First Phosphate Corp.

Building North America's LFP Supply Chain

Dec 01, 2025

Basic Materials

FRSPF

OTCQX

Rating

Outperform

Initiation

Current Price

$0.59

Target Price

$1.55

Market Capitalization

86.84m

Shares Outstanding

142.84m

Float

98.56m

Institutional Holdings

0.3%

12-Month Low/High

$0.14/$0.86

Average 90-Day Volume

290680

Fiscal Year End

02/28/2026

Revenues ($ MIL)

Period	2025 A	2026 E	2027 E
Q1	$0.0 A	$0.0 A	$0.0 E
Q2	$0.0 A	$0.0 A	$0.0 E
Q3	$0.0 A	$0.0 E	$0.0 E
Q4	$0.0 A	$0.0 E	$0.0 E
	$0.0 A	$0.0 E	$0.0 E

EPS ($)

Period	2025 A	2026 E	2027 E
Q1	$(0.06) A	$(0.02) A	$(0.01) E
Q2	$(0.00) A	$(0.02) A	$(0.01) E
Q3	$(0.02) A	$(0.02) E	$(0.02) E
Q4	$(0.02) A	$(0.02) E	$(0.02) E
	$(0.10) A	$(0.08) E	$(0.06) E

Initiating Coverage with a price target of US$1.55 (C$2.15). First Phosphate Corp. (CSE: PHOS; OTCQX: FRSPF) is a Québec-based mineral development and cleantech company advancing an onshore, vertically integrated, mine-to-market Lithium Iron Phosphate (LFP) battery materials supply chain for North America. The company intends to supply purified phosphoric acid (PPA) and iron-phosphate material for use in LFP batteries. Target markets include grid storage, data centers, robotics, mobility, and national security applications.

Flagship Asset. Bégin-Lamarche anchors the company's growth strategy and represents one of the most advanced high-purity igneous phosphate deposits in North America. The most recent Preliminary Economic Assessment (PEA) outlines a 23-year open-pit operation producing ~900,000 tonnes per year of 40% phosphate concentrate, with throughput ramping from 10,300 tonnes per day (tpd) initially to 20,800 tpd by Year 5. Located roughly 70–85 kilometers (km) from the deep-water Port of Saguenay and about 50 km from rail facilities, Bégin-Lamarche sits at the core of a compact logistics corridor.

Phosphate Importance. PPA has emerged as one of the most constrained inputs in the LFP supply chain, with capacity concentrated in China, and Western output largely committed to fertilizer and industrial uses. Igneous phosphate, which accounts for roughly 5% of global resources, yields higher-purity concentrate and significantly better conversion rates into battery-grade PPA than sedimentary deposits. This scarcity, combined with the technical advantages of igneous feedstock, gives deposits such as Bégin-Lamarche strategic significance.

Strategic Outlook. First Phosphate aims to build a fully integrated, Québec-based LFP materials chain linking concentrate from Bégin-Lamarche to PPA production at the Port of Saguenay and iron-phosphate precursor output at La Baie. The company has demonstrated a complete pathway at pilot scale—igneous rock to apatite concentrate, to phosphoric acid using Prayon technology, to iron-phosphate and LFP cathode material, and ultimately to working LFP cells using North American inputs.

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Refer to the last two pages for Analyst Certification & Disclosures

Investment Appraisal

We are initiating research coverage of First Phosphate with an Outperform rating and a price target of US$1.55 or C$2.15 per share. The company is developing an integrated LFP battery materials platform in Québec, built around the high-purity igneous phosphate deposit at Bégin-Lamarche and a downstream processing hub at the Port of Saguenay. The core of the investment thesis is the limited availability of battery-grade PPA in North America and Europe at a time when LFP chemistries are needed for use in EVs, stationary battery storage, and data centers. China currently controls more than 90% of global PPA output, while Western phosphoric acid production remains oriented toward fertilizer and food-grade applications, with limited availability for battery-grade supply.

First Phosphate's resource base is differentiated by geology and mineralogy. Igneous phosphate deposits represent a small fraction of global resources but yield much cleaner concentrates with higher conversion efficiency into PPA, with roughly a 90-95% conversion, compared to sedimentary deposits, which often contain higher levels of deleterious elements and generate more complex waste streams. Metallurgical test work for Bégin-Lamarche indicates flotation recoveries above 90% and production of a 40% phosphate concentrate, enabling entry into PPA production without extensive impurity-removal circuits. In our view, this feedstock quality supports LFP-grade PPA production at a mine scale that is smaller and more manageable than sedimentary-based operations that must process larger tonnages to achieve equivalent purity.

Notably, First Phosphate has now demonstrated the full conversion chain from its igneous rock to functional LFP battery cells, validating the core technical premise of its mine-to-cathode strategy. The company has produced commercial-grade LFP cells using cathode and anode materials derived entirely from North American critical minerals. The phosphate feedstock originated from high-purity igneous concentrate at the Bégin-Lamarche property and was converted into purified phosphoric acid through Prayon Technologies' pilot facilities. The iron material was made from Bégin-Lamarche magnetite concentrate processed by GKN Hoeganaes in Tennessee. Lithium carbonate came from Century Lithium's Nevada operations, and the natural-graphite anode material was supplied by Nouveau Monde Graphite in Quebec. These programs remain at pilot and demonstration scale, but provide proof of concept that First Phosphate can translate its resource base into fully engineered LFP cells using a regionalized North American supply chain—aligning with the industry's shift toward security of supply, ESG performance, and on-continent material sourcing.

Figure 1. First Phosphate Value Chain

Source: First Phosphate Investor Presentation

The vertical integration strategy, open-pit mines supplying purified phosphoric acid and iron-phosphate production in the Saguenay industrial corridor, creates a direct route to serve North American and European LFP cathode markets. Québec's low-

carbon hydroelectric grid, industrial infrastructure, and deep-water port access meaningfully enhance the project's competitiveness and commercial appeal.

Near-term catalysts include: (1) completion of feasibility-level metallurgical, engineering, and resource-conversion work at Bégin-Lamarche; (2) results from the 30,000-meter drill program across the Mountain, Northern, and Southern zones, which should refine mine scheduling and potentially extend mine life; (3) progress on design and permitting for the Port of Saguenay PPA facility; (4) advancement of engineering and permitting for the La Baie iron-phosphate precursor plant; and (5) additional strategic partnerships, government support, or financing initiatives that further de-risk the mine and downstream development plan.

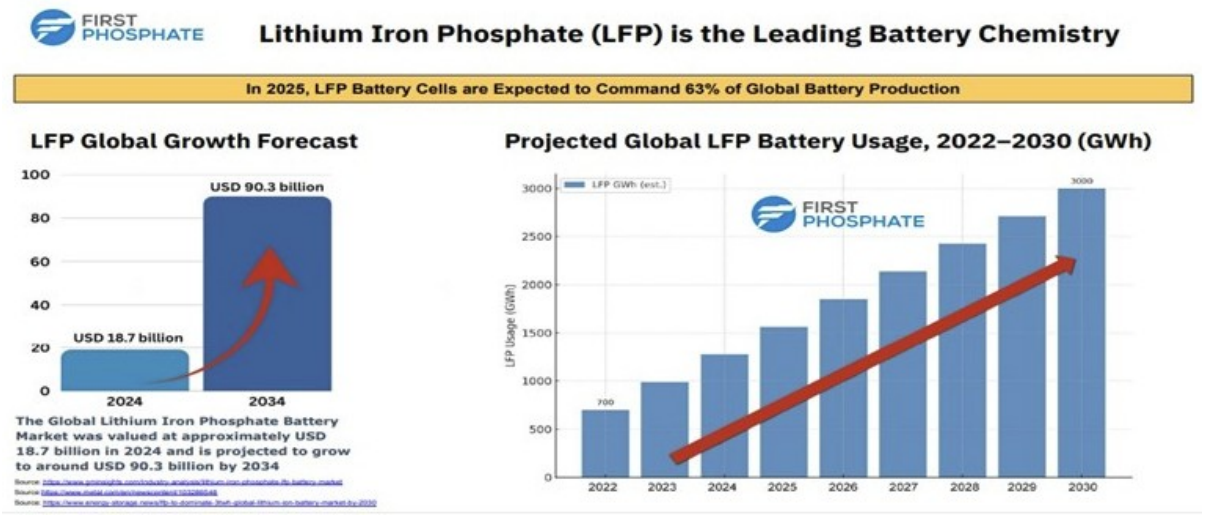
Investment Risks

Key risks include but are not limited to: (1) execution risk across multiple project stages, including resource-to-reserve conversion at Bégin-Lamarche, completion of feasibility work, financing, and mine construction; (2) permitting risk for both the mine and downstream facilities, including potential changes to provincial or federal regulatory frameworks and timelines; (3) capital intensity and funding risk associated with building an integrated mine-to-materials platform, which will likely require a combination of equity, debt, strategic partnerships, and potential government support; (4) market risk related to the pace of LFP adoption, future battery-chemistry mix, and long-term pricing for PPA and iron-phosphate precursor; (5) commercialization and offtake risk, including the timing and structure of long-term agreements and qualification cycles with cathode and cell manufacturers; and (6) asset concentration risk in Bégin-Lamarche until Lac à l'Orignal and other regional targets are advanced to more definitive technical stages.

LFP Growth and the PPA Bottleneck

LFP battery adoption is expanding rapidly across EVs, stationary storage, data centers, and industrial applications due to their safety profile, cost competitiveness, and cycle life. Industry forecasts call for sustained double-digit growth. Global Market Insights estimates the global LFP market will increase from approximately USD $18.7 billion in 2024 to USD $90.3 billion by 2034, while Energy Storage News projects global LFP battery usage rising from around 700 GWh to 3,000 GWh by 2030, representing an approximate 329% increase.

Figure 2. LFP Leading Battery Chemistry



Source: First Phosphate Company Website

Nearly 90% of global LFP batteries and a majority of battery-grade PPA are produced in China. In North America, phosphoric acid production is shrinking and largely committed to fertilizer and food-grade markets, leaving essentially no dedicated supply for LFP producers. As EV and stationary battery storage deployments scale, regional phosphate demand is expected to

increasingly exceed available domestic acid supply unless new capacity is built.

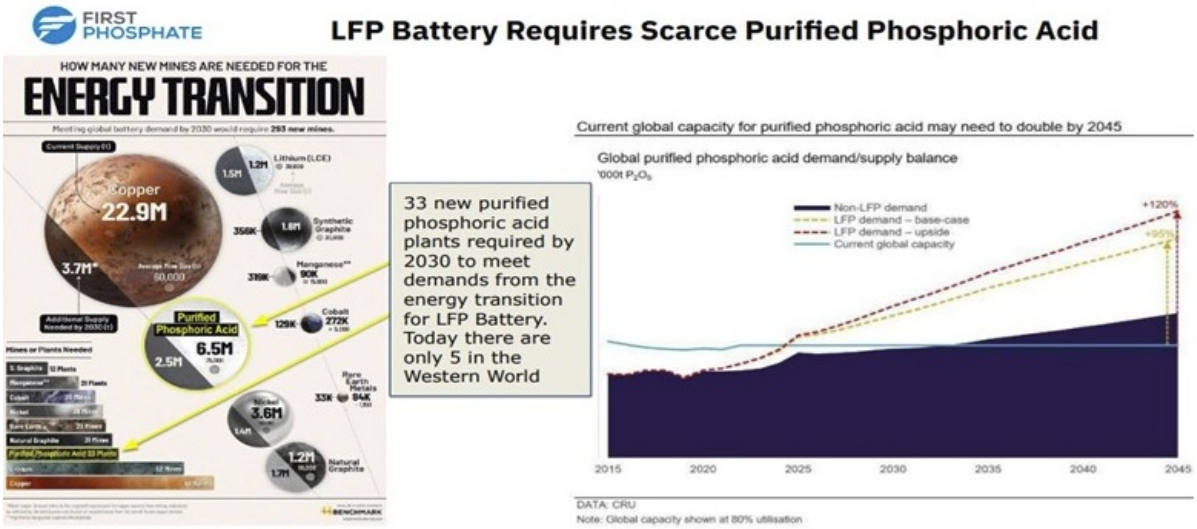
The nature of the underlying feedstock intensifies this bottleneck. Roughly 85% of global phosphate reserves are contained in sedimentary deposits, primarily in North Africa and the Middle East. These ores often contain elevated levels of heavy metals and generate radioactive gypsum waste, making the production of battery-grade PPA more complex and costly. Igneous phosphate accounts for only about 5% of global deposits, highlighted below in Figure 3, but tends to offer a cleaner mineral profile with fewer deleterious elements. Within this subset, anorthosite-hosted igneous deposits, which represent a small slice of global supply, provide particularly high-purity feedstock and support higher conversion efficiency into LFP-grade PPA.

Figure 3. World Phosphate Deposits

Source: First Phosphate Website

First Phosphate's high-purity igneous resources and integrated plan to produce PPA and iron-phosphate precursor in Québec directly target this structural gap. Once fully developed, the company's project portfolio is designed to support meaningful volumes of LFP cathode precursor, positioning First Phosphate among a limited number of North American platforms that could contribute materially to regional battery-materials security. In our view, this places the company at the intersection of geology, chemistry, and policy at a time when OEMs and battery producers are actively seeking secure, domestic sources of LFP materials.

Figure 4. Purified Phosphoric Acid Usage and Scarcity

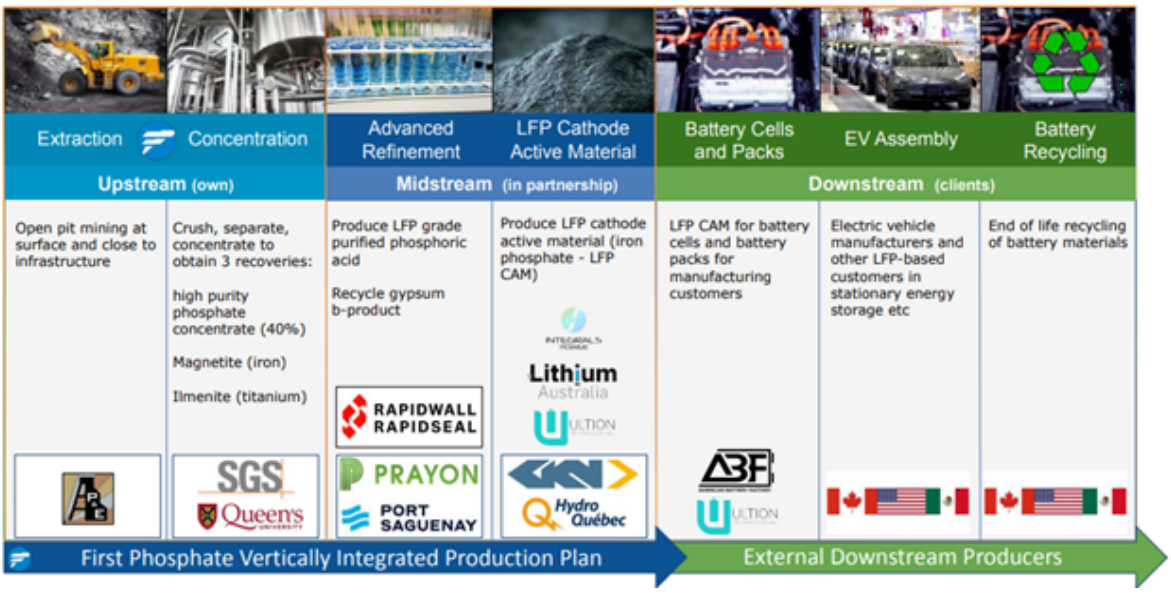


Source: First Phosphate Company Presentation

Corporate Overview and History

First Phosphate Corp. is a Québec-based critical minerals company developing an integrated LFP battery materials platform centered on a district-scale land position in the Saguenay–Lac-Saint-Jean region of Quebec. The company's strategy is centered around the advanced igneous phosphate deposit, Bégin-Lamarche, with a downstream processing chain, illustrated below in Figure 5, designed to convert igneous apatite concentrate into purified phosphoric acid and iron-phosphate material for LFP cathodes. With mining, chemical processing, and precursor facilities planned within the same industrial corridor and within trucking distance of rail facilities and the deep-water Port of Saguenay, the company's portfolio is structured to support a fully integrated mine-to-market development model.

Figure 5. LFP Supply Chain

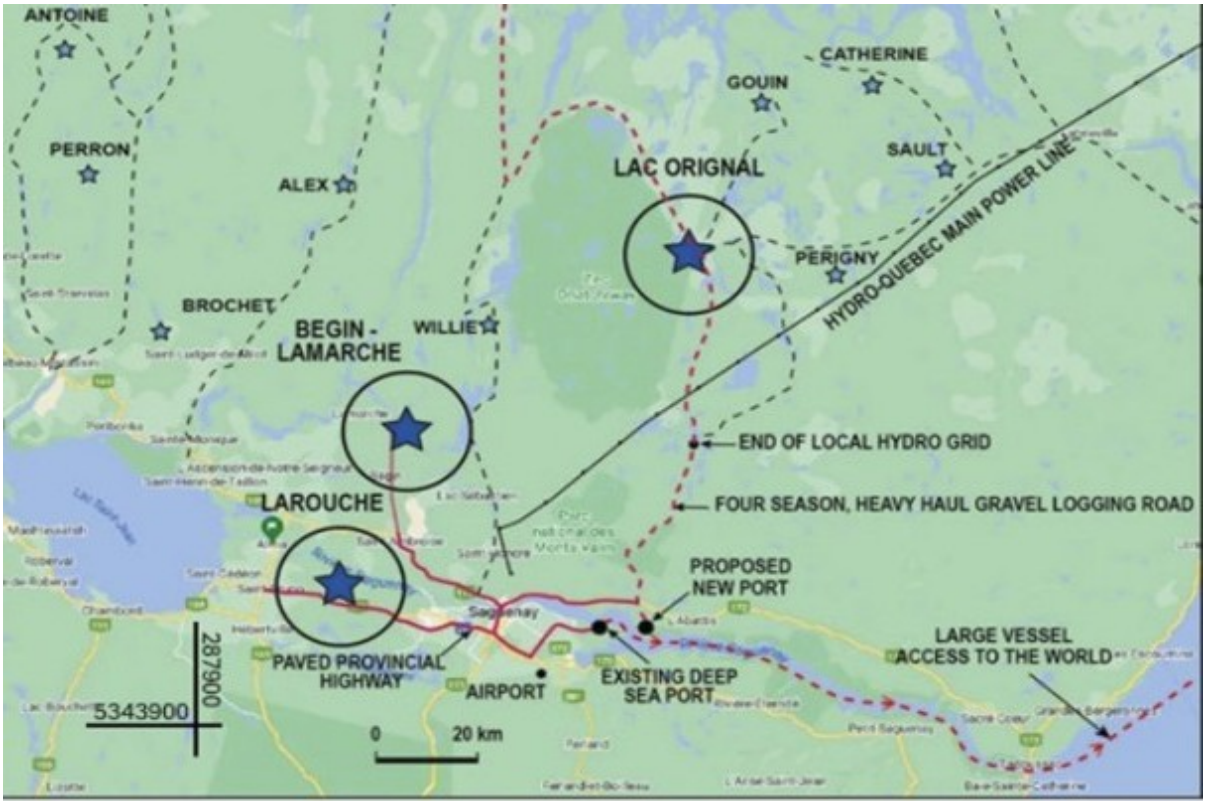


Source: First Phosphate Investor Presentation

The land position has been assembled since 2022 through the consolidation of anorthosite-hosted phosphate properties in the Saguenay region. Early steps focused on Lac à l'Orignal, followed by expansion into the Bégin-Lamarche area, supported by geological mapping, surface stripping, geophysics, and drilling that confirmed the presence of thick, laterally continuous phosphate horizons. These programs led to an initial mineral resource estimate and subsequent Preliminary Economic Assessment at Bégin-Lamarche, establishing it as the flagship asset.

In parallel with the upstream build-out, the company has advanced the downstream component of its strategy. First Phosphate has secured a site option at the Port of Saguenay for its proposed PPA facility and completed preliminary engineering work outlining the development path for an iron-phosphate precursor plant at La Baie. The industrial land option grants the company exclusive rights to enter a definitive lease with the port through December 31, 2027, ahead of anticipated construction beginning in 2028. The designated site offers direct rail connectivity, deep-water vessel access, established utilities, and expansion capacity, and will be adjacent to a federally funded second wharf. Together with existing infrastructure, these elements form the backbone of a vertically aligned operating region leveraging low-carbon power and year-round port access.

Figure 6. First Phosphate Land Portfolio



Source: First Phosphate Investor Presentation

Bégin-Lamarche: First Phosphate's Flagship Project

Location and Overview

Bégin-Lamarche anchors First Phosphate's development pipeline and is one of the more advanced high-purity igneous phosphate systems in North America. The property is in the Saguenay–Lac-Saint-Jean region, approximately 70 kilometers northwest of the City of Saguenay and roughly 270 kilometers north of Québec City. The region has a long history of natural resource and industrial activity, supported by paved highways, forestry roads, established camps, local contractors, and year-round access that collectively reduce logistical risk and support consistent execution.

The deposit lies approximately 85 kilometers from the deep-water Port of Saguenay, the planned site of the company's PPA facility and the central hub for downstream material handling. The port connects directly to global shipping routes and is linked to rail infrastructure, allowing concentrate to move efficiently into both North American and European markets. This creates a compact logistics corridor in which mined concentrate can be trucked to the port for conversion into PPA and iron-phosphate precursor without long-haul rail exposure.

The broader Saguenay region is powered by a hydroelectric grid, offering low-carbon electricity aligned with the decarbonization objectives of battery supply chain participants. More than 3,000 megawatts of new wind generation is being developed in the region for industrial customers. Bagotville Airport provides daily commercial service to Montréal and supports rapid access for technical and operational teams. In our view, the combination of power, infrastructure, labor pool, and port proximity places Bégin-Lamarche at the center of Québec's emerging battery-materials corridor. Planned construction of a second wharf at Port Saguenay, located beside the company's proposed PPA plant site, further enhances the corridor's ability to support concentrate and downstream product exports.

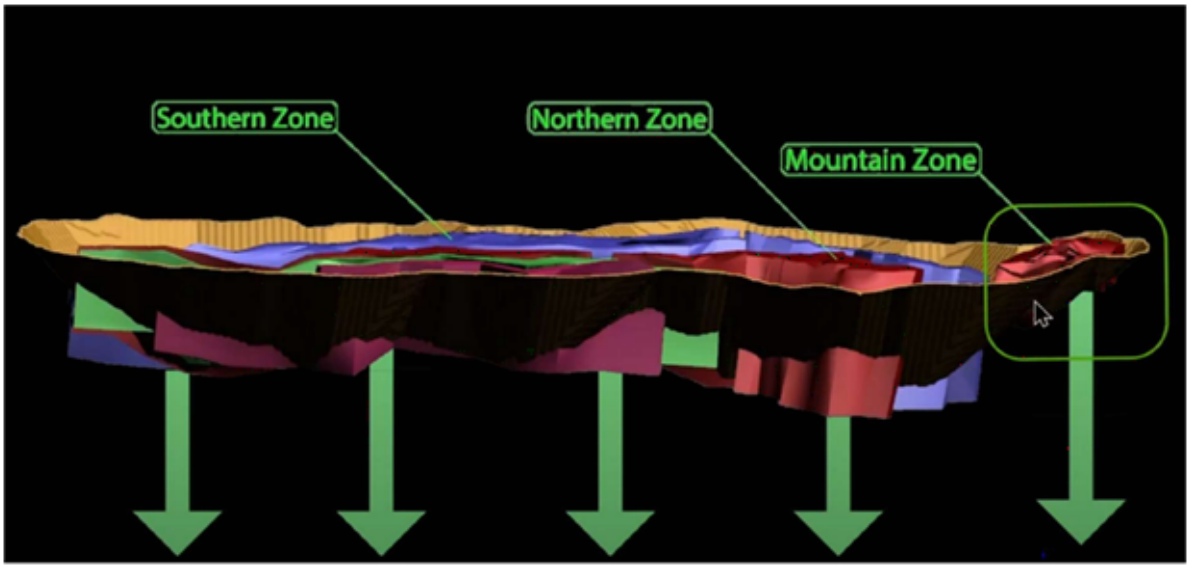
Figure 7. Begin-Lamarche Phosphate Location

Source: First Phosphate Investor Presentation

Geological Scale, Resource Potential, and Mining Approach

Bégin-Lamarche is a large continuous igneous phosphate system with the scale and characteristics required for long-life, high-purity concentrate production. The deposit extends for roughly 2.5 kilometers along strike and remains open at depth, with drilling across the Mountain, Northern, and Southern areas confirming broad, consistent horizons of apatite-rich oxide gabbro. This mineralogy supports predictable metallurgy and the high recovery rates required for battery-grade PPA. Grades typically range from 6% to 10% phosphate, consistent with comparable high-purity igneous anorthosite deposits globally, with localized intervals exceeding 10%, providing flexibility in early mine sequencing. Metallurgical test work indicates the apatite can be upgraded to a 40% phosphate concentrate at approximately 91% recovery with low levels of deleterious elements, enabling direct conversion to PPA for LFP applications.

Figure 8. Overview of System



Source: First Phosphate Company Presentation

The Bégin-Lamarche mine plan contemplates open-pit extraction of approximately 150.5 million tonnes of plant feed over a 23-year operating life, supported by moderate strip ratios of ~1.5, and conventional truck-and-shovel mining. The mine is designed to operate 336 days per year, with a six-month pre-production period. Processing will begin at 10,300 tonnes per day in the first year, increasing to an average of 15,800 tonnes per day in Years 2–4 and 20,800 tonnes per day from Year 5 onward. The plant design includes the option for roughly 30% additional throughput capacity, subject to economics and market demand.

Figure 9. Mineral Resource Estimate

Pit-Constrained Mineral Resource Estimate at 2.5% Phosphate Concentrate Cut-Off

Classification	Zone	Tonnes (M)	Phosphate Concentrate (%)	Phosphate Concentrate (kt)	Magnetite (%)	Magnetite (k)	Ilmenite (%)	Ilmenite (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

Source: First Phosphate PEA and Noble Capital Markets

The grade profile and geological continuity support targeted annual production of approximately 900,000 tonnes of high-purity phosphate concentrate over the mine life. Waste rock management includes planned backfilling of the mined-out pit with around 61 million tonnes of material, enabling progressive reclamation and reducing the surface footprint. Combined with dry-stack tailings, the mine configuration is designed to simplify closure and enhance environmental performance.

Development Outlook

Bégin-Lamarche is progressing toward feasibility through a structured sequence of technical, engineering, and permitting initiatives. The most recent PEA, with an effective date of December 4, 2024, outlines an operation producing approximately 900,000 tonnes per year of high-purity phosphate concentrate and about 380,000 tonnes of magnetite concentrate over 23 years. The development concept leverages existing regional roads, power, and industrial services, supporting competitive

upfront capital intensity for a project of this scale.

Initial capital is estimated at approximately C$675 million, covering mine development, concentrator construction, site infrastructure, haul roads, and dry-stack tailings facilities. The PEA also outlines sustaining capital of C$317 million associated with mining fleet renewal, plant maintenance, and long-term tailings and backfill management, bringing the total capital expenditures to C$992 million.

In late 2025, First Phosphate initiated an accelerated 30,000-meter drill program at Bégin-Lamarche to refine the geological model and support feasibility work. The program spans the full 2.5-kilometer strike length on a 50-meter by 50-meter pattern, with drilling expected to continue into 2026 and provide the resolution needed for reserve conversion, mine scheduling, and detailed engineering. Metallurgical test work is advancing in parallel at SGS to validate the flowsheet at semi-industrial scale and to refine recovery assumptions for apatite, magnetite, and ilmenite.

On the permitting side, Bégin-Lamarche benefits from highway access, proximity to the provincial power grid, and an existing collaboration agreement with the Pekuakamiulnuatsh Takuhikan First Nation. Feasibility, environmental baseline work, and permitting are expected to advance in parallel with drilling and metallurgy, with downstream development paced to align with the Port of Saguenay land-option deadline at year-end 2027. In our view, mine construction is likely to be sequenced with the scale-up of PPA production at the Port of Saguenay and iron-phosphate production at La Baie so that Bégin-Lamarche concentrate can flow directly into the downstream chain once operations commence.

Lac à l'Orignal: Early-Stage Development with Clear Expansion Potential

Location and Overview

Lac à l'Orignal is located within the Lac-Saint-Jean region of Québec, roughly 100 kilometers from the Port of Saguenay, which is the planned hub for PPA production and downstream LFP precursor materials. The property consists of 1,445 claims covering nearly 80,000 hectares and benefits from established forestry roads, year-round access, and proximity to Hydro-Québec's 735 kV transmission corridor located approximately 20 kilometers to the south. The region's industrial base, population centers around Saguenay, and existing transportation infrastructure provide a supportive operating environment with access to power, labor, and all-season port facilities, positioning Lac à l'Orignal as a logical feed source for First Phosphate's integrated battery-materials strategy.

Geological Scale, Resource Potential, and Mining Approach

Lac à l'Orignal is a Proterozoic igneous phosphate system hosted within an oxide gabbro unit that extends for roughly one kilometer and reaches up to 70 meters in thickness. Drilling has outlined consistent apatite-rich horizons characterized by clean mineralogy, strong magnetic signatures, and geological continuity typical of the Lac-Saint-Jean anorthosite complexes. The pit-constrained mineral resource estimate includes 15.8 million tonnes of Indicated material at 5.18% phosphate and 33.2 million tonnes of Inferred material at 5.06% phosphate, with both categories containing significant iron and titanium values. Metallurgical work at SGS indicates the deposit can produce a phosphate concentrate grading approximately 38% phosphate at recoveries above 90%, along with saleable magnetite and ilmenite concentrates. In our view, the combination of clean mineralogy, consistent grades, and robust metallurgical performance positions Lac à l'Orignal as a prospective mid-scale source of igneous feedstock for Québec's LFP supply chain.

The mine plan contemplates a straightforward open-pit operation using owner-operated truck-and-shovel equipment. Approximately 54.0 million tonnes of plant feed are scheduled over a 14-year operating life, supported by roughly 88 million tonnes of waste rock for an overall strip ratio of 1.7:1. Throughput is designed at 3.8 million tonnes per year (10,500 tonnes per day), with limited ramp-up time and steady-state production thereafter. Average annual output is projected at ~430,000 tonnes of phosphate concentrate, ~280,000 tonnes of magnetite concentrate, and ~97,000 tonnes of ilmenite concentrate. Over the full mine life, total production is expected to reach approximately 6.0 million tonnes of phosphate concentrate, 4.0 million tonnes of magnetite, and 1.4 million tonnes of ilmenite.

Development Outlook

Lac à l'Orignal is advancing through a staged technical program intended to support a future preliminary feasibility study. Additional drilling is planned to expand the resource footprint, upgrade Inferred material to Indicated classification, and collect fresh samples for metallurgical work aimed at optimizing the flowsheet for industrial-scale operations. Environmental baseline studies and community engagement are underway, with permitting expected to follow the federal Impact Assessment Act and Québec's Environmental Quality Act. Site development envisions a centralized process plant, dry-stack tailings facilities, water management systems, haul roads, and grid-connected power. Initial capital is estimated at approximately C$550 million, with sustaining capital of about C$139 million over the 14-year mine life. In our view, the manageable scale, multi-product revenue streams, and proximity to Saguenay's downstream infrastructure support a credible path for Lac à l'Orignal to become a meaningful supplemental feed source for the region's LFP materials hub.

Plant and Downstream Integration at Port Saguenay

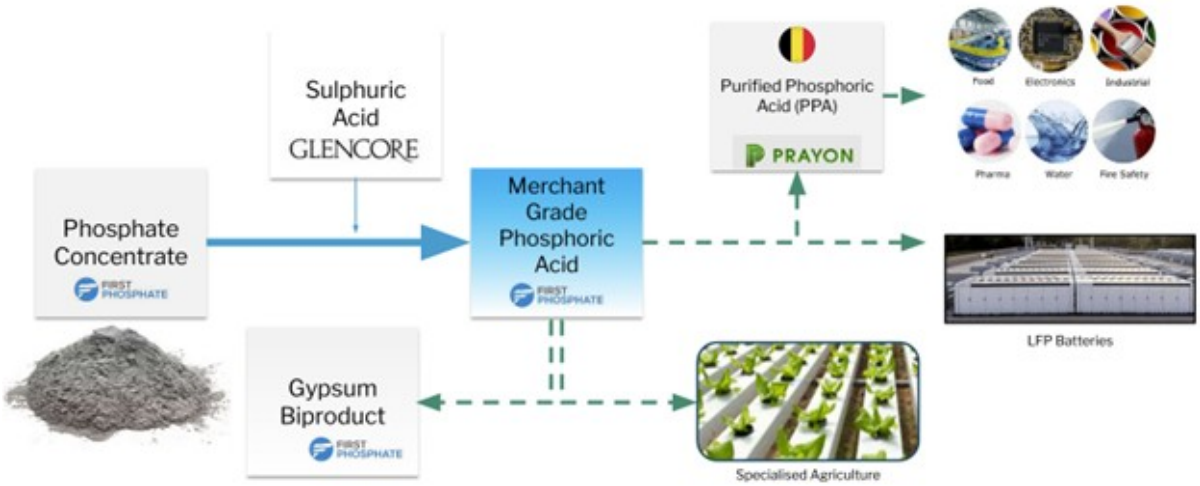
We believe the PPA facility planned for the Port of Saguenay is the central component of First Phosphate's three-stage industrial plan: extraction and concentration of apatite at Bégin-Lamarche (and ultimately Lac à l'Orignal), conversion to PPA at the port, and the eventual production of cathode active material within the same industrial zone. The company holds an industrial land-option agreement granting exclusive rights to execute a definitive lease by December 31, 2027, providing a clear timeframe for engineering and permitting ahead of potential construction beginning in 2028.

The Port Saguenay site is well aligned with this integrated structure. Bégin-Lamarche is approximately 70 kilometers from the port and near a truck-to-rail terminal, enabling efficient concentrate transport to a deep-water facility connected to both North American and European markets. In addition to the existing infrastructure, the federal government has committed C$57.6 million to construct a second wharf at Port Saguenay, located beside the company's planned PPA plant site. This investment is expected to expand export capacity and support the movement of phosphate concentrate, purified acid, and future LFP precursor products as downstream volumes scale. Management notes that shipping from Port Saguenay to Europe is cost-competitive relative to long-haul rail shipments within North America, which complements the company's current offtake profile, under which a portion of concentrate, 200,000 tonnes minimum to 400,000 tonnes maximum, is expected to be exported under a European offtake contract and the balance directed into downstream PPA production at the port.

The company has now formalized its downstream strategy through a technology license agreement with Prayon SA, one of the global leaders in phosphoric acid process technology and a long-established specialist in phosphate chemistry. Prayon's processes are widely deployed across the industry for both merchant-grade and purified phosphoric acid production, and the company is recognized for its high-efficiency reactors, robust impurity-management systems, and strong track record of operating reliability. By securing access to this platform, First Phosphate is anchoring its chemical strategy on a technology set that is already commercialized at scale and known for producing consistent, high-purity outputs.

Under the agreement, Prayon will license its MGA technology for use in North America, enabling First Phosphate to design, build, operate, and maintain a plant capable of producing 600 metric tons per day of phosphoric acid. Ballestra, one of Prayon's permanent licensees, has been selected to execute the FEED and EPC/EPCM engineering work. Sulfuric acid supply remains covered under First Phosphate's existing arrangement with Norfalco-Glencore. The company expects that roughly 500,000 tpa of igneous apatite from future mining operations could be converted into up to 190,000 tpa of merchant grade phosphoric acid using this route. Notably, First Phosphate has secured an offtake agreement with a European company. The agreement is for a minimum of 60,000 tonnes to up to 160,000 tonnes of the merchant grade phosphoric acid, securing a definitive and bankable deal.

Figure 10. Merchant Grade Phosphoric Acid Production



Source: First Phosphate PPA Presentation

This commercial licensing step builds directly on First Phosphate's earlier pilot-scale achievements. The company has already demonstrated the full sequence: converting igneous anorthosite into high-purity apatite concentrate; producing merchant grade phosphoric acid (MGA) with Prayon's technology; generating iron phosphate through North American partners; and manufacturing LFP cathode material and small-format LFP cells. Combined, the licensing, engineering, reagent-supply framework, and demonstrated pilot chain provide substantive validation of the company's plan to build a North American LFP supply chain anchored in domestic critical minerals.

Policy momentum is also building around phosphate as a strategic input. In November 2025, the United States added phosphate to its Final 2025 List of Critical Minerals following recommendations from the Departments of Energy, War, and Agriculture. The designation aligns the U.S. with Canada, South Korea, the European Union, and the provinces of Ontario and Québec, all of which classify phosphate as a critical mineral. First Phosphate participated in the U.S. review process by submitting a detailed technical letter on the role of phosphate in LFP batteries and received a "Met" rating from the Defense Industrial Base Consortium. The "Met" rating details that First Phosphate appears to be technically and economically viable with the Defense Production Act (DPA) funding, and could become the first phosphate production facility strictly for LFP CAM in North America. In our view, this alignment of Canadian and U.S. policy is supportive of long-term demand visibility for the products the company intends to produce at Port Saguenay and La Baie.

The downstream plan also incorporates monetizable by-products. Because the igneous rock contains very low levels of deleterious elements, gypsum produced in the PPA plant can be recycled and sold into existing North American markets rather than treated as waste. Management indicates that magnetite is expected to be processed by GK & Höganäs in Tennessee, while optimization work continues on ilmenite recovery pathways. These additional revenue streams and material-handling solutions are intended to lower net operating costs across both the mine and plant.

Feasibility-level work on the mine and the Port Saguenay facility is advancing in parallel, including metallurgy, environmental programs, and engineering. In our view, the PPA plant is not a standalone project but the structural link that enables the broader mine-to-battery platform—converting Québec igneous phosphate into purified phosphoric acid and, ultimately, into LFP cathode materials for North American and European customers.

Corporate Governance

First Phosphate is led by a management team and board with substantial operational, financial, technical, and policy experience across mining, industrial chemistry, Indigenous relations, and critical minerals. The leadership group brings decades

of execution in project development, exploration, permitting, capital markets, and stakeholder engagement. In our view, this depth and specialization provide a solid foundation for advancing a vertically integrated mine-to-LFP supply chain strategy in Québec.

Mr. John Passalacqua, Chief Executive Officer and Director, has more than 35 years of international business and capital markets experience, including recognition in 1998 as one of the top 50 global business strategists during the early internet expansion. His background spans company building in high-growth sectors, with longstanding experience structuring private and public market strategies. Fluent in French and English and based in Québec, he leads First Phosphate's corporate strategy, financing initiatives, and overall mine-to-market LFP platform development.

Mr. Laurence W. Zeifman, Chairman of the Board, is an audit partner at Zeifmans LLP, a Toronto-based public accounting firm, and Chair of Nexia Canada, the national division of a global accounting network. He brings four decades of public accounting, governance, and financial oversight experience, including prior service as a Director of the Ottawa Senators Hockey Club and Alternate Governor of the National Hockey League.

Mr. Bennett Kurtz, Chief Financial Officer and Director, is the founder of Kurtz Financial Group and has extensive experience financing public companies and leading private companies to the public markets. His background includes financial management, business analysis, and operational execution across multiple industries. Mr. Kurtz oversees First Phosphate's financial reporting, controls, capital planning, and corporate structuring as the company advances toward feasibility and development.

Mr. Peter Nicholson, Independent Director, is a recognized leader in tax-assisted investment structures and philanthropic tax planning, having facilitated more than $350 million in charitable contributions. His experience spans mining, foundations, and capital markets advisory, contributing expertise in governance, tax structuring, and strategic advisory.

Mr. Armand MacKenzie, President, is an experienced Indigenous legal specialist and former Chief Legal Advisor to the Innu Nation, where he worked for more than 15 years on land rights and community agreements. He contributed to the development and adoption of the UN Declaration on the Rights of Indigenous Peoples and has negotiated numerous impact-benefit agreements. Over the past 15 years, he has held senior executive roles in the mining industry and now leads First Phosphate's government relations, Indigenous partnerships, and regional strategy.

Mr. David Dufour, Executive Vice-President, has 30 years of experience in project development and business management in the Saguenay region, including roles as a land surveyor, project manager, and director of economic development. He has also served within the Government of Québec in economic development roles, with specialization in eco-responsibility, permitting, and local governance.

Mr. Gilles Laverdière, P.Geo., Chief Geologist, has more than 40 years of exploration experience, having managed and supervised drilling programs across Québec and internationally. He has held senior executive and board positions at several public mining companies and is a member of the Ordre des Géologues du Québec. He leads resource development and geological modeling across the company's portfolio.

Mr. Mario Bouchard, Project Development Manager, is the former Assistant Deputy Minister for Strategic Industries and Major Economic Projects at Québec's Ministry of Economy and Innovation, and previously served as Associate Deputy Minister for Energy, Natural Resources, and Finance. His experience includes major corporate financings, industrial project approvals, and policy implementation within the provincial government.

Mr. Yves Desrosiers, Eng., Director of Mining Operations, is a metallurgical engineer with extensive experience managing mining operations, concentrators, engineering projects, and site-level health, safety, and environmental programs. He has held roles as manager, general manager, and vice-president at major mining operations, with a focus on cost discipline and operational reliability.

Mr. Arnab De, Corporate Finance Director, has more than 20 years of experience in financial planning, corporate optimization, and strategy development. He previously served as CFO within the Tata Group, including oversight of the

JCAPCPL joint venture with Nippon Steel and management of more than $1.5 billion in equity and debt commitments at Tata Steel Minerals Canada.

Mr. Peter Kent, Senior Advisor, is a former Canadian Minister of the Environment and former Minister of State for the Americas, following a four-decade career as an international journalist. His experience includes oversight of Canadian environmental assessment processes and resource development policy, providing valuable insight into environmental and regulatory frameworks.

Mr. Gary Stanley, Senior Advisor, is the former Director of the Office of Critical Minerals and Metals at the U.S. Department of Commerce. With more than 40 years of service across multiple U.S. administrations, he brings deep expertise in supply chain strategy, critical minerals policy, and U.S. industrial competitiveness, supporting First Phosphate's positioning within North American critical mineral initiatives.

Valuation

Our price target is based on a discounted cash flow (DCF) analysis incorporating the expected economics of First Phosphate's integrated mining and mineral-processing operation in Québec. While the company has not yet published a formal feasibility study, the technical work, geological modeling, and pilot-scale conversion achievements provide sufficient information to construct an informed valuation framework. Based on the current resource footprint and mine plan, we assume a 23-year operation beginning in FY 2029 with steady-state throughput reached in Year 5 and maintained through Year 21, followed by a structured ramp-down in Years 22 and 23.

Using the company's expected flowsheet, we model phosphate concentrate and magnetite recovery rates of 90% and 70%, respectively. Product pricing assumptions include US$350/t for phosphate concentrate, US$800/t for merchant-grade phosphoric acid (MGA), and US$168/t for magnetite. Operating costs are based on an estimated C$28.31 per tonne processed, inclusive of labour, energy, reagents, and site-level overhead.

Our estimates of capital expenditures differ somewhat from the PEA, due in part with our inclusion of feasibility costs, and reclamation costs. Total capital expenditures are estimated at C$1.0 billion, including C$694.5 million in initial development capital and C$333.4 million in sustaining capital across the life of mine. We expect C$17.0 million in salvage costs at the end of the mine's life. The project benefits from a 30% federal tax credit on eligible capital expenditures, substantially reducing early-year tax liabilities and improving internal cash generation during ramp-up. We assume no royalties, a 15% federal tax rate, an 11.5% Québec provincial tax rate, a Québec mining tax rate of 28%, and an exchange rate of 1.37 CAD/USD.

Our valuation explicitly incorporates the capital structure required to build the project, assuming 70% debt financing and 30% equity on the total capital requirement. The mine plan assumes commercial production commences in FY 2029 with ramp-up from Years 1 through 4, steady-state annual production of approximately 900,000 tonnes of product from Years 5 through 21 and tapering production in Years 22 and 23. Life-of-mine production reflects these throughput and recovery assumptions, with revenue driven primarily by phosphate-derived products supplemented by magnetite by-product credits.

Free cash flow (operating cash flow less capital expenditures and closure costs) is forecast over the full 23-year operating horizon. The resulting unlevered free cash flows are discounted at a 12% cost of capital, reflecting the project's construction sequencing, commodity exposure, and multi-stage chemical conversion path. We model negative free cash flow during the construction and ramp-up years (FY 2026–FY 2028), with strong, consistent positive free cash flow thereafter as the operation reaches steady-state.

The present value of free cash flow totals approximately C$1.2 billion, to which we add cash of C$154.1 million and subtract project debt of C$283.8 million to derive net asset value. Based on this discounted cash flow methodology, our analysis yields an implied fair value per share of C$2.16 or US$1.53. incorporating the capital cost tax credit, phased production ramp, and full operating profile. For our price target per share, we generally round up or down to the nearest $0.05. Sensitivity analysis indicates that project value is most responsive to MGA pricing, operating cost inflation, and exchange-rate shifts.

Summary of Financial Results

First Phosphate remains a pre-revenue company, consistent with its exploration and development stage. Importantly, the company operates with a fiscal year end of February 28, 2026. For Q2 FY26, the company reported a net loss of C$2.0 million, compared to a C$0.2 million loss in the prior year. The step-up reflects the normalization of exploration spending following a mining tax credit–driven recovery in Q2 FY25. Mining exploration and metallurgy expenses were C$1.5 million in Q2 FY26 versus a C$0.6 million recovery in Q2 FY25, as the company advanced drilling, geophysics, and metallurgical work at Bégin-Lamarche.

For the first half of 2026, the net loss was C$3.8 million, an improvement from C$4.4 million in the prior-year period, driven by the absence of last year's heavier metallurgical programs. Mining exploration and metallurgy expenses totaled C$2.7 million through the first six months of 2026, down from C$3.1 million in the prior year period, but consistent with the scale of the 30,000-meter drilling and technical program underway at Bégin-Lamarche.

Operating expenses were generally stable. Professional fees declined to $0.1 million year-to-date from C$0.3 million last year, reflecting lower legal and audit activity. Business development costs increased modestly to $0.3 million as the company broadened industry engagement. Share-based compensation amounted to C$0.9 million. Other income benefited from the amortization of the flow-through share premium liability, totaling C$0.8 million year-to-date. Financing expenses increased due to amortization and the impairment of prepaid financing costs associated with an undrawn credit facility that management has confirmed will not be utilized.

Outlook

First Phosphate remains approximately 2.5 years from initial production, and the period between now and the start of operations in Q1 2029 represents the critical de-risking and build-out phase of the project. For the third quarter of 2026, we forecast a net loss of C$3.2 million, or C$0.02 per share, compared with smaller losses in prior quarters. The expected increase in quarterly losses is primarily driven by higher mining exploration and metallurgy expenditures associated with the ongoing drilling program and advancing the flowsheet. We expect this elevated level of exploration and metallurgical spending to continue through Q2 2027, consistent with the company's strategy of defining the resource, supporting engineering, and completing the work necessary to advance toward construction.

The transition from development to operations takes place in Q1 2029, when First Phosphate is expected to deliver its first commercial production. For this initial quarter, we project revenues of C$116.3 million, operating expenses of C$31.4 million, and net income of C$85.1 million, or C$0.17 per share, with EBITDA of C$90.8 million. These results reflect early-stage output of 110,801 tonnes of phosphate concentrate, 47,486 tonnes of MGA, and 48,328 tonnes of magnetite as the plant and mine advance through their initial ramp-up curve.

Capital investment dominates the period from 2026 through 2028, during which we expect cumulative capital expenditures, including feasibility costs, of C$694.5 million as First Phosphate constructs its processing facilities, completes mine preparation, builds supporting infrastructure, and advances toward commissioning. In FY 2029, the first production year, we assume capital expenditures decline sharply to C$14.9 million as the project moves into sustaining mode.

For the first full year of production in 2029, we forecast revenues of C$465.2 million, operating expenses of C$125.1 million, and net income of C$340.8 million, or C$0.66 per share, supported by adjusted EBITDA of C$363.9 million. These results are driven by steady-state production of 443,205 tonnes of phosphate concentrate, 189,945 tonnes of MGA, and 193,310 tonnes of magnetite, consistent with the project's full run-rate output.

In our view, the next 2.5 years are about First Phosphate laying the groundwork for a successful ramp into Q1 2029 and a strong inaugural production year in FY 2029. The company remains in the early stages of execution, and these estimates are subject to revision as engineering advances, schedules evolve, commodity prices fluctuate, and capital allocation becomes clearer.

Liquidity and Capital Resources

As of August 31, 2025, First Phosphate reported total current assets of $10.9 million, including cash and cash equivalents of $7.6 million and prepaid exploration expenditures of $2.5 million. Current liabilities were minimal at $0.2 million, consisting of $0.1 million in accounts payable and $0.1 million in flow-through premium liability. The company remained effectively debt-free, and its $2.1 million related-party revolving credit facility was not drawn and is not expected to be used.

Shareholders' equity totaled $14.4 million at quarter-end, compared with $6.4 million at fiscal year-end, reflecting $11.2 million in gross proceeds raised during the period through flow-through share issuances and unit offerings. The company had 123.5 million common shares outstanding.

Company Profile

First Phosphate Corp. (CSE: PHOS; OTCQX: FRSPF; FSE: KD0) is a Québec-based critical minerals developer focused on establishing a vertically integrated lithium iron phosphate (LFP) battery materials platform in the Saguenay–Lac-Saint-Jean region. The company's flagship Bégin-Lamarche Project is a high-purity igneous phosphate deposit with a PEA outlining a 23-year open-pit operation producing approximately 900,000 tonnes per year of 40% phosphate concentrate, supported by saleable magnetite by-product. A second igneous deposit, Lac à l'Orignal, provides additional mid-scale feed potential with a 14-year mine plan and production of phosphate, magnetite, and ilmenite concentrates. Concentrate from these assets is intended to supply a purified phosphoric acid plant at Port Saguenay and an iron-phosphate precursor facility at La Baie, forming an onshore mine-to-cathode chain aimed at North American and European LFP markets. First Phosphate remains pre-revenue and is advancing Bégin-Lamarche toward feasibility.

Fundamental Analysis — 3.0/5.0

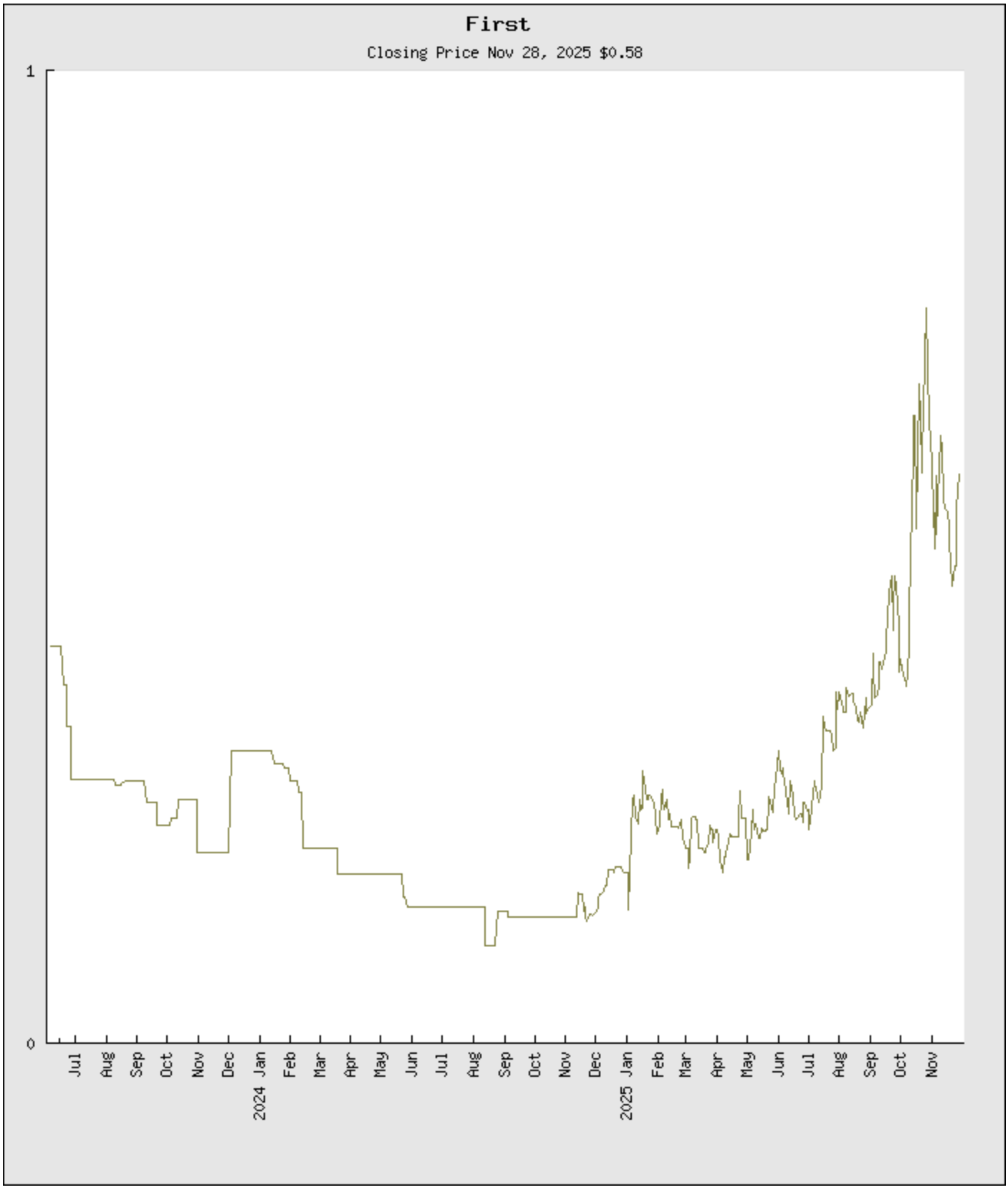
Our fundamental assessment rating, separate from our investment rating and valuation, is based on five core attributes. We assign First Phosphate 3.0 checks out of 5.0, which falls within our "Average" range of 2.5 to 3.0 checks. In our view, the company benefits from a technically strong and policy-aligned leadership team, high-purity igneous phosphate assets with clear metallurgical advantages, and a supportive jurisdiction anchored by low-carbon power, established industrial infrastructure, and growing federal and provincial backing for battery supply chain development. The Bégin-Lamarche Project provides a defined development path with strong resource continuity and a clear technical framework in the PEA, while Lac à l'Orignal offers additional feedstock optionality and long-term growth potential. The balance sheet is effectively debt-free with liquidity sufficient to advance to feasibility-level work.

Our rating reflects that First Phosphate is still in the pre-revenue, PEA-stage of development and will require significant capital to construct both the mine and downstream PPA and iron-phosphate precursor facilities. However, we believe the combination of high-purity feedstock, strong infrastructure positioning at Port Saguenay, demonstrated pilot-scale conversion capability, and increasing alignment with Canadian and U.S. critical-minerals policy supports a constructive medium-term outlook.

Valuation Summary

Our price target on the shares of First Phosphate is US$1.55 per share, derived from a multi-stage discounted cash flow model that applies a 12.0% discount rate and assumes no terminal growth, consistent with the 23-year mine and processing life modeled in our forecasts. Using a baseline exchange rate of US$0.71 per C$1.00, our U.S.-dollar price target equates to a C$2.15 target price for the shares listed on the Canadian Securities Exchange. Our valuation incorporates full initial capital spending, sustaining capital requirements, expected operating cash flows across the ramp-up and steady-state production periods, and closure costs at the end of life.

First Phosphate ($CAD)												
Income Statement	FY 2023	FY 2024	FY 2025	FY 2026E	FY 2027E	FY 2028E	Q1 2029E	Q2 2029E	Q3 2029E	Q4 2029E	FY 2029E	FY 2030E
Revenue:												
Revenue from sale of phosphate concentrates	0	0	0	0	0	0	53,129,199	53,129,199	53,129,199	53,129,199	212,516,796	289,441,756
Revenue from sale of merchant grade phosphate concentrate	0	0	0	0	0	0	52,044,330	52,044,330	52,044,330	52,044,330	208,179,720	439,396,050
Revenue from sale of magnetite	0	0	0	0	0	0	11,123,076	11,123,076	11,123,076	11,123,076	44,492,305	59,637,708
Net revenue	0	0	0	0	0	0	116,297,206	116,297,206	116,297,206	116,297,206	465,188,822	788,075,515
Expenses:												
Mining exploration and metallurgy	(1,184,443)	(3,520,097)	(3,333,800)	(7,892,806)	(7,494,061)	(3,076,572)	(324,737)	(162,368)	(162,368)	(81,184)	(730,658)	0
Mining cost	0	0	0	0	0	0	(5,871,250)	(5,871,250)	(5,871,250)	(5,871,250)	(23,485,000)	(33,550,000)
Processing cost	0	0	0	0	0	0	(10,330,000)	(10,330,000)	(10,330,000)	(10,330,000)	(43,360,000)	(62,800,000)
General administrative expenses	(202,233)	(177,714)	(224,686)	(304,532)	(312,882)	(315,234)	(1,120,000)	(1,120,000)	(1,120,000)	(1,120,000)	(4,480,000)	(6,400,000)
Tailings and water management	0	0	0	0	0	0	(3,018,750)	(3,018,750)	(3,018,750)	(3,018,750)	(12,075,000)	(17,250,000)
Concentrate handling and transport	0	0	0	0	0	0	(3,771,250)	(3,771,250)	(3,771,250)	(3,771,250)	(15,085,000)	(21,550,000)
Depreciation	0	0	0	0	0	0	(5,893,451)	(5,893,451)	(5,893,451)	(5,893,451)	(23,573,803)	(22,599,346)
Share based compensation	(542,805)	(1,646,373)	(2,436,911)	(1,715,301)	(1,711,317)	(1,724,184)	(433,203)	(434,286)	(434,286)	(435,372)	(1,737,148)	(1,750,209)
Professional fees	(371,631)	(936,483)	(480,361)	(229,491)	(221,122)	(222,784)	(55,375)	(56,115)	(56,115)	(56,255)	(224,459)	(226,147)
Business development	(377,387)	(854,242)	(677,042)	(561,476)	(578,078)	(582,424)	(146,335)	(146,701)	(146,701)	(147,067)	(586,803)	(591,215)
Research and development expenses	0	(433,799)	(471,270)	0	0	0	0	0	0	0	0	0
Consulting fees	(57,366)	(332,729)	(66,367)	(164,423)	(184,833)	(186,223)	(46,789)	(46,906)	(46,906)	(47,023)	(187,623)	(189,034)
Management fees	(308,383)	(306,000)	0	0	0	0	0	0	0	0	0	0
Regulatory and compliance expenses	(159,254)	(184,735)	(161,112)	(164,259)	(184,732)	(186,121)	(46,763)	(46,880)	(46,880)	(46,997)	(187,520)	(188,930)
Directors' fees	(66,500)	(86,400)	(10,000)	0	0	0	0	0	0	0	0	0
Total expenses	(3,270,008)	(8,593,172)	(8,528,149)	(11,032,289)	(10,687,025)	(6,293,544)	(31,718,502)	(31,557,357)	(31,557,357)	(31,478,600)	(126,313,015)	(167,034,882)
Operating loss	(3,270,008)	(8,593,172)	(8,528,149)	(11,032,289)	(10,687,025)	(6,293,544)	84,578,703	84,739,249	84,739,249	84,818,606	338,875,807	621,040,632
Other Income/(Expenses):												
Gain on amortization of flow-through share	74,767	383,218	1,177,421	1,753,765	1,871,324	1,885,384	473,707	474,832	474,832	476,078	1,899,570	1,913,852
Interest income	0	57,713	136,788	65,606	71,188	71,723	18,020	18,065	18,065	18,111	72,262	72,805
Financing expense	0	(66,516)	(399,095)	(501,947)	(10,416,000)	(22,617,600)	(178,800)	(178,800)	(178,800)	(178,800)	(715,200)	(878,400)
Impairment of mineral property	0	(109,325)	0	(400,092)	(537,466)	(541,507)	(136,054)	(136,394)	(136,394)	(136,735)	(545,579)	(549,681)
Foreign currency translation gain (loss)	0	(4,157)	3,520	3,312	0	0	0	0	0	0	0	0
Gain on recognition of fair value of loan	6,877	0	0	0	0	0	0	0	0	0	0	0
Gain on investments measured at fair value through profit or loss	0	45,771	0	0	0	0	0	0	0	0	0	0
Unrealized gain on investments	0	0	25,666	56	0	0	0	0	0	0	0	0
Tax and penalties	0	0	(43,565)	0	0	0	0	0	0	0	0	(263,614,632)
Net income (loss) and comprehensive income (loss)	(3,188,364)	(8,232,468)	(7,627,414)	(10,111,589)	(19,697,980)	(27,495,534)	84,755,577	84,317,012	84,317,012	84,397,260	339,586,860	368,324,517
Earnings (loss) per common share - diluted	(0.13)	(0.15)	(0.10)	(0.08)	(0.06)	(0.05)	0.17	0.17	0.16	0.17	0.66	0.72
Weighted average number of common shares outstanding - diluted	25,372,346	55,236,302	77,530,286	130,604,052	317,005,592	510,178,267	513,370,862	511,453,713	514,654,290	514,307,347	513,446,553	515,805,595
EBITDA Calc												
Net Income	(3,188,364)	(8,232,468)	(7,627,414)	(10,111,589)	(19,697,980)	(27,495,534)	84,755,577	84,317,012	84,317,012	84,397,260	339,586,860	368,324,517
Interest	0	66,516	399,095	501,947	10,416,000	22,617,600	178,800	178,800	178,800	178,800	715,200	878,400
Taxes	0	0	43,565	0	0	0	0	0	0	0	0	263,614,632
Depreciation	0	0	0	0	0	0	5,893,451	5,893,451	5,893,451	5,893,451	23,573,803	22,599,346
EBITDA	(3,188,364)	(8,225,952)	(7,178,754)	(9,609,642)	(9,281,980)	(4,877,934)	90,827,827	90,389,262	90,389,262	91,069,511	363,875,863	656,016,355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The fundamental assessment rating system is designed to provide insights on the company's fundamentals both on a macro level, which incorporates a company's market opportunity and competitive position, and on a micro/company specific level. The micro/company specific attributes include operating & financial leverage, and corporate governance/management. The number of check marks that a company receives is designed to provide a quick reference and easy determination of the company's fundamentals based upon the following five attributes of the company (weighting reflects the importance of each attribute in the overall scoring of company's fundamental analysis):

Attribute	Weighting
Corporate Governance/Management	20%
Market Opportunity Analysis	20%
Competitive Position	20%
Operating Leverage	20%
Financial Leverage	20%

For each attribute, the analysts score the company from a low of zero to a high of ten based upon the analysis described below. The final rating and resulting check marks is a result of dividing the overall score (out of 100%) by ten.

Rating	Score	Checks
Superior	9.1 to 10	Five Checks
Superior	8.1 to 9	Four & A Half Checks
Above Average	7.1 to 8	Four Checks
Above Average	6.1 to 7	Three & A Half Checks
Average	5.1 to 6	Three Checks
Average	4 to 5	Two & A Half Checks
Below Average	3 to 3.9	Two Checks
Below Average	2 to 2.9	One & A Half Checks
Low Quality	0 to 1.9	One Check

While these are the attributes currently used for the analyst's fundamental analysis, the attributes and weighting may be reviewed, updated with additional attributes, and/or changed in the future based on discussions with the analysts and recommendations from the Director of Research.

Following is the description of each attribute in the fundamental analysis.

Corporate Governance/Management

We believe that a review of corporate governance and assessment of the senior management are important tools to determine investment merit. Good corporate governance aligns management with the interests of stakeholders. As such, analysts are to rank the company on the basis of good corporate governance principles that may include rules and procedures, board composition and staggered term limits, rights and responsibilities, corporate objectives, monitoring of actions and policies, and accountability. In addition, analysts will assess issues with controlling shareholders and whether decisions have been made in the past that were in the interests of all shareholders. In addition, management will be assessed based on industry experience, expertise, and/or track record.

High ranking example: Board and management that is aligned with the interests of shareholders with incentives based on stock price appreciation and with an experienced management team known for exceptional shareholder returns.

Low ranking example: Concentrated ownership without independent directors that do not necessarily align with all shareholders' interests.

The Market Opportunity Analysis

In this review, the analyst assesses the company's macro environment as a measure of understanding the industry. Factors considered include the size and growth potential of the industry under various economic conditions, the emerging demands in the market, technological benefits/disruptions, competition, geographical opportunities, and customer demands/needs, and an assessment of supply and distribution channels. In addition, the analyst will review legal and regulatory trends, as well as potential shifts in consumer or social behavior and natural environment changes.

High rank example: A company in an industry that is growing revenues well above GDP rates (which are on average 2% plus) and/or may have unmet or under-served needs in a rapidly growing market opportunity.

Low rank example: A mature industry that is in secular decline and likely to grow below GDP rates.

Competitive Position

The evaluation of the company's competitive position is another macro environment attribute designed to measure the relevance, market share, position and value proposition, and sustainable differentiations of the company and its products/services within its industry. Ease of entry into the industry and the ability of other well-funded players to potentially enter the market would be determined. As such, the assessment would consider the company's strengths and advantages of its products/services against weaknesses and limitations. This may include the company's current brand awareness, pricing and cost structure, current market strategies and geographic penetration that may affect demand for its products/services. In addition, the company's competitors would be evaluated.

High rank example: An analyst would consider the company's product to be superior to its competitors and that should allow the company to gain market share.

Low rank example: A company with a "me-too" product that does not have any significant technology advantages in an industry that has low barriers to entry.

Operating Leverage

Simplistically, operating leverage is determined by the operating income relative to changes in revenue. The analyst will calculate the impact on sensitivity on gross margins and variable costs to determine operating leverage. The analyst will take into account the ability of the company to cut fixed and variable costs in a challenged revenue environment and technological changes that may impact operating expenses. In addition, the analyst is to assess corporate strategies that include capital investment, which may be required for sustainable revenue growth, marketing expenses, and the company's ability to attract and retain talent and/or employees. The analyst should focus on the revenue opportunity and determine the price elasticity of demand for the company's products or services. In other words, the analyst is to rank the company based on improved operating margins going forward on an absolute and relative basis.

High rank example: A company that has improving margins for the foreseeable future, with significant price elasticity.

Low rank example: A company that is in a challenged revenue environment with a fixed cost structure and limited ability to cut costs, indicating an outlook for declining margins.

Financial Leverage

A strict definition of financial leverage is total debt divided by total shareholder's equity. Financial leverage analysis is to determine the company's ability to improve shareholder value by means of utilizing its balance sheet to grow organically or to acquire assets. Analysts may look at the company's debt to cash flow leverage ratio, interest coverage ratios, or debt to equity ratios. In addition, the interest rate environment and the outlook for interest rates are a factor in determining the company's ability to manage financial leverage. Finally, the analyst is expected to determine the ability to service the debt given the industry and/or company profile, such as cyclicality, barriers to entry, history of bankruptcy, consistency in revenue and profit growth, or predictability in sales and profits and large cash reserves. The analyst is expected to take into account capital intensity of the company and the anticipated of capital allocation decisions.

High rank example: A company with predictable and growing revenue and cash flow with modest debt levels. This may indicate that the company could improve shareholder value through growth investments, including acquisitions, using debt financing.

Low rank example: A company in a cyclical industry in a late stage economic cycle that has above average debt leverage and is in an industry that has a history of financial challenges, including bankruptcies.

ANALYST CREDENTIALS, PROFESSIONAL DESIGNATIONS, AND EXPERIENCE

Senior Equity Analyst focusing on Basic Materials & Mining. 20 years of experience in equity research. BA in Business Administration from Westminster College. MBA with a Finance concentration from the University of Missouri. MA in International Affairs from Washington University in St. Louis.
Named WSJ 'Best on the Street' Analyst and Forbes/StarMine's "Best Brokerage Analyst."
FINRA licenses 7, 24, 63, 87.

CONTINUING COVERAGE

Unless otherwise noted through the dropping of coverage or change in analyst, the analyst who wrote this research report will provide continuing coverage on this company through the publishing of research available through Noble Capital Market's distribution lists, website, third party distribution partners, and through Noble’s affiliated website, channelchek.com.

WARNING

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RESEARCH ANALYST CERTIFICATION

Independence Of View

All views expressed in this report accurately reflect my personal views about the subject securities or issuers.

Receipt of Compensation

No part of my compensation was, is, or will be directly or indirectly related to any specific recommendations or views expressed in the public appearance and/or research report.

Ownership and Material Conflicts of Interest

Neither I nor anybody in my household has a financial interest in the securities of the subject company or any other company mentioned in this report.

NOBLE RATINGS DEFINITIONS	% OF SECURITIES COVERED	% IB CLIENTS
Outperform: potential return is >15% above the current price	87%	17%
Market Perform: potential return is -15% to 15% of the current price	13%	4%
Underperform: potential return is >15% below the current price	0%	0%

NOTE: On August 20, 2018, Noble Capital Markets, Inc. changed the terminology of its ratings (as shown above) from "Buy" to "Outperform", from "Hold" to "Market Perform" and from "Sell" to "Underperform." The percentage relationships, as compared to current price (definitions), have remained the same.

Additional information is available upon request. Any recipient of this report that wishes further information regarding the subject company or the disclosure information mentioned herein, should contact Noble Capital Markets, Inc. by mail or phone.

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