First Phosphate Corp.

(CSE: PHOS / OTCQB: FRSPF / FSE: KD0)

Building a Vertically Integrated LFP Battery Supply Chain - Initiating Coverage

BUY

Current Price: C$0.44

Fair Value: C$1.15

Risk*: 5

Sector: Junior Resource

Click here for more research on the company

Highlights

- First Phosphate (PHOS) is developing a vertically integrated supply chain for **Lithium Iron Phosphate (LFP) batteries**, managing the full process from extracting high-purity igneous phosphate to producing LFP cathode active material (CAM). LFP batteries support key markets like electric vehicles (EVs), and energy storage systems (ESS), and are gaining traction in rapidly growing sectors such as **AI data centers, robotics, and automation.**
- Most phosphate mined globally today is lower-grade sedimentary rock used for fertilizers. Igneous phosphate, recognized for its high purity, is **the preferred choice for the LFP battery market**, as it meets the stringent purity standards required by the technology sector. In LFP batteries, phosphate makes up 50–55% of the cathode and about **10–15% of the total battery weight**. LFP batteries are gaining traction, driven by their lower cost, longer lifespan, and especially strong adoption in China.
- A 2024, Preliminary Economic Assessment (PEA) on the company's **flagship Bégin-Lamarche project in Quebec**, targeting a 23-year open-pit operation producing 900 ktpa phosphate concentrate, returned an AT-NPV8% of $1.6B, and a high AT-IRR of 33%, using US$350/t igneous phosphate concentrate vs the current spot price of US$315/t (five year range: US$140–US$700/t). **PHOS is trading at just 2% of the NPV.** Management plans to complete a feasibility study, advance permitting, and pursue strategic and financing partners, with production potentially starting in 2029.
- While advancing Bégin-Lamarche, PHOS is also **developing two downstream facilities**: a) a 190 ktpa phosphoric acid plant using 500 ktpa of concentrate from Bégin-Lamarche, and b) **First Saguenay – a 10 ktpa iron phosphate plant,** targeting 2026 operations (US$76M CAPEX, 10-year lease, tech partner secured). Both facilities will produce precursor material for LFP CAM.
- The company has already entered into **definitive offtake agreements** for 200 ktpa of phosphate concentrate (22% of its proposed production), and 60 ktpa of phosphoric acid (32% of its proposed production).
- Since PHOS will require significant purchases from U.S. suppliers, the Export-Import Bank of the United States (EXIM) has **offered up to US$170M in financing**.
- **Upcoming catalysts** include infill drilling to upgrade resource confidence, a feasibility study and permitting for Bégin-Lamarche, progress toward commercial production at the iron phosphate plant, offtake agreements, and project financing.

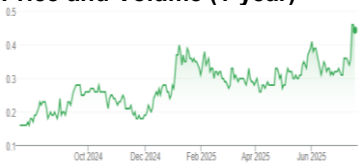
Risks

- Commodity prices
- Permitting and development
- **Access to capital and potential for share dilution**
- There is no assurance that the company can advance all of 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
PHOS	59%	178%
TSXV	27%	34%

Company Data

52 Week Range	$0.15 - $0.47
Shares O/S	115M
Market Cap.	C$50M
Yield (forward)	N/A
P/E (forward)	N/A
P/B	3.5x

Key Financial Data (FYE - Feb 28) (C$)	2024	2025
Cash	$7,496,238	$1,873,550
Working Capital	$5,289,074	$2,631,423
Mineral Assets	$3,557,734	$3,591,734
Total Assets	$12,995,758	$7,452,772
Net Income (Loss)	-$8,292,468	-$7,627,414
EPS	-$0.15	-$0.10

*Subsequent to FY2025, PHOS raised $8M through equity financings

*** First Phosphate Corp. has paid FRC a fee for research coverage and distribution of reports. See last page for other important disclosures, rating, and risk definitions.**

Portfolio Summary

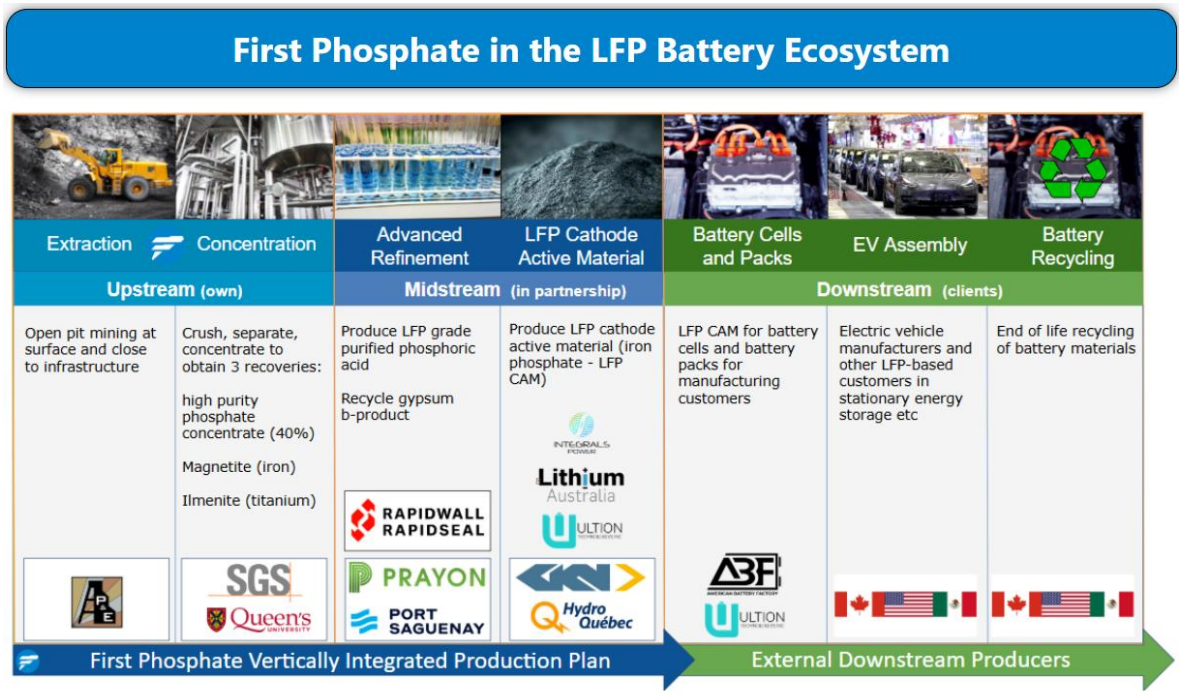
Two advanced-stage phosphate projects in Quebec, an emerging battery metal hub in Canada

Phosphate is included in the critical minerals list of Canada

	Bégin-Lamarche	Lac à l' Original	Bluesky Properties
Ownership	100% (nil royalties)	100% (nil royalties)	100% (nil royalties)
Area	38,610 hectares	79,663 hectares	>150,000 hectares
Stage	PEA	PEA	Pre-resource
Resources	Indicated: 2.7 Mt P_2O_5, 4.4 Mt Fe_2O_3, 1.4 Mt TiO_2 Inferred: 12.9 Mt P_2O_5, 23.3 Mt Fe_2O_3, 7.8 Mt TiO_2	Indicated: 821 Kt P_2O_5, 3.8 Mt Fe_2O_3, 0.67 Mt TiO_2 Inferred: 1.7 Mt P_2O_5, 7.5 Mt Fe_2O_3, 2.38 Mt TiO_2	N/A

Source: Company / FRC

Management plans to build a vertically integrated LFP battery ecosystem



Source: Company

Igneous phosphate deposits produce high-grade phosphate concentrates (35% - 41% P_2O_5) vs sedimentary phosphate deposits (15% - 31% P_2O_5)

Igneous Phosphate

Phosphate is a natural source of phosphorus, and is usually found in two sources: igneous and sedimentary deposits. The majority of global phosphate supply comes from sedimentary deposits, while igneous deposits account for only about 5% of total resources. Most igneous phosphate production comes from Russia, South Africa, Brazil, and Finland. Note that **igneous anorthosite (PHOS's target)**, which accounts for just 1% of global phosphate resources, **offers higher purity** than other igneous sources.

Igneous phosphate has fewer harmful trace elements than sedimentary phosphate, making it ideal for LFP batteries

Igneous phosphate costs 2–3× more than sedimentary due to its superior purity, especially anorthosite, enabling near-total conversion to purified phosphoric acid for high-value markets beyond fertilizers

Morocco has the largest reserve-base of sedimentary phosphate, accounting for 68% of global reserves (Source: USGS)

Igneous deposits are found in Russia, Brazil, Canada, Finland, and South Africa

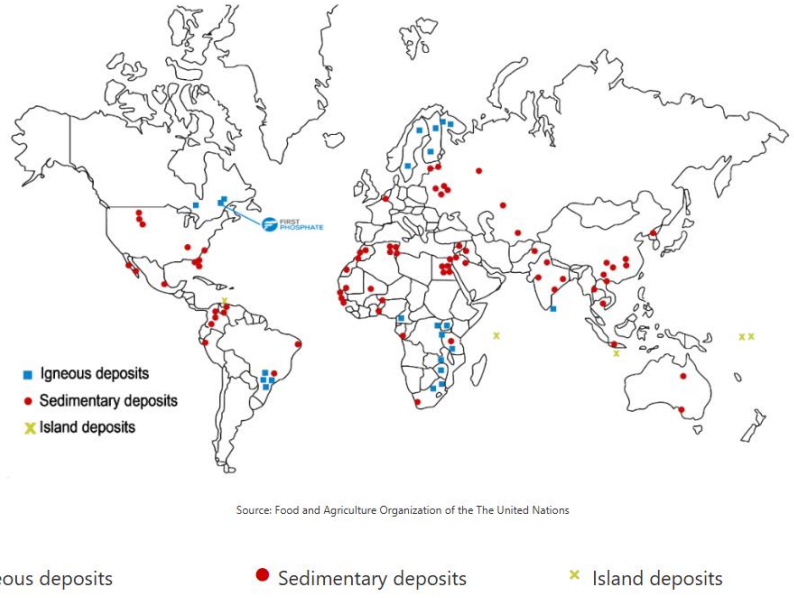
Types of Phosphate Deposits

Deposit type	Igneous carbonatite	Igneous massif-type anorthosite	Sedimentary
Host rock	carbonatite	massif-type anorthosite	upwelling-related sedimentary rocks
Distribution	5% of global deposits	1% of global deposits	95% of global deposits
Shape of ore bodies	veins and lenses	sheets and lenses	bedded (stratiform)
Rare earth elements	high	low	variable
Deleterious trace elements	low	low	high
Organic matter	none	none	high
Phosphate mineralogy	apatite	apatite	carbonate fluorapatite
Associated minerals	calcite, dolomite, magnetite	pyroxene, plagioclase, ilmenite, magnetite	quartz, clay minerals, calcite, dolomite
P_2O_5 content	~5 to 15 wt%	~5 to 15 wt%	~8 to 35 wt%
Source	mantle (> 50 km depth)	mantle/crust (~ 30 to 50 km depth)	upwelling-related organic matter
Mineralization processes	high temperature crystallization in magma	high temperature crystallization and gravitational settling in magma	phosphate precipitation in accumulating sediment

Source: Dr. Sandeep Banerjee, Postdoctoral Fellow/ Researcher Queen's University

Source: Queen's University Pufahl Research Group

Phosphate Deposits



Source: Food and Agriculture Organization of the United Nations

Phosphate derivatives serve a wide range of industries—from fertilizers, which account for 90% of global demand, to advanced battery technologies

Merchant Grade Phosphoric Acid (MGA) from igneous phosphate rock converts efficiently into Purified Phosphoric Acid (PPA) for LFP batteries, while sedimentary-based MGA lacks the purity for PPA, and is mainly used in fertilizers

Phosphate Forms: Production Processes and Applications

Phosphate Form	Production / Description	Applications
Phosphate Rock	Mined natural mineral, either sedimentary or igneous.	Raw material for fertilizer production, animal feed, and PPA production.
Merchant Grade Phosphoric Acid (MGA)	Produced by crushing phosphate rock and treating with sulfuric acid.	Mainly used in fertilizer and animal feed production.
Purified Phosphoric Acid (PPA)	MGA is further purified to remove impurities and increase purity.	Used in food, electronics, medicine, and advanced battery tech (e.g., LFP batteries).
LFP Cathode Material	Produced using PPA with lithium and iron to create $LiFePO_4$ powder.	Used as cathode active material in lithium iron phosphate batteries (EVs, ESS, etc.).

Source: FRC/Various

Product pricing ranges from US$300–350/t for igneous phosphate concentrate, US$800–1,000/t for MGA, US$2,000–2,500/t for PPA, and $10,000–15,000/t for LFP cathode active material (CAM).

Approximately **90% of phosphate rock is used for fertilizer production**, while the remaining 10% supports industrial applications—of which, LFP batteries comprise about 5% and represent PHOS's primary target market.

LFP batteries power **rapidly growing markets like** electric vehicles (EVs), and energy storage systems (ESS), with expanding use in AI data centers, robotics, and automation. LFP batteries employ lithium iron phosphate (LiFePO4) as the cathode material. Phosphate makes up 50–55% of the cathode, and about 10–15% of the total battery weight.

LFP Batteries vs Other Lithium-Ion Technologies

Feature	LFP (Lithium Iron Phosphate)	NMC (Nickel Manganese Cobalt)	NCA (Nickel Cobalt Aluminum)
Energy Density	Moderate (lower than NMC/NCA)	High	Very high
Lifespan	Long (2000+ cycles)	Moderate (1000–1500 cycles)	Moderate
Safety	Excellent (thermally stable, non-toxic)	Moderate (more prone to overheating)	Moderate to low (higher risk)
Cost	Lower (uses abundant materials)	Higher (uses costly metals)	Higher
Environmental Impact	Lower (non-toxic, abundant materials)	Higher (uses cobalt, nickel)	Higher
Charging Efficiency	High	Moderate	Moderate
Voltage	Lower (~3.2–3.3V per cell)	Higher (~3.6–3.7V per cell)	Higher (~3.6–3.7V per cell)

Source: FRC / Various

LFP batteries are safer, cheaper, and have a longer lifespan, but they may offer shorter run times between charges, and tend to be heavier

China dominates LFP battery production, though other countries are expanding their capacity

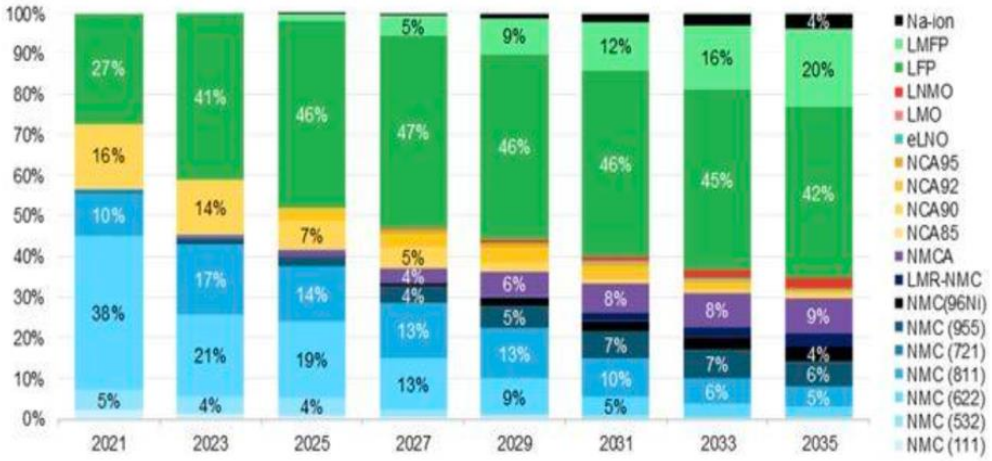
Sources indicate that LFP batteries account for 60% of the global battery market

For EVs specifically, LFP batteries currently make up 46% of battery packs, and are projected to exceed 60% by 2035, driven primarily by their lower cost, longer lifespan, and strong adoption in China

It is estimated that the global LFP battery market will grow from US$17B in 2024, to US$73B by 2034, reflecting a CAGR of 16%, driven by increasing demand for electric vehicles, energy storage systems, and cost-effective battery solutions

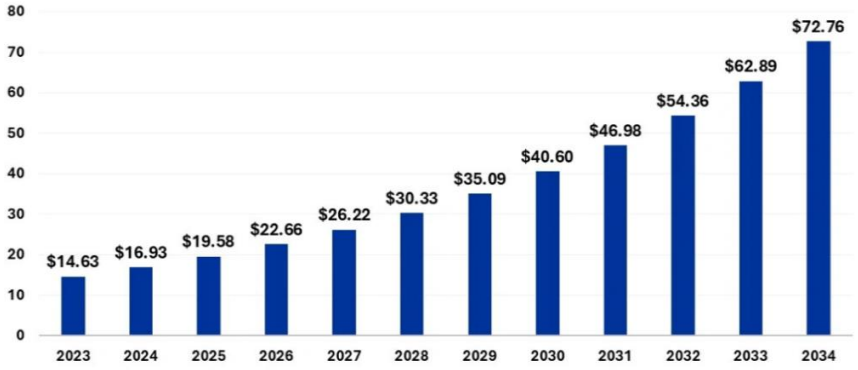
33 new PPA plants needed by 2030 to meet rising LFP battery demand

Market Share of Cathode Materials in Batteries



Source: BloombergNEF. Note: Na-ion refers to sodium ion; LMFP is lithium manganese iron phosphate; LFP is lithium iron phosphate; LNMO is lithium nickel manganese oxide; LMO is lithium manganese oxide; LNO is lithium nickel oxide; NCA is nickel cobalt aluminum oxide; NMCA is nickel manganese cobalt aluminum oxide; LMR is lithium- and manganese-rich; NMC is nickel manganese cobalt oxide. See Appendix A for glossary of battery chemistries.

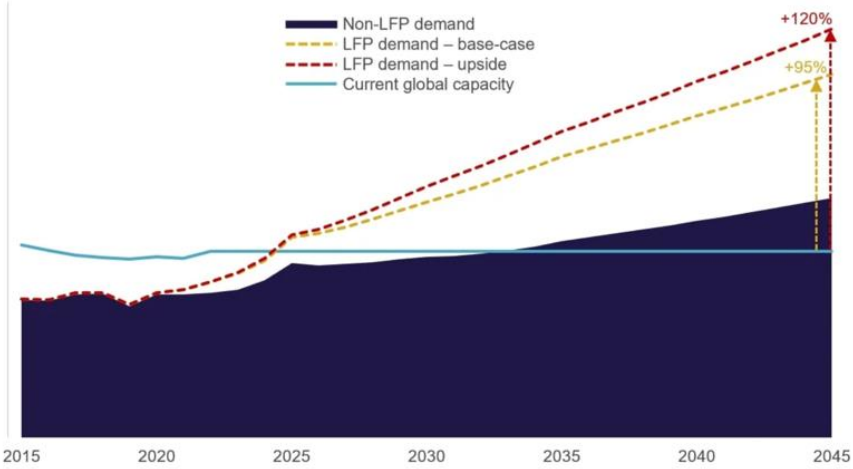
LFP Battery Market Size (US$B)



Source: Precedence Research

Global purified phosphoric acid demand/supply balance

'000t P_2O_5



Source: CRU Group

Five-year range: Sedimentary US$70–US$350/t; Igneous US$140–US$700/t

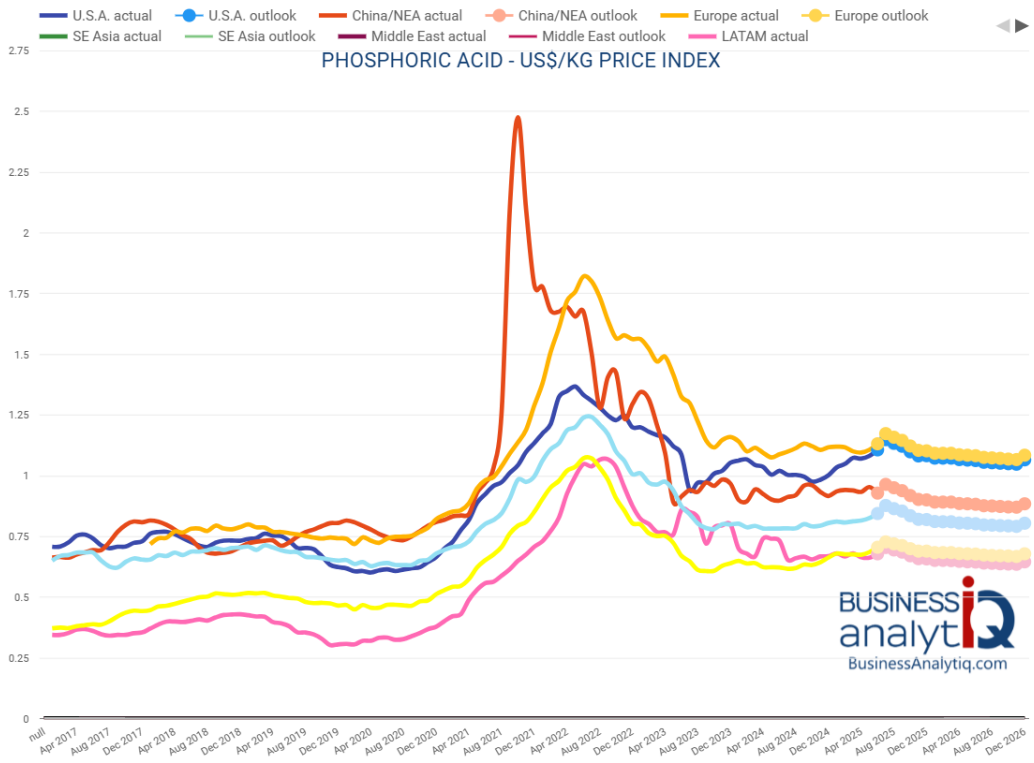
Sedimentary Phosphate Rock Pricing

Igneous phosphate pricing is generally more than 2x sedimentary

Description: Phosphate rock (Morocco), 70% BPL, contract, f.a.s. Casablanca

Source: IndexMundi

We have a positive long-term outlook on igneous phosphate rock and PPA prices, supported by growing demand for LFP batteries, and projected supply shortages



Bégin-Lamarche Phosphate Project (100% interest)

Location, Accessibility and Infrastructure

PHOS gained control of the project in 2022

This advanced-stage project, covering 38,610 hectares, is located in Saguenay-Lac-Saint-Jean, Québec.

Approximately 70 km northwest of Saguenay, a regional hub and developed industrial area

Excellent infrastructure in place including access to power, railways, deep-sea port (85 km driving distance), and a skilled workforce

Proximity to railway and port are key, as future production will likely be distributed to North American and European markets

Location Map

Source: Company

Management has signed an MOU with the Port of Saguenay to secure industrial land and deep-sea access at the port for future logistics, and for its own phosphoric acid plant.

Mineralization, Resources, and PEA

The project hosts an igneous, massif-type anorthosite phosphate deposit within the Lac-Saint-Jean Anorthosite (LSJA) suite in Quebec's Grenville Province. LSJA is the world's largest igneous phosphate-bearing anorthosite complex. Besides PHOS's projects, the area also hosts Arianne Phosphate's (TSXV: DAN / MCAP: $33M) Lac à Paul deposit. Arianne has completed a facility study on Lac à Paul, and recently finished a pre-feasibility study targeting 350 ktpa of PPA with an initial CAPEX of US$1.65B. The key **difference between Lac à Paul and Bégin-Lamarche** is proximity to port: Lac à Paul is 350 km driving distance from the Port of Saguenay and requires a new port, while Bégin-Lamarche is just 70 km away, and benefits from existing infrastructure, offering cost advantages.

Mineralization at Bégin-Lamarche is spread across three zones: 1) the Southern zone; 2) the Northern zone; and 3) the Mountain zone.

A medium-sized, open-pit resource totaling 255.5 Mt at 6.96% P_2O_5 vs standard grades ranging from 4% to 15% P_2O_5

The resource estimate was based on 120 holes/29,762 m

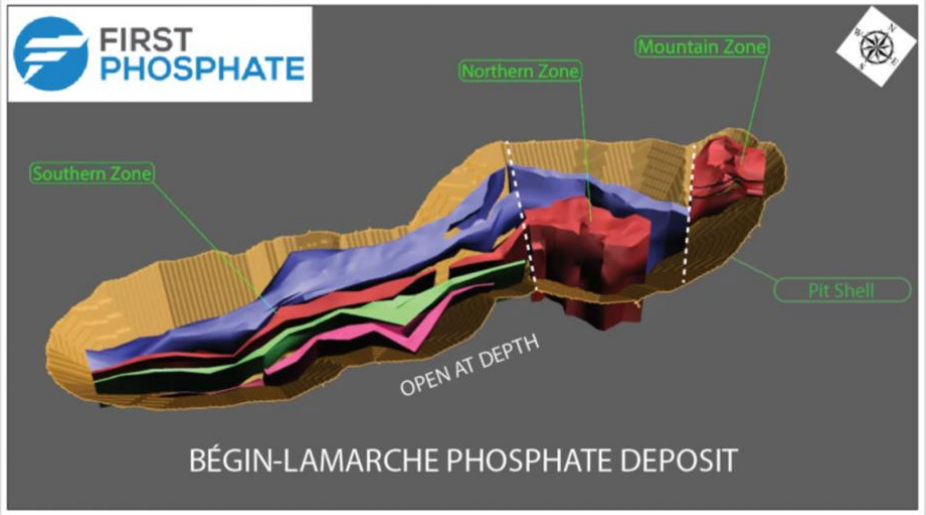
We believe there is significant resource expansion potential as the deposit (2.5 km long x 0.1 to 0.2 km thick x 0.25 km at depth) remains open at depth

Pit-Constrained Resource Estimate (at 2.5% P2O5 cut-off)

PIT-CONSTRAINED MINERAL RESOURCE ESTIMATE AT 2.5% P_2O_5 CUT-OFF [1-4]

Classification	Zone	Tonnes (M)	P_2O_5 (%)	P_2O_5 (kt)	Fe_2O_3 (%)	Fe_2O_3 (Mt)	TiO_2 (%)	TiO_2 (kt)
Indicated	Mountain	9.3	8.19	758	9.95	0.9	3.23	299
	Northern	32.2	6.00	1,934	10.91	3.5	3.33	1,073
	Total	**41.5**	**6.49**	**2,692**	**10.69**	**4.4**	**3.31**	**1,372**
Inferred	Mountain	6.8	8.57	584	10.34	0.7	3.68	251
	Northern	44.3	6.98	3,090	11.14	5.0	3.26	1,442
	Southern	162.9	5.63	9,177	10.85	17.6	3.73	6,080
	Total	**214.0**	**6.01**	**12,851**	**10.89**	**23.3**	**3.63**	**7,773**

Bégin-Lamarche Block Model



Qualified Persons: Gilles Laverdière, P.Geo. VP Exploration for PHOS, and Eugene Puritch, P.Eng., FEC, CET, President of P&E Mining Consultants Inc.

Source: Company

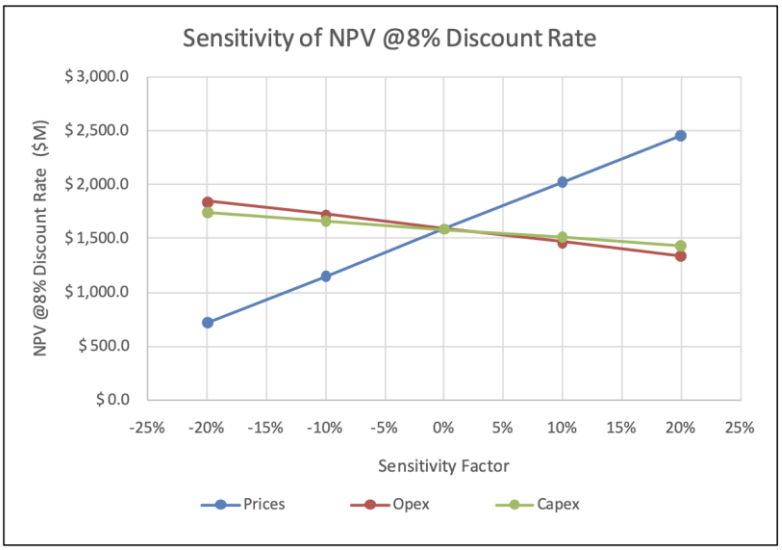
In December 2024, PHOS **completed a Preliminary Economic Assessment (PEA)** for a 23-year, truck-and-shovel open-pit operation targeting 900 ktpa of phosphate concentrate. Metallurgical tests confirmed the concentrate is suitable for LFP batteries.

The PEA returned an AT-NPV8% of $1.6B, and a high AT-IRR of 33%, using US$350/t igneous phosphate concentrate

The project's initial CAPEX is estimated at $675M

2024 PEA Highlights	
AT-NPV8%	**$1.6B**
AT- IRR	**33.0%**
Payback Period	2.9 years
Life of Mine (LOM)	23 years
Total Tonnes Processed	150.5 Mt
Annnual Production (Phosphate Concentrates)	900 Kt
Initial CAPEX	$675M
LOM Sustaining CAPEX	$317M
OPEX ($/t P2O5 conc. with Fe2O3 credit)	$121/t
Cumulative Discounted Cash Flow (DCF)	$4.5B
Phosphate price (40% P2O5)	US$350/t
Exchange rate: C$:US$	1.37

Using the current spot price of US$315/t, the study returned an AT-NPV8% of US$1.1B



Qualified Persons: Gilles Laverdière, P.Geo. VP Exploration for PHOS, and Eugene Puritch, P.Eng., FEC, CET, President of P&E Mining Consultants Inc.
Source: Company

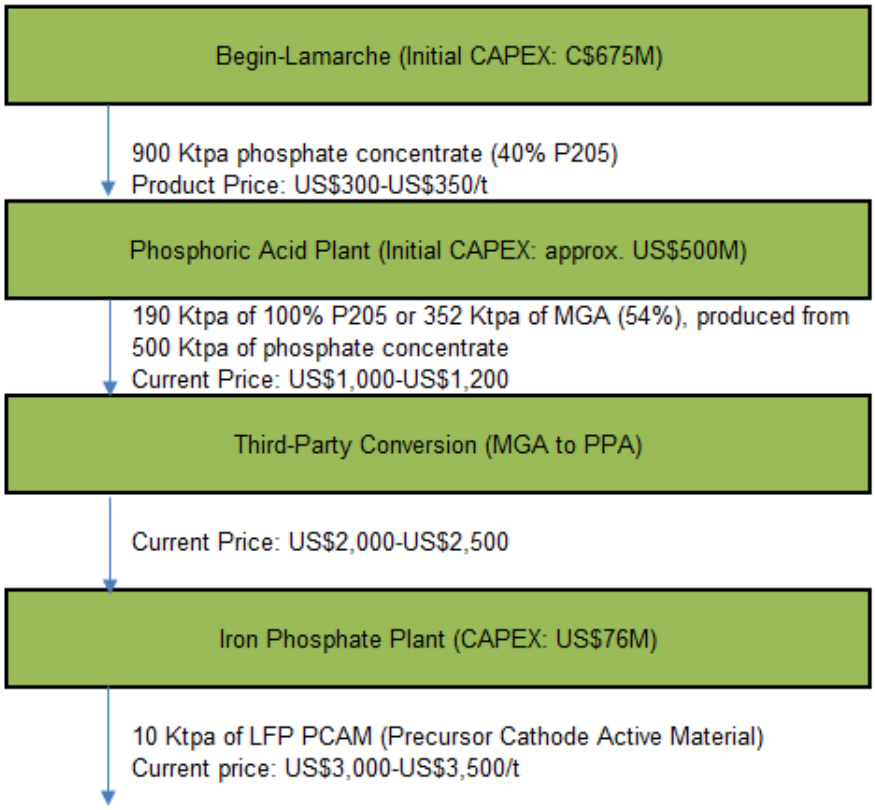
Management plans to complete a feasibility study, advance permitting, and pursue strategic and financing partners, with **production potentially starting in 2029.**

PHOS's Proposed Downstream Facilities & Development Plans

The table and chart below outline a projected economic model for a four-step, vertically integrated value chain that transforms raw phosphate ore into high-value LFP (Lithium Iron Phosphate) precursor material (PCAM). The figures presented represent our **preliminary assumptions**, derived from our market studies, and analysis of comparable projects.

Note how the product price increases at each stage, reflecting the value added through incremental OPEX and CAPEX

Proposed Development Plans



While advancing the Bégin-Lamarche project, the company is simultaneously developing two downstream facilities: a) a phosphoric acid plant, and b) an iron phosphate plant

Projected Economic Model for a Vertically Integrated Value Chain (FRC Estimates)

Step	Process	Input (ktpa)	Output (ktpa)	Incremental OPEX (US$/t)	Incremental CAPEX (US$M)	Product Price (US$/t)	GWh of LFP Batteries Supported
1	Igneous Phosphate Concentrate Production	Mined Ore	900	US$150	US$500M	US$300 – 350	-
2	Upgrade to MGA (54% P2O5)	900	600	US$300	US$700M	US$800 - 1,000	-
3	Conversion to PPA - 100% P205 (by 3rd party)	600	325	US$1,100 (toll/markup)	N/A	US$2,000 - 2,500	-
4	LFP PCAM (Precursor)	325	500	US$400	US$300M	US$3,000 – 3,500	300 GWh of LFP Batteries

Source: FRC

Planning a 190 ktpa phosphoric acid plant, using 500 ktpa of concentrate from Bégin-Lamarche

190 ktpa Phosphoric Acid (MGA) Plant: The company is planning to build out a phosphoric acid plant at the Port of Saguenay, located approximately 70 km driving distance from the Bégin-Lamarche project. It recently completed an internal economic study, details of which remain undisclosed, but management has indicated the results were robust enough to move the project forward. The study assumes that 500 ktpa of the 900 ktpa concentrate expected to be produced at Bégin-Lamarche (as per the PEA) will be used to produce 190 ktpa of value-added phosphoric acid (100% P_2O_5) or 352 ktpa of merchant-grade acid (MGA: 54% P_2O_5).

Partnership with Prayon of Belgium

Based on comparable projects, we estimate a potential CAPEX of approximately US$500M for the facility. PHOS has signed a technology license agreement with Prayon SA of Belgium, under which Prayon will grant PHOS the rights to use its technology to design, build, operate, and maintain the plant. Prayon is a well-established player in phosphate chemistry, with over 1,000 employees, and multiple production and R&D facilities across Europe and the U.S.

A feasibility study is planned for 2026. It is expected that Prayon will purchase the MGA produced at the facility, convert it into PPA, and sell it back to PHOS for use in the next step of its supply chain (described below).

10 ktpa iron phosphate plant; leased site; PPA sourced from Prayon

10 ktpa Iron Phosphate Plant – "First Saguenay": PHOS is developing a 10 ktpa iron phosphate plant, named First Saguenay, to produce LFP precursor cathode active material. The plant will source PPA from Prayon. PHOS has secured a 10-year lease on an existing industrial facility currently used for industrial steelwork, located 80 km from the Bégin-Lamarche project, and 120 km from Lac à l'Original. The facility is owned by Logistique Proco, a Quebec-based engineering and construction firm. An internal feasibility study estimates **a CAPEX of US$76M** to retrofit the facility and begin operations.

First Saguenay Iron Phosphate Facility

First Saguenay facility is located 20 km from the deep-sea port of Saquenay

No new permits required

Source: Company

PHOS has **partnered with Ultion Technologies**, a US-based private company specializing in the development and commercialization of battery materials, particularly LFP cathode active materials. Ultion will be responsible for the start-up and operations of the plant. The final product will be sold to manufacturers of LFP cathode active material (CAM) or battery cell makers.

Pre-production in 2026

Management expects to begin pre-production in 2026, with commercial production planned for Q1-2027. Next steps include finalizing offtake agreements, completing facility buildout, and commencing production. Since PHOS will require significant purchases from U.S. suppliers, the Export-Import Bank of the United States (EXIM) has **offered up to US$170M in financing for these projects**.

$170M LOI from EXIM

Achieves Fully North American LFP Battery Cell Production: Earlier this month, First Phosphate (PHOS) announced it produced commercial-grade LFP battery cells using 100% North American-sourced critical minerals, assembled by Ultion Technologies in Nevada. PHOS supplied phosphate and iron from its Bégin-Lamarche property, while lithium and graphite were provided by other juniors. This achievement highlights the potential for a fully localized LFP battery supply chain.

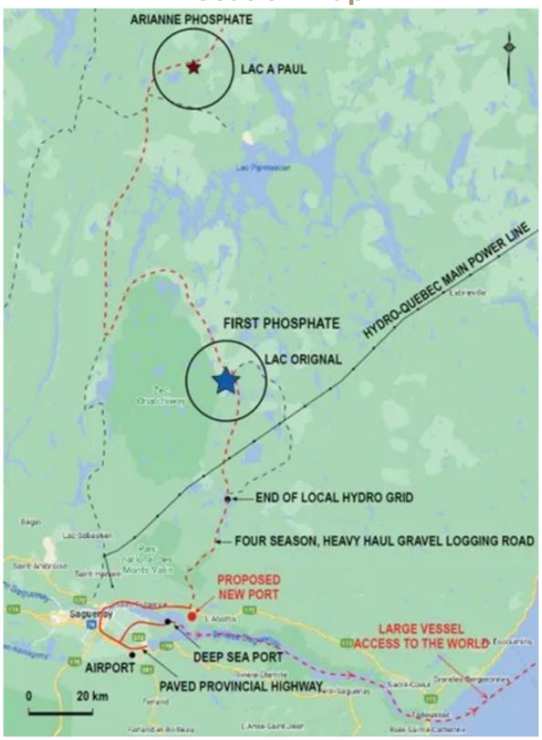
Lac à l'Orignal Phosphate Project (100% interest)

This advanced-stage project, covering 79,663 hectares, is located in the Saguenay-Lac-Saint Jean region, northern Québec.

As PHOS is exclusively focused on the above-mentioned initiatives, management has no immediate plans for this project

Located 110 km from Bégin-Lamarche

Location Map



Source: Company

Three phosphate showings have been drill-tested on the property: 1) the Lac à l'Orignal deposit; 2) Lac Vanel; and 3) Mirepoix. The current resource estimate covers only the Lac à l'Orignal deposit.

A small, open-pit resource totaling 49 Mt at 5.1% P_2O_5 vs standard grades ranging from 4% to 15% P_2O_5

Pit-Constrained Resource Estimate (at 2.5% P_2O_5 cut-off)

Class-ification	Tonnes (Mt)	P_2O_5 (%)	Contained P_2O_5 (kt)	Fe_2O_3 (%)	Contained Fe_2O_3 (Mt)	TiO_2 (%)	Contained TiO_2 (Mt)
Indicated	15.8	5.18	821	23.90	3.8	4.23	0.67
Inferred	33.2	5.06	1,682	22.55	7.5	4.16	1.38

(QP: Giles Laverdiere, P. Geo, Chief Geologist of PHOS)
Source: Company

The resource estimate was based on 56 holes/7,111 m

In 2023, PHOS **completed a PEA** for a 14-year truck-and-shovel open-pit operation, primarily producing 425 ktpa of phosphate concentrate. Metallurgical tests confirmed the concentrate is suitable for manufacturing PPA used in LFP batteries.

The PEA returned an AT-NPV5% of $511M, and a relatively low AT-IRR of 17%, using US$367/t igneous phosphate vs the current spot price of US$315/t

2023 PEA Highlights	
AT-NPV5%	**$511M**
AT- IRR	**17.2%**
Payback Period	4.9 years
Life of Mine (LOM)	14.2 years
Total Tonnes Processed	54 Mt
Annnual Production (Phosphate Concentrates)	425 Kt
Initial CAPEX	$550M
LOM Sustaining CAPEX	$130M
Phosphate price (40% P2O5)	US$367/t
Exchange rate: C$:US$	1.32

(QP: Giles Laverdiere, P. Geo, Chief Geologist of PHOS)
Source: Company/FRC

The project economics are less attractive than Bégin-Lamarche due to smaller tonnage, and lower grades

Management and Directors

Management and the board collectively own 27% of equity, with the CEO as the largest individual shareholder

Two out of four directors are independent

Share Ownership

Management / Directors	Shares	% of Total
John Passalacqua - CEO & Director	14,679,029	12.8%
Laurence W. Zeifman - Chairman	5,287,702	4.6%
Armand MacKenzie - President	570,400	0.5%
Bennett Kurtz - CFO & Director	4,232,723	3.7%
David Dufour - Executive Vice President	340,000	0.3%
Peter Nicholson - Independent Director	3,089,717	2.7%
Gilles Laverdiere - Chief Geologist	508,381	0.4%
Total	**28,707,952**	**25.1%**

Key Investors	Shares	% of Total
Glen Eagle Resources Inc.	2,700,000	2.4%
Total	**2,700,000**	**2.4%**

Total	**31,407,952**	**27.4%**

Source: Sedi.ca / FRC

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

John Passalacqua – CEO & Director
Mr. Passalacqua is an international business strategist with over 35 years of extensive technology and capital markets experience. In 1998, he gained the title of a top 50 international business strategist on the early internet. Mr. Passalacqua is involved in private and public market planning for companies in nascent, visionary industries.

Armand MacKenzie – President
Mr. MacKenzie was raised in traditional Innu territory, and has practiced law for 15 years, and was chief legal advisor on land rights for the Innu Nation. He was special advisor/negotiator on the drafting and adoption of the UN General Assembly Declaration on the Rights of Indigenous Peoples. Mr. MacKenzie has been a mining executive for the last 15 years.

Bennett Kurtz – CFO & Director
Mr. Kurtz is principal of Kurtz Financial Group. He has experience in financing public companies and taking private companies public. Mr. Kurtz has multi-faceted

business experience in finance, management, sales, marketing and administrative functions including business analysis, public business unit segmentation, internal and external analytics.

David Dufour – Executive Vice President
Mr. Dufour has over 30 years-experience in the development and the management of high-growth business in Saguenay, Quebec. He has worked as land surveyor, project manager and director of economic development. Mr. Dufour also worked in economic development for the Government of Quebec.

Gilles Laverdiere, P. Geo - Chief Geologist
Mr. Laverdiere is a geologist with more than 40 years of experience in mining exploration. Gilles has planned and supervised drilling projects in Quebec and elsewhere. He was President and CEO of HMZ Metals Inc. Gilles has served as a senior executive and board member of many public mining companies.

Laurence W. Zeifman – Non-Executive Chairman
Mr. Zeifman is an audit partner of Zeifmans LLP, a mid-sized Toronto public accounting firm. He has four decades of experience in public accounting and serves as chair of Nexia Canada, the Canadian division of the eighth largest international accounting network.

Peter Nicholson – Independent Director
Mr. Nicholson is a recognized leader in Canadian tax assisted investments, with a specialized focus on philanthropic tax planning and tax reduction, and the mining industry. Through work with numerous donors, foundations, institutions, and boards, He has helped generate over $350M for client donations.

Financials

Strong balance sheet

Subsequent to FY2025, PHOS raised $8M through equity financings

Key Financial Data (FYE - Feb 28)	2024	2025
Cash	$7,496,238	$1,873,550
Working Capital	$5,289,074	$2,631,423
Current Ratio	2.4	3.5
Monthly Burn Rate (incl. G&A)	-$281,892	-$150,052
Cash from Financing Activities	$10,020,670	$2,695,459
Property Related Expenses	-$3,520,097	-$3,939,800

- PHOS expenses, rather than capitalizes, all mineral exploration costs; if capitalized, its assets would be >$16M.
- The company has raised over $29M in equity to date

Source: FRC / Company

In-the-money options can bring in $4.64M

Options	#	Exercise Price	Amount
Total	8,500,000	$0.37	$3,170,000
In-the-Money	7,600,000	$0.33	$2,540,000

Warrants	#	Exercise Price	Amount
Total	19,839,416	$0.53	$10,600,550
In-the-Money	5,250,000	$0.40	$2,100,000

Source: FRC / Company

Valuation and Rating

Our Discounted Cash Flow (DCF) valuation on PHOS is $1.15/share, based on a 25-year operation, assuming annual production of 300 ktpa of PPA (100% P_2O_5), with an initial CAPEX of US$1B

For conservatism, and to account for project execution and financing risks, we used a relatively high discount rate of 15% vs our usual 10–12% for North American projects

DCF Valuation	
Operating Life (years)	25
Annual Produciton - PPA - Mt	300,000
Product Price (US$/t)	$2,250
OPEX (US$/t)	$1,450
Exchange rate (US$:C$)	1.37
Initial CAPEX (US$B)	$1.0
Discount Rate	15%
After-Tax Net Asset Value (C$)	**$126,764,064**
Working Capital - Debt (C$)	$7,701,266
Fair Value of PHOS (C$)	**$134,465,330**
No. of Shares *	116,890,974
Fair Value per Share (C$)	**$1.15**

* calculated based on the treasury stock method

Source: FRC

Our valuation is highly sensitive to various key inputs

Fair Value (C$)		Product Price (US$/t)				
		$2,000	$2,250	$2,500	$2,750	$3,000
Exchange Rate (US$:C$)	$1.20	-$1.79	$1.02	$3.82	$6.63	$9.44
	$1.30	-$1.95	$1.09	$4.14	$7.18	$10.22
	$1.37	-$2.05	**$1.15**	$4.36	$7.56	$10.77
	$1.40	-$2.10	$1.17	$4.45	$7.72	$11.00
	$1.45	-$2.18	$1.21	$4.61	$8.00	$11.39

Fair Value (C$)		Product Price (US$/t)				
		$2,000	$2,250	$2,500	$2,750	$3,000
Discount Rate	5.0%	$6.51	$15.28	$24.05	$32.83	$41.60
	10.0%	$0.47	$5.50	$10.53	$15.56	$20.59
	15.0%	-$2.05	**$1.15**	$4.36	$7.56	$10.77
	17.5%	-$2.71	-$0.07	$2.56	$5.20	$7.84
	25.0%	-$3.57	-$1.96	-$0.36	$1.24	$2.85

Source: FRC

Based on our review of the company's projects, management's vision, and development strategy, we are initiating coverage with a **BUY** rating, and a **fair value estimate of $1.15/share**. Our valuation is based solely on a DCF model, as we are not aware of any direct comparables with a similar development strategy, stage, and cost structure.

In conclusion, we believe PHOS **offers rare exposure to a vertically integrated, North American LFP battery supply chain** backed by high-purity igneous phosphate—critical for meeting EV and energy storage demand. With a strong PEA, multiple downstream projects underway, and strategic offtake and financing agreements already in place, PHOS is advancing toward becoming a key domestic player in the LFP battery market.

Risks

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

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

- Commodity prices
- Permitting and development
- **Access to capital and potential for share dilution**
- Dependence on partners for project execution
- There is no assurance that the company can advance all of its projects simultaneously

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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