10.7%				
	Focus Graphite	Quebec	\$35	11.2%			8.85	\$4.0
11	Lomiko Metals	Quebec	\$8	4.4%	\$177	\$386	3.29	\$2.4
Average (excl. outliers)				5.2%	\$266	\$516	4.65	\$20.7

* Resource = 100% of M&I + 50% of Inferred

FV of FMS @ Comparables Average

\$1.53



Source: S&P Capital IQ / Various / FRC

The average of our DCF and comparables valuation is \$1.27/share

Valuation Summary (C\$)	Fair Value (FV)	FV per Share
DCF (Lac Knife)	\$122,264,057	\$1.00
Comparables Valuation (Lac Knife + Tétépisca)	\$186,300,653	\$1.53
Fair Value Estimate	\$154,282,355	\$1.27

Source: FRC

We are initiating coverage with a **BUY rating**, and a **fair value estimate of C\$1.27/share**. We believe FMS's high-grade, low-cost graphite projects, supported by government funding, long mine life, and strong economics, position the company to serve the growing North American and European battery markets. Despite these strengths, FMS trades at a notable discount to peers, reflecting both undervaluation, and potential upside from strategic M&A interest from companies seeking secure North American graphite supply.

Risks

We believe the company is exposed to the following key risks (not exhaustive):

- The value of the company depends on graphite prices
- **Permitting**
- Access to capital and share dilution
- There is no assurance that the company can advance its projects simultaneously

We are assigning a risk rating of 5 (Highly Speculative)

Fundamental Research Corp. Equity Rating Scale (ratings are not a recommendation to acquire, dispose of, or take no action regarding a security; the definitions of our ratings are explained below):

Buy – Fair value is 12% above the current market price; or risk and reward is favorable

Hold – Fair value is between 5% to 12% above the current market price

Sell – Fair value is 5% above, or less, than the current market value; or risk and reward is unfavorable

Suspended or Rating N/A— Coverage and ratings suspended until more information can be obtained from the company regarding recent events.

Fundamental Research Corp. Risk Rating Scale:

1 (Low Risk) - The company operates in an industry where it has a strong position (for example a monopoly, high market share etc.) or operates in a regulated industry. The future outlook is stable or positive for the industry. The company generates positive free cash flow and has a history of profitability. The capital structure is conservative with little or no debt.

2 (Below Average Risk) - The company operates in an industry where the fundamentals and outlook are positive. The industry and company are relatively less sensitive to systematic risk than companies with a Risk Rating of 3. The company has a history of profitability and has demonstrated its ability to generate positive free cash flows (though current free cash flow may be negative due to capital investment). The company's capital structure is conservative with little to modest use of debt.

3 (Average Risk) - The company operates in an industry that has average sensitivity to systematic risk. The industry may be cyclical. Profits and cash flow are sensitive to economic factors although the company has demonstrated its ability to generate positive earnings and cash flow. Debt use is in line with industry averages, and coverage ratios are sufficient.

4 (Speculative) - The company has little or no history of generating earnings or cash flow. Debt use is higher. These companies may be in start-up mode or in a turnaround situation. These companies should be considered speculative.

5 (Highly Speculative) - The company has no history of generating earnings or cash flow. They may operate in a new industry with new, and unproven products. Products may be at the development stage, testing, or seeking regulatory approval. These companies may run into liquidity issues and may rely on external funding. These stocks are considered highly speculative.

Definition of FRC's Fair Value Estimate – Our fair value estimate is the theoretical value of the company's equity using widely accepted methods of valuation such as discount cash flow or comparables. IT IS NOT A TARGET PRICE or PREDICTION OF THE FUTURE STOCK PRICE.

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04:52 PM	As of Mar 2, 2026	