First Phosphate Corp.

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

Building North American LFP Battery Supply Chain Amid China Controls

BUY

Current Price: C$0.93

Fair Value: C$1.59

Risk*: 5

Sector: Junior Resource

Click here for more research on the company

Highlights

- PHOS is **up 111%** since we initiated coverage in July 2025, driven by both company-specific advancements, and sector developments. Sector catalysts include the recent addition of phosphate to the **U.S. Critical Minerals list,** and **China's export controls** on cathode active material (CAM) for lithium iron phosphate (LFP) batteries.
- The company has **raised $15M through equity financings** since September 2025. In-the-money options and warrants could provide an additional $14M.
- PHOS is developing **a vertically integrated supply chain for LFP batteries**, managing the full process from extracting high-purity phosphate to producing CAM. LFP batteries support key markets such as **energy storage systems** (ESS), and **electric vehicles** (EVs), and are gaining traction in fast-growing sectors including **AI data centers**, robotics, and automation.
- Recent tests showed that LFP battery cells made with 100% North American–sourced minerals demonstrated competitive performance metrics. PHOS supplied phosphate and iron, with lithium and graphite from other juniors, demonstrating **the potential for a fully local LFP supply chain.**
- The company has begun **a 30,000 m drill program** to potentially confirm, expand, and/or upgrade its resource ahead of a feasibility study. The 2024 Preliminary Economic Assessment returned an after-tax NPV8% of $1.59B at US$350/t phosphate vs. US$305/t spot. PHOS is currently **trading at just 9% of the NPV.**
- The addition of phosphate to the **U.S. Critical Minerals list** is a major development for the company. Phosphate is already on Canada's list, and we believe this designation improves eligibility for funding programs, potentially accelerating PHOS's mine-to-market initiatives.
- **Upcoming catalysts** include drilling, potential downstream facility development, offtake agreements, and/or project financing.

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	232%	244%
CSE	24%	35%

Company Data

52 Week Range	$0.24 - $1.08
Shares O/S	158M
Market Cap.	C$147M
Yield (forward)	N/A
P/E (forward)	N/A
P/B	5.0x

Stocks in Real Life Series: Why is phosphate essential for LFP batteries and what you should know. Follow us for more CEO insights!

Key Financial Data (FYE - Feb 28)			
(C$)	2025	2026 (6M)	Current
Cash	$1,873,550	$7,590,632	
Working Capital	$2,631,423	$10,655,162	$22,013,625
Mineral Assets	$3,591,734	$3,591,734	
Total Assets	$7,452,772	$14,682,667	
Net Income (Loss)	-$7,627,414	-$3,754,347	
EPS	-$0.10	-$0.04	

*Subsequent to FY2026 (6M), PHOS raised $15M through equity financings.

*QP: Gilles Lavardiére, P.Geo., Chief Geologist of First Phosphate Corp.

*** 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.**

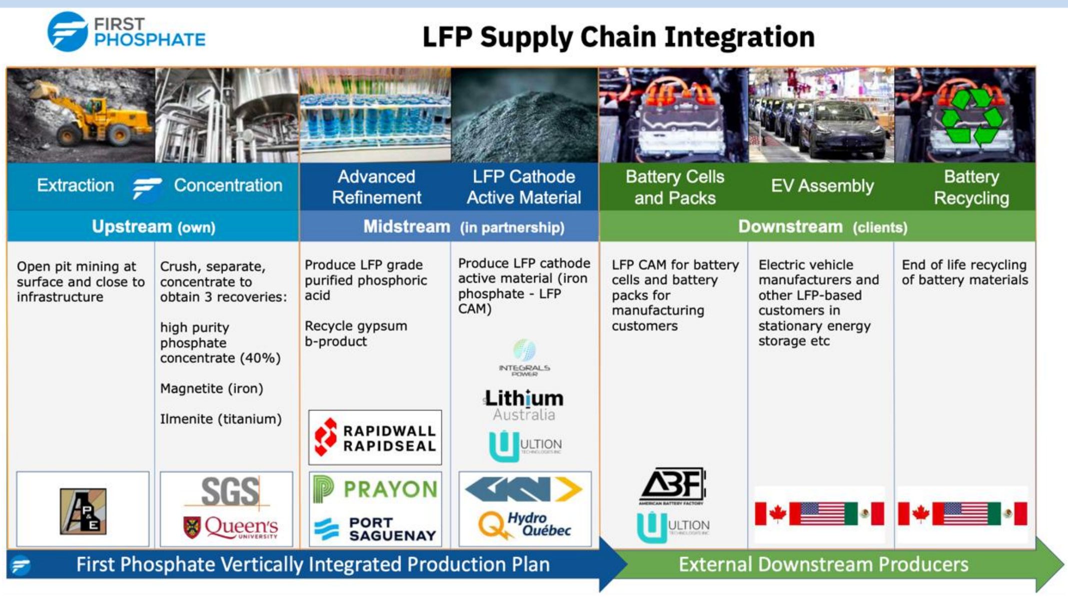
Two advanced-stage phosphate projects in Quebec, an emerging battery metal hub in Canada

Phosphate was recently added to the U.S. critical minerals list, joining the E.U., South Korea, and Canada

The company aims to build a vertically integrated LFP battery ecosystem

Portfolio Summary

	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 P2O5, 4.4 Mt Fe2O3, 1.4 Mt TiO2 Inferred: 12.9 Mt P2O5, 23.3 Mt Fe2O3, 7.8 Mt TiO2	Indicated: 821 Kt P2O5, 3.8 Mt Fe2O3, 0.67 Mt TiO2 Inferred: 1.7 Mt P2O5, 7.5 Mt Fe2O3, 2.38 Mt TiO2	N/A



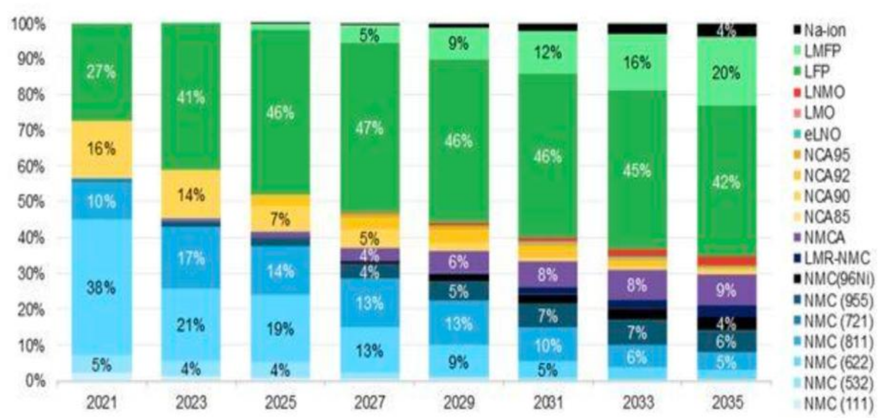
*QP: Gilles Lavardiére, P.Geo., Chief Geologist of First Phosphate Corp
Source: Company

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 account for 60% of the global battery market

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

Market Share of Cathode Materials in Batteries



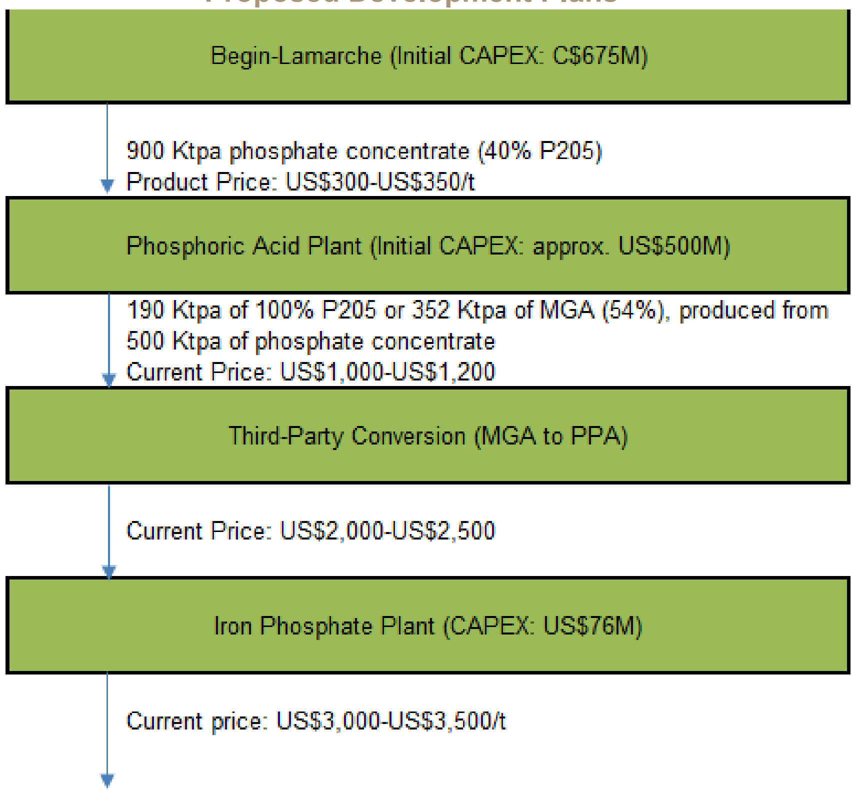
Source: Bloomberg

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

PHOS's Proposed Downstream Facilities

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.

Proposed Development Plans



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)

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$500M	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

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 (75 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

The project hosts 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

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

Bégin-Lamarche Phosphate Project (100% interest)

Recent tests confirmed that LFP battery cells made using 100% North American-sourced critical minerals showed **robust energy storage and power performance.** 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.

Location Map

Source: Company

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**

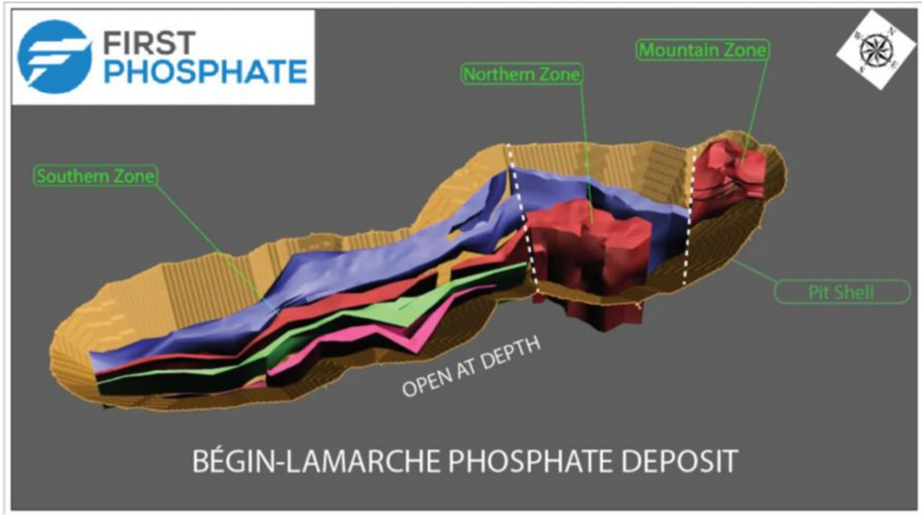
Qualified Persons: Gilles Laverdière, P.Geo. VP Exploration for PHOS, and Eugene Puritch, P.Eng., FEC, CET, President of P&E Mining Consultants Inc.

Source: Company

We believe there is significant resource expansion potential as the deposits remain open at depth

The company has **commenced a 30,000 m drill program** to potentially confirm, expand, and/or upgrade the current resource ahead of a feasibility study.

Bégin-Lamarche Block Model



Source: Company

A 2024 PEA returned an AT-NPV8% of $1.59B, and a high AT-IRR of 33%, using US$350/t igneous phosphate concentrate (spot: US$305/t)

IRR >25% is attractive for mining projects

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

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

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

PHOS's Proposed 190 ktpa Phosphoric Acid (MGA) Plant

The company plans a 190 ktpa phosphoric acid (MGA) plant at the Port of Saguenay, about 70 km from Bégin-Lamarche. PHOS has finalized the land lease for the plant. The **Canadian government announced a $58 M investment** to build a second wharf next to PHOS's proposed plant, providing a major supply chain advantage.

70 km from the Bégin-Lamarche project

A proposed second wharf would enhance export logistics

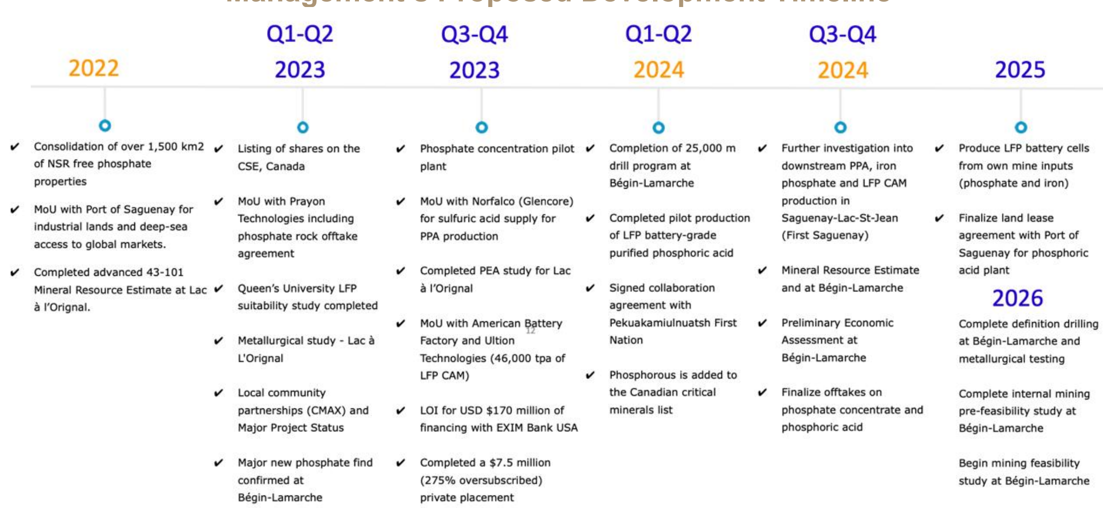
Source: Company

PHOS 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 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).

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

Multiple Catalysts

Management's Proposed Development Timeline



Source: Company

Financials

Strong balance sheet

Subsequent to Q2-FY2026 (August), PHOS raised $15M through equity financings

Key Financial Data (FYE - Feb 28)	2025	2026 (6M)	Current
Cash	$1,873,550	$7,590,632	
Working Capital	$2,631,423	$10,655,162	$22,013,625
Current Ratio	3.5	41.3	
Monthly Burn Rate (incl. G&A)	-$150,052	-$109,623	
Cash from Financing Activities	$2,695,459	$11,136,400	
Property Related Expenses	-$3,939,800	-$2,726,356	

- The company has raised over $44M in equity to date

In-the-money warrants and options can bring in $14M

Options	#	Exercise Price	Amount
Total	12,600,000	$0.55	$6,965,000
In-the-Money	12,600,000	$0.55	$6,965,000

Warrants	#	Exercise Price	Amount
Total	17,346,456	$0.63	$10,887,298
In-the-Money	14,044,363	$0.48	$6,759,682

Source: FRC / Company

FRC Valuation and Rating

We continue to value the company 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

Given recent positive developments, we are lowering our discount rate assumption from 15% to 13% 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$)	1.38
Initial CAPEX (US$B)	$1.0
Discount Rate	13%
After-Tax Net Asset Value (C$)	**$248,218,120**
Working Capital - Debt (C$)	$22,013,625
Fair Value of PHOS (C$)	**$270,231,745**
No. of Shares *	169,513,470
Fair Value per Share (C$)	**$1.59**

Source: FRC

As a result, our Discounted Cash Flow (DCF) valuation increased from $1.15 to $1.59/share

Fair Value (C$)		Product Price (US$/t)				
		$2,000	$2,250	$2,500	$2,750	$3,000
Exchange Rate (US$:C$)	$1.20	-$0.82	$1.40	$3.63	$5.85	$8.08
	$1.30	-$0.90	$1.51	$3.92	$6.33	$8.74
	$1.38	-$0.96	**$1.59**	$4.15	$6.71	$9.27
	$1.40	-$0.98	$1.62	$4.21	$6.81	$9.40
	$1.45	-$1.02	$1.67	$4.36	$7.04	$9.73

Fair Value (C$)		Product Price (US$/t)				
		$2,000	$2,250	$2,500	$2,750	$3,000
Discount Rate	7.5%	$1.89	$6.35	$10.81	$15.28	$19.74
	10.0%	$0.25	$3.67	$7.08	$10.49	$13.90
	13.0%	-$0.96	**$1.59**	$4.15	$6.71	$9.27
	15.0%	-$1.49	$0.66	$2.81	$4.96	$7.11
	25.0%	-$2.51	-$1.46	-$0.40	$0.65	$1.70

Source: FRC

We are reiterating our BUY rating and **raising our fair value estimate** from $1.15 to $1.59/share. We believe PHOS offers rare exposure to a vertically integrated, North American LFP battery supply chain. With a strong PEA and multiple downstream projects underway, PHOS has the **potential to become 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 maintaining 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.

Disclaimers and Disclosure
Analyst Certification: The views expressed in this report accurately reflect the personal views of the analyst, and no part of their compensation was, is, or will be directly or indirectly related to the specific recommendation or views expressed.

Any "forward looking statements" are our best estimates and opinions based upon information that is publicly available and that we believe to be correct, but we have not independently verified with respect to truth or correctness. There is no guarantee that our forecasts will materialize. Actual results will likely vary. The analyst and Fundamental Research Corp. "FRC" do not own any shares of the subject company. FRC owns warrants of the subject company, but does not make a market or offer shares for sale of the subject company, and does not have any investment banking business with the subject company. Fees ranging between $15,000 and $25,000 have been paid to FRC by First Phosphate to commission this report, research coverage, and distribution of reports. **This fee creates a potential conflict of interest which readers should consider.** FRC takes steps to mitigate conflicts including setting fees in advance and utilizing analysts who must abide by CFA Institute Code of Ethics and Standards of Professional Conduct. Additionally, analysts may not trade in any security under coverage. Our full editorial control of all research, timing of release of the reports, and release of liability for negative reports are protected contractually. The issuer has agreed to a minimum coverage term and coverage cannot be unilaterally terminated. Distribution procedure: our reports are distributed first to our web-based subscribers on the date shown on this report then made available to delayed access users through various other channels for a limited time.

The distribution of FRC's ratings are as follows: BUY (71%), HOLD (3%), SELL / SUSPEND (26%).

This report contains "forward looking" statements. Forward-looking statements regarding the Company and/or stock's performance inherently involve risks and uncertainties that could cause actual results to differ from such forward-looking statements. Factors that would cause or contribute to such differences include, but are not limited to, continued acceptance of the Company's products/services in the marketplace; acceptance in the marketplace of the Company's new product lines/services; competitive factors; new product/service introductions by others; technological changes; dependence on suppliers; systematic market risks and other risks discussed in the Company's periodic report filings, including interim reports, annual reports, and annual information forms filed with the various securities regulators. By making these forward-looking statements, Fundamental Research Corp. and the analyst/author of this report undertakes no obligation to update these statements for revisions or changes after the date of this report. A report initiating coverage will most often be updated quarterly while a report issuing a rating may have no further or less frequent updates because the subject company is likely to be in earlier stages where nothing material may occur quarter to quarter.

Fundamental Research Corp DOES NOT MAKE ANY WARRANTIES, EXPRESSED OR IMPLIED, AS TO RESULTS TO BE OBTAINED FROM USING THIS INFORMATION AND MAKES NO EXPRESS OR IMPLIED WARRANTIES OR FITNESS FOR A PARTICULAR USE. ANYONE USING THIS REPORT ASSUMES FULL RESPONSIBILITY FOR WHATEVER RESULTS THEY OBTAIN FROM WHATEVER USE THE INFORMATION WAS PUT TO. ALWAYS TALK TO YOUR FINANCIAL ADVISOR BEFORE YOU INVEST. WHETHER A STOCK SHOULD BE INCLUDED IN A PORTFOLIO DEPENDS ON ONE'S RISK TOLERANCE, OBJECTIVES, SITUATION, RETURN ON OTHER ASSETS, ETC. ONLY YOUR INVESTMENT ADVISOR WHO KNOWS YOUR UNIQUE CIRCUMSTANCES CAN MAKE A PROPER RECOMMENDATION AS TO THE MERIT OF ANY PARTICULAR SECURITY FOR INCLUSION IN YOUR PORTFOLIO. This REPORT is solely for informative purposes and is not a solicitation or an offer to buy or sell any security. It is not intended as being a complete description of the company, industry, securities or developments referred to in the material. Any forecasts contained in this report were independently prepared unless otherwise stated and HAVE NOT BEEN endorsed by the Management of the company which is the subject of this report. Additional information is available upon request. THIS REPORT IS COPYRIGHT. YOU MAY NOT REDISTRIBUTE THIS REPORT WITHOUT OUR PERMISSION. Please give proper credit, including citing Fundamental Research Corp and/or the analyst, when quoting information from this report.

The information contained in this report is intended to be viewed only in jurisdictions where it may be legally viewed and is not intended for use by any person or entity in any jurisdiction where such use would be contrary to local regulations or which would require any registration requirement within such jurisdiction.