

Focus Graphite Inc.

(TSXV: FMS / OTCQB: FCSMF / FSE: FK00)

Raising Our Fair Value Estimate on Transformational Resource Upgrade

Sector: Junior Resource

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Highlights

- **Strong Share Price Momentum:** Shares are up 26% since we initiated coverage in March 2026, and 333% YoY, significantly outperforming comparables (+33% YoY), and the Sprott Critical Materials ETF (+141% YoY), driven by company-specific progress, and strong momentum in the critical materials sector.
- **Transformational Resource Expansion at Tétépisca:** FMS reported an updated resource estimate on its Tétépisca graphite project in Quebec, which we view as transformational, **positioning it among the world's largest and highest-grade graphite projects**. Indicated resources (higher-confidence category) increased 96%, while inferred resources (lower-confidence) rose 49%. Indicated resources now represent 84% of the total (previously 80%), reflecting improved confidence.
- **High-Grade, Low-Cost Advantage** - The deposit averages 10.2% graphite carbon, well above the typical 3–8% range for graphite projects. Higher-grade deposits are generally associated with stronger economics, and lower OPEX.
- **Next steps:** FMS plans to conduct metallurgical testing to determine recovery rates, supporting an independent Preliminary Economic Assessment (PEA) evaluating the project's economic viability.
- **Flagship Lac Knife - Advanced, High-Grade Asset:** FMS is also advancing its flagship Lac Knife graphite project in Quebec. It is one of the world's highest-grade graphite deposits, supported by an advanced independent feasibility study. The study estimates an after-tax NPV8% of \$286M, while FMS trades at a \$42M MCAP, **an 84% discount**, suggesting the market is not fully reflecting Lac Knife's value, and assigning no value to Tétépisca. We believe both projects have the scale to operate as standalone companies.
- **Clear Undervaluation vs Peers:** Despite attractive projects in a prime jurisdiction, FMS is trading at \$4/t graphite vs a sector average of \$23/t, an 87% discount. This reinforces the view that the market has yet to fully recognize the value of FMS' portfolio.
- **Attractive Strategic Target:** We continue to view FMS as an attractive acquisition target for mining and technology companies seeking stable, long-term North American graphite supply.

BUY

Current Price: \$0.39

Fair Value: \$2.03

Risk*: 5

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Equity Analyst

Price and Volume (1-year)



	YTD	12M
FMS	-13%	333%
TSXV	-2%	43%
Comparables	-17%	33%
SETM*	21%	141%

Company Data

52 Week Range	\$0.08 - \$0.76
Shares O/S	108M
Market Cap.	\$42M
Yield (forward)	N/A
P/E (forward)	N/A
P/B	N/A

* Sprott Critical Materials ETF

Key Financial Data (FYE - Sep 30)			
(C\$)	FY2025	Q1-FY2026	Current
Cash	\$575,952	\$3,534,264	~\$2,600,000
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.Geol. (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\$.

Portfolio Summary

Aims to supply graphite anodes for lithium-ion batteries in North America

In December 2025, FMS received \$14M in non-repayable government funding to build a high-purity graphite plant for military, defence, aerospace, and advanced technology applications

FMS stands out among comparable projects for its superior resource scale and grade, combined with below-average projected CAPEX and OPEX

Two High Grade Graphite Projects in Quebec

Lac Knife One of the world's **highest-grade** flake graphite deposits

Lac Tétépisca One of the world's **largest** flake graphite resources.

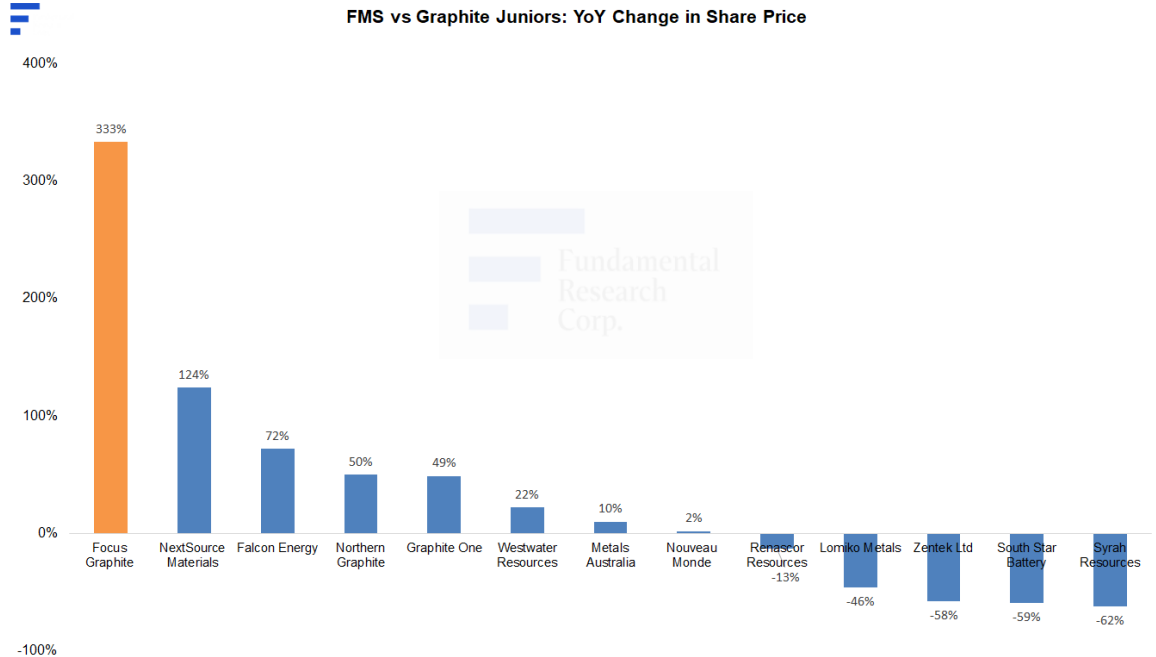
FMS vs Graphite Juniors

	Company	Location	Stage	Enterprise Value (\$M)	Grade	Initial CAPEX (US\$M)	Cash Costs (US\$/t of conc.)	Net Resource (Mt)
1	Zentek Ltd	Ontario	PEA	\$94	3.6%	N/A	N/A	1.16
2	Falcon Energy	Republic of Guinea	Feasibility	\$165	3.9%	\$185	\$450	2.37
3	Nouveau Monde	Quebec	FS	\$375	4.3%	\$415	\$419	6.04
4	Westwater Resources	Alabama, U.S.	PEA	\$56	3.0%	\$245	\$431	2.25
5	Graphite One	Alaska, U.S.	BFS	\$210	4.4%	\$950	\$982	10.59
6	Northern Graphite	Canada and Namibia	Producer	\$56	2.8%	\$110	\$775	3.13
7	NextSource Materials	Madagascar	Producer	\$122	6.1%	\$156	\$479	7.48
8	South Star Battery	Brazil and U.S.	Producer	\$14	2.3%	\$40	\$390	0.84
9	Renascor Resources	Australia	DFS	\$58	6.9%	\$153	\$472	6.85
10	Syrax Resources	Mozambique	Producer	\$521	11.6%	\$210	\$450	77.32
11	Focus Graphite (Lac Knife)	Quebec	Feasibility		15.4%	\$174	\$398	1.75
	Focus Graphite (Tétépisca)	Quebec	Feasibility		10.2%			13.50
	Focus Graphite (Consolidated)	Quebec	Feasibility	\$46	10.8%			15.25
12	Metals Australia	Quebec	PEA	\$12	10.2%	\$190	\$515	3.92
13	Lomiko Metals	Quebec	PEA	\$5	4.4%	\$177	\$386	3.29
	Average (excl. outliers)				5.7%	\$250	\$512	4.69

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

Source: S&P Capital IQ / Various / FRC

FMS is up 333% YoY, significantly outperforming the comparables average gain of 33%



Source: FRC

Tétépisca Graphite Project (100% owned)

The updated resource estimate incorporates drilling since 2022, expanding the database to 150 holes (26,095 m) from 106 holes (16,467 m).

We believe this upgrade is transformational, positioning Tétépisca among the world's largest and highest-grade graphite projects

Indicated resources (higher-confidence category) increased 96%; Inferred resources (lower-confidence) increased 49%

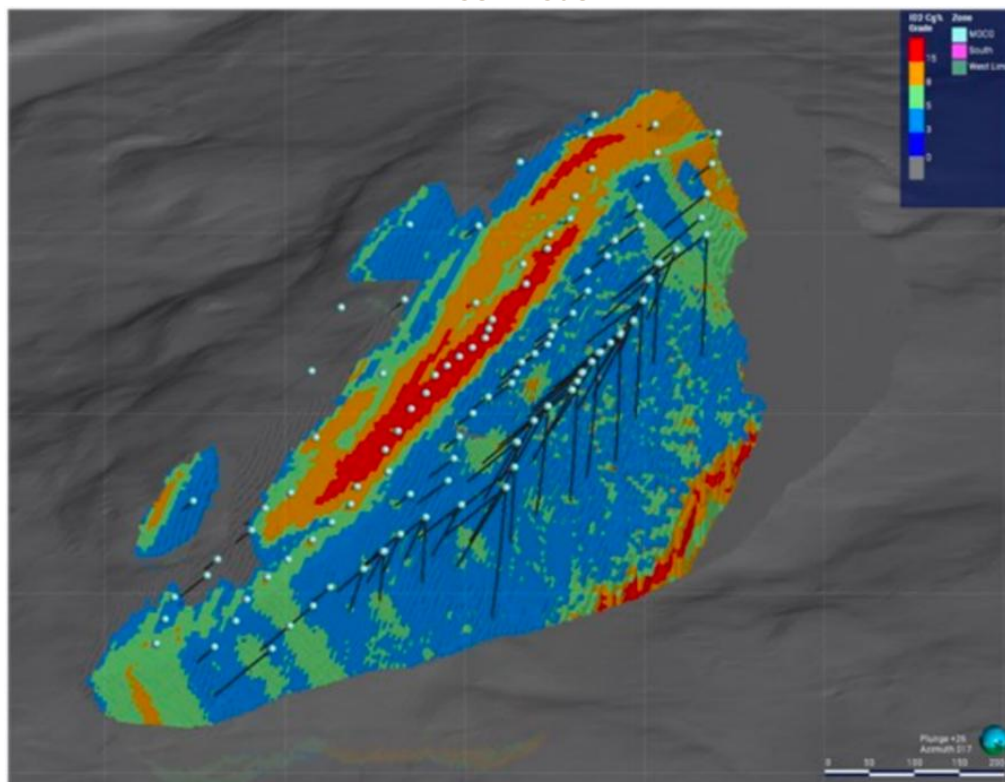
Indicated resources now account for 84% of total resources (previously 80%), reflecting higher confidence

2026 Resource Estimate						
Resource Category	Tonnage Mt	% Change	Graphitic Carbon %	% Change	In-situ Graphite Mt	% Change
Indicated	120.2	103%	10.27	-3%	12.3	96%
Inferred	24.1	62%	9.88	-11%	2.4	49%
Total	144.3	94%	10.20	-5%	14.7	86%

2022 Resource Estimate			
Resource Category	Tonnage Mt	Graphitic Carbon %	In-situ Graphite Mt
Indicated	59.3	10.61	6.3
Inferred	14.9	11.06	1.6
Total	74.2	10.70	7.9

Source: Company / FRC

Block Model



* Red shows high-grade areas, while orange/yellow and green represent mid-to-high and moderate grades

Source: Company

Next steps: FMS plans to conduct metallurgical testing to determine recovery rates, which will support an independent economic study (PEA) evaluating the project's economic viability.

Lac Knife Graphite Project (100% owned)

FMS is also simultaneously advancing its flagship Lac Knife graphite project, a more advanced-stage asset. Next steps include product testing with potential buyers, securing supply agreements, completing the environmental assessment (now in its final stages), permitting, and project financing.

Grades declined by 0.5 pp to 10.2%, but remain well above the typical 3–8% range for graphite projects

High-grade deposits are preferred due to their potential for stronger economics and lower operating costs

With a 25+ year mine life, the project offers potential for long-term, stable graphite supply for prospective buyers

If successful, these programs could support future partnerships, customer engagement, funding opportunities, and commercialization efforts

Recent Developments



Forge Nano Partnership

FMS has partnered with Forge Nano to test advanced coating technology on graphite from its Lac Knife project. The coating adds an ultra-thin protective layer to graphite to improve battery performance and lifespan.

Forge Nano, a high-profile U.S. advanced materials and battery technology company preparing for a NASDAQ listing at a valuation of US\$1.2–\$1.6B.



Pilot-Scale Processing

Advancing a pilot-scale processing program to produce high-purity graphite for potential battery and industrial applications.



- ✓ Partnering with engineering firm SGS Canada.
- ✓ Program supported by up to \$14M in Canadian government funding.

Source: FRC

Project Development Stages



Permitting underway; production expected by 2028-2029

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

Ideal for open-pit mining, with one of the world's highest graphite grades at 15% Cg

Source: Company

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

Source: Company / FRC

After-tax NPV8% of \$286M, and IRR of 23%; we view an IRR above 20% as very attractive

FMS's MCAP is only \$42M, suggesting the market is undervaluing Lac Knife, and assigning no value to Tétépisca

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

Financials

(in C\$) (FYE - Sep 30)	FY2025	Q1-FY2026	Current
Cash	\$575,952	\$3,534,264	≈\$2,600,000
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	

Options	#	Exercise Price (C\$)	Amount
Total	12,683,322	\$0.24	\$3,015,911
In-the-Money	8,983,322	\$0.13	\$1,165,911

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

Healthy balance sheet, with in-the-money options and warrants that could add up to \$5M

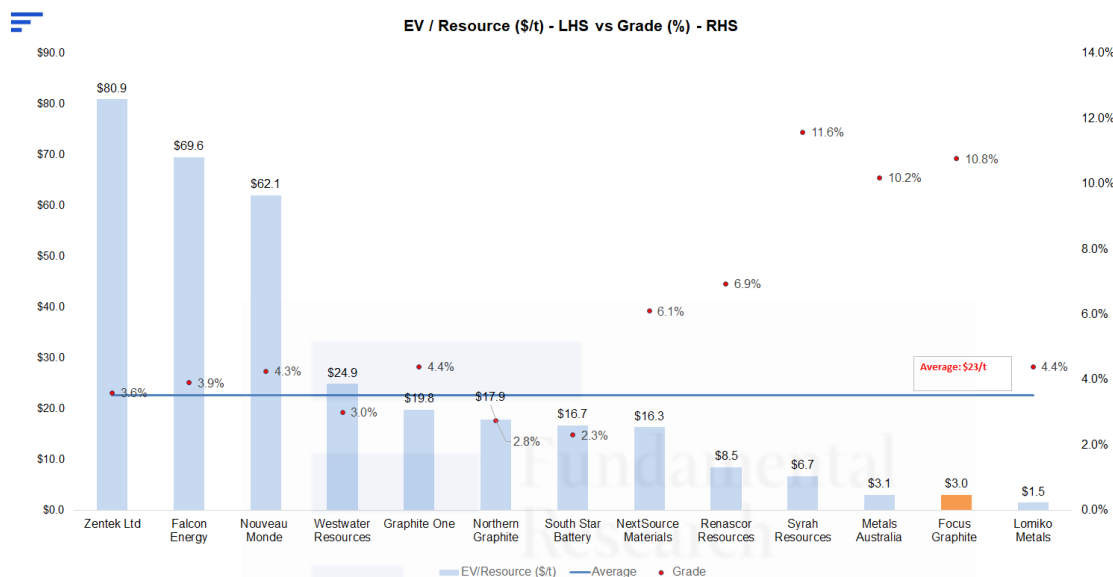
FRC Comparables Valuation

Despite attractive project metrics (large tonnage, high grade, and low costs), FMS is trading at just \$3/t (previously \$4/t), compared with the sector average of \$23/t (previously \$21/t)

Applying the sector average to FMS's resources, we arrived at a comparables valuation of \$2.78/share (previously \$1.53/share)

The average of our DCF and comparables valuation is \$2.03/share (previously \$1.27/share)

We are maintaining our risk rating of 5 (Highly Speculative)



Source: S&P Capital IQ / Various / FRC

Valuation Summary (C\$)		
	Fair Value (FV)	FV per Share
DCF (Lac Knife)	\$122,264,057	\$0.98
Comparables Valuation (Lac Knife + Tétépisca)	\$346,805,080	\$2.78
Fair Value Estimate	\$253,088,659	\$2.03

Source: FRC

We reiterate our **BUY** rating, and raise our fair value estimate from \$1.27 to **\$2.03/share**, reflecting the significant resource growth at Tétépisca. FMS is advancing two large-scale, high-grade graphite projects in Quebec, highlighted by a transformational resource expansion at Tétépisca, and continued progress at the flagship Lac Knife project. Despite the scale and quality of its assets, the company trades at a significant discount to its comparables.

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
- No assurance that the company can advance its projects simultaneously

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

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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.

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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.

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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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