

High-Grade Discovery at Pickle Lake

Following yesterday's news of a high-grade nickel-copper sulphide discovery on the Pickle Lake JV, we analyse each of the **First Class Metals plc (FCM)** projects, its exploration strategy and potential news-flow in the coming months ahead in this initiation research note.

- FCM has **7 key licence blocks covering over 180 sq. km** (867 claim blocks) in Ontario, Canada in the prolific Schreiber-Hemlo Greenstone Belt, which are prospective for a multitude of commodities and precious metals such as gold, silver, base (and battery) metals and anomalous rare earths.
- The Group is advancing what we would describe a "close-ology" strategy, offering potential to achieve low-risk high-reward exploration project advancement. Many licences are near existing large-scale discoveries or/and operating mines controlled by majors such as Barrick Gold, and mid-cap miners like Silver Lake Resources (SLR.AX), which operates the Sugar Zone Gold Mine.
- FCM's flagship licence block at **North-Hemlo** is located just north of the large 23m ounce gold Hemlo deposit and adjacent to ground being actively explored by several other juniors. One such junior is Palladium One (PDM.V), which is pursuing an earn in deal of up to 80% with FCM over the Pickle Lake licences, where a 15,000-metre drill program is in progress.
- On 7 September 2022 it was announced from initial analysis of two drill core samples at Pickle Lake, that a new high-grade nickel sulphide zone had been discovered. This gives rise to the possibility that a new district-scale sulphide nickel play is opening-up.
- The management team have signalled their intention to acquire further licences in Ontario, and possibly elsewhere in Canada, by either applying for new claim blocks or through bolt-on acquisitions.
- FCM's Board includes Marc Sale, who has been integral in many significant discoveries as technical director, including the famous multi-million-ounce **Esquel** and **Cap Oeste** discoveries in Patagonia. Investors will be hoping that history can repeat itself, with such world class discoveries being achieved again.

We believe FCM has assembled a very interesting and highly prospective package of licences in a proven fertile discovery rich address. Early proof of concept is already showing through, as evidenced by the high-grade nickel sulphide discovery at Pickle Lake. With an experienced and accomplished management and technical team, and the prospect of a steady stream of exploration news-flow from both FCM and nearby exploration companies, leads us to our '**Buy**' recommendation. We suggest investors position themselves in the shares at today's low market valuation ahead of further discoveries being achieved and full assay results being announced in the coming weeks from the current drilling programme at Pickle Lake.



MARKET DATA:

Name:	First Class Metals plc
Ticker:	FCM.L
Sector:	Resources
Listing:	LSE SL
Share Price:	12.75p.
Market Cap	£8.3m.
SII:	65.2m.

ACTIVITIES:

Exploration & Development of base and precious metal properties in Ontario, Canada.

KEY PROJECTS / ASSETS:

North Hemlo
West Pickle Lake JV/Earn In
Esa
McKellar
Sugar Cube
Coco East
Enable
Magical

DIRECTORS & MANAGEMENT:

Marc Sale (CEO)
James Knowles (Ex-Chairman)
Ayub Bodi (Dir)
Danesh Varma (FD & Non-ex)
Marc Bamber (Non-ex)

SHAREHOLDINGS: (>3%)

Power Metal Canada	28.19%
Ayub Bodi (Dir) & Family	15.48%
James Knowles (Dir) & Family	15.48%
Afzal Valli	5.48%
Asif Bodi	6.31%
James Huddleston	5.22%

**First Equity Limited acts as Advisor and Broker to First Class Metals plc.*

ANALYST

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Corporate & Financing

The Company was formed in late **Jan 2021** and prior to listing raised £0.49m in a pre-IPO funding in Aug/Sept 2021 at a price of 6p per share and added £0.3m in funds via a convertible loan note in early 2022.

The shares in FCM were admitted to trading on the LSE (Standard List segment) on **29 July 2022**, following a £1.4m fund raising at a placing price of 10p per share.

Subscribers to the IPO Placing, were issued with short and long dated warrants, which could add up to £2.3m in additional funds for the Company if all were to be exercised.

- (Short Dated Warrant) - 1 warrant issued for every 2 shares subscribed at an exercise price of 12.5p, for 12-months from the IPO date.
- (Long Dated Warrant) - 1 warrant issued for every 2 shares subscribed at an exercise price of 20p, for 36-months from the IPO date.

FCM' s largest shareholder **Power Metal Resources plc** (POW.L) via its Canadian subsidiary (18.5m shares – 28.4% holding) and the founding directors (Knowles/Bodi 15.48% each) have agreed to a 12-month lock in post IPO. We also understand from FCM's management that 8.1m (12.4%) shares issued to investors in the private financing prior to listing in Aug/Sept 2021, are locked in for a period of 3-months following IPO.

The exploration budget has benefited from a C\$200K grant from a local Ontario governmental ministry.

Project Portfolio Overview

First Class Metals (FCM) has assembled 7 projects (claim blocks) over an area of 180 sq. km in the province of Ontario, Canada, consisting of 867 individual licence claims. Many of FCM's licences are near existing large-scale discoveries or/and near operating mines controlled by mining majors such as Barrick Gold, and mid-cap operators like Silver Lake Resources (SLR.AX), which operates the Silver Lake Resources Sugar Zone Gold Mine.

Since the discovery of the Hemlo gold deposit in 1982, which contains over 20m ounces of gold, the objective of prospecting companies has been to locate and prove up a similar deposit on ground nearby.

All FCM's projects are located within the Hemlo-Schreiber (HS) Greenstone terrain belt (Fig:1). There has been no systematic programme of exploration on FCM's licences in the past, mainly due to explorers focusing on areas with visible outcrops at ground level.

FCM made its initial acquisition of licence properties on 28 Feb 2021, with the purchase of 15 licence claims, known as the 'Wabikoba Property' in North Hemlo. Subsequent purchase agreements executed over the last 18-months have expanded FCM's coverage over the HS Greenstone.

One notable purchase that came to the stock-market's attention, was the acquisition of 266 licences from Power Metals Canada, a subsidiary of AIM listed Power Metal Resources plc (POW.L) on 6 Sept 2021 for an equity consideration of £1m. This added three blocks of licences in North Hemlo (122 claims), along with McKellar (58), Coca-East (30), Enable (41) and Magical (14) to FCM's portfolio of project interests.

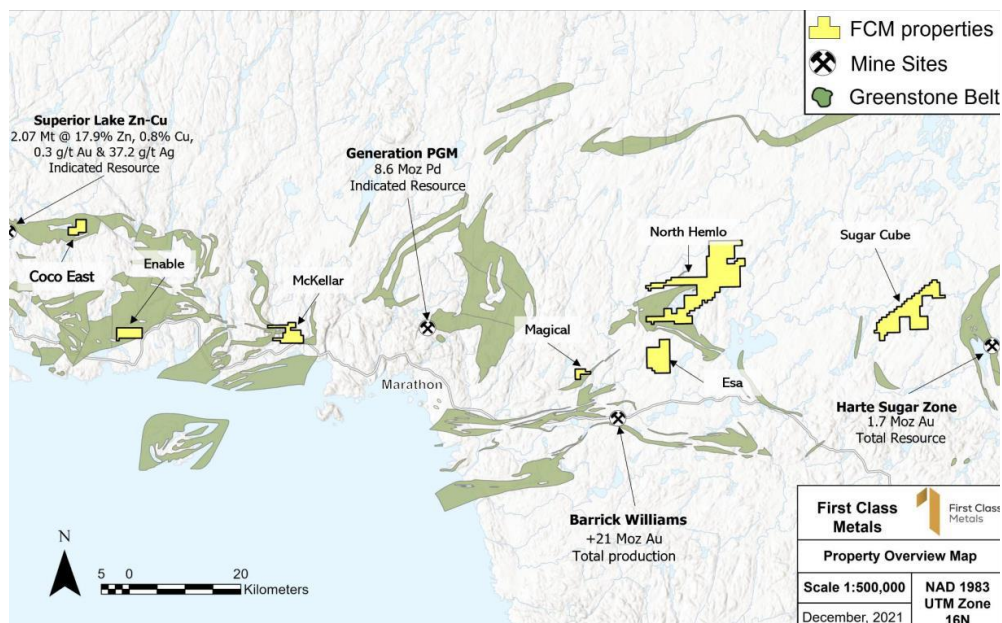


Fig 1: FCM Licences and nearby discoveries/mines.

Licence Table

Project	Mining Claims	Area sq km
North Hemlo	427	90
Esa	86	20
Sugar Cube	205	43
Coco East	30	6
Enable	41	9
Magical	14	3
McKellar	58	11

Fig 2: FCM Claims table by project.

Board of Directors

Marc Sale (CEO) - Marc has over 25 years of experience in the natural resources sector, holding technical directorships at many listed and private companies, including Brancote plc, Gold Mines of Sardinia, Patagonia Gold, and Landore Resources plc with projects stretching across the globe.

He has played a key role in many significant resource discoveries from feasibility to production stage. Most notably Marc was part of the exploration team that discovered the famous '**Esquel**' and '**Cap Oeste**' discoveries in Patagonia, Argentina at Brancote plc.

James Knowles (Chairman) – James' background is mostly in the financial sector, centred on debt funding for larger property projects for Barclays Bank plc. He is an experienced resources investor and has consulted for many resource exploration companies listed in London and Canada on investor relations, public relations, and social media marketing matters.

Ayub Bodi (Exec) – Has a significant level of management experience in the oil and gas industry, and minerals resource exploration arena, with UK, Canadian and Australian domiciled companies.

Danesh Varma (Non-Exec Finance Director) - Has extensive experience in the mining finance industry, and held directorships at American Resource Company, Northgate Exploration Ltd, Minco PLC and Westfield Minerals Ltd. Currently, Danesh, is a Board Director at several resource companies, including Labrador Iron Mines Holdings Limited, Minco Exploration PLC, Anglesey Mining Plc, Brookfield Infrastructure Partners, and Canadian Manganese Company.

Marc Bamber (Non-Exec) - Marc is an international corporate financier with over 20-years' experience in the hedge fund sector, capital markets, investor comms and marketing. He was a key member of the accomplished RAB Special Situations Funds that returned an outstanding 50 times net returns for its investors, with around US\$2.8 billion assets under management in less than five years. Marc holds several senior management roles at Toronto and London listed companies.

Highlighted Nearby Exploration Companies

Emperor Metals (AUOZ.CN) – C\$3.1m Focused solely on Ontario, the Canadian Securities Exchange listed company's small Pine Grove and Hemlo North projects sit close to FCM's North Hemlo interests.

Fulcrum Metals, a private Irish domiciled company, believed to be seeking a listing onto AIM. Holds exploration projects in Ontario and Saskatchewan. Several of Fulcrum's projects are near FCM's mining claim blocks in the North Hemlo area (Jackfish and Syenite), along with interests near to Sugar Cube, Enable and Coco East.

Helmo Explorers (HMLO.V) - C\$3.1m – As its name suggests, the TSX Venture Exchange listed company holds a significant amount of exploration ground in the Hemlo area, to the north and west of the Hemlo gold mine, of around 380 sq. km.

Palladium One (PDM.V) - C\$37m – The TSX Venture Exchange listed company project interests focus on two Canadian projects in Ontario and Yukon, and Finland, prospective for copper, nickel, and platinum group element metals. Palladium One is pursuing a JV with FCM on the 'Pickle Lake' project through a 3-year earn in deal, which is located between FCM's North Hemlo and Palladium One's Tyko projects.

Panther Metals (PALM.L) - £4.8m – The LSE listed Group's activities are in Ontario, Canada, with projects near and adjacent to FCM's Enable and North Hemlo interests.

Generation Mining (TSX: GENM) – C\$112m – The TSX listed Group's activities are centred on Ontario, Canada, with the development of the Marathon PGE Mine near FCM's McKellar property.

North Hemlo

North Hemlo represents the Group's flagship project, which the management describe as being "situated in an extremely prospective geological setting". Several exploration companies are actively exploring on nearby properties, including Panther Metals and Palladium One (PDM).

Three parallel mineralised trends have been identified to the north of the Barrick gold trend, which have been shown to lie near magnetic anomalies. Two of these trends are highlighted in Fig 3. North Hemlo is also situated on the north limb of the Hemlo greenstone belt, on the opposite side to the southern limb located Barrick Hemlo gold mine.

A helicopter borne hi resolution low level survey has been conducted by FCM over the entire project area, the data for which is currently being processed for interpretation. FCM was awarded a grant of C\$200K from the Minister of Northern Development Mines, Natural Resources and Forestry Ontario to part fund the geo-physics work.

Over the wider North Hemlo project area, FCM has collected 350 rock and soil samples, the results for which are awaited.

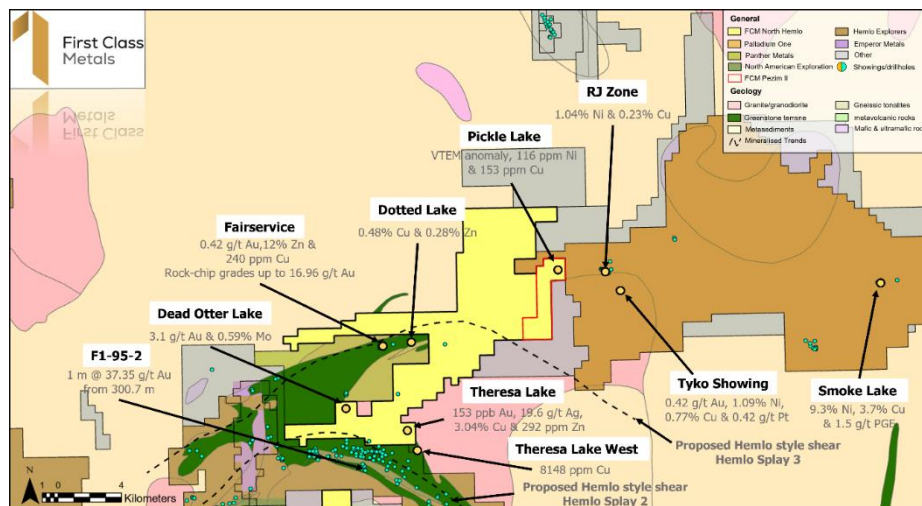


Fig 3: North Hemlo (Source: FCM) with Pickle Lake JV licence shown with a red edged box.

Option Agreement - Palladium One has an option agreement with FCM over the **Pickle Lake** property of 700 hectares which straddles the boundary area of FCM's main North Hemlo licence area and PDM's Tyko project (Fig 3).

The option agreement enables PDM to earn an interest of up to 80% and a royalty buy-back right at Pickle Lake, by spending C\$160K in the first two years to gain a 50% interest and then outlaying a further C\$165K and preparing a NI 43-101 resource for an additional 29% interest in the third year of the partnership.

Nickel-Copper Sulphide Discovery - Drilling got underway in June 2022 on PDM's **Tyko** project which is prospective for Nickel-Copper-Cobalt. This is focussed on the first two permit areas PDM obtained, being the Bulldozer & the West Pickle Lake area, the latter of which is within the FCM/PDM option agreement.

FCM and PDM reported on 7 September 2022 that a high-grade nickel sulphide discovery had been made on its Pickle Lake JV based on visual results and early-stage examination of the core. In the West Pickle Lake zone, hole TK-22-059 intersected a nickel-copper sulphide mineralisation over 5.5 metres (at a true depth of 140 metres), including a 'massive to semi-massive' sulphide over 1.75 metres.

The JV partners observed that the new West Pickle Lake zone closely resembles PDM's very high-grade Smoke Lake zone, which is around 20km to the east, thus hinting at the potential size and scale of the mineralised system. In addition, the West Pickle Lake zone is interpreted to be an extension of PDM's RJ showing 2.7km to the east. Assay results from the West Pickle Lake zone drilling, as outlined in the 7 September 2022 RNS, are awaited from which we will learn the precise grades from these holes and understand more about the mineralisation.

Intended Exploration Activities (IEA) – Within the next 12-months at North Hemlo, property wide sampling and prospecting are planned, along with geophysics. Along with ongoing drilling on the Pickle Lake JV, FCM plans to drill on its own 100% owned North Hemlo licences.

ESA

ESA lies just 11km north of the Barrick Hemlo gold mine. From what is known so far, ESA appears to contain several interesting geological features including an inferred Hemlo style shear zone, that runs on a west to east trend across the licence. Paterson Grant Watson Ltd have been appointed to interpret the VTEM survey on the block, the raw data of which was obtained from the previous owners at nil cost. Over 150 rock and soil samples have been collected so far for gold and base metal analysis, the results for which are awaited.

IEA – An intensive programme of exploration work is planned on the licence, including reprocessing and interpretation of a previous VTEM survey, systematic ground exploration, stripping and trenching on prospective areas, and identification of potential drill holes.

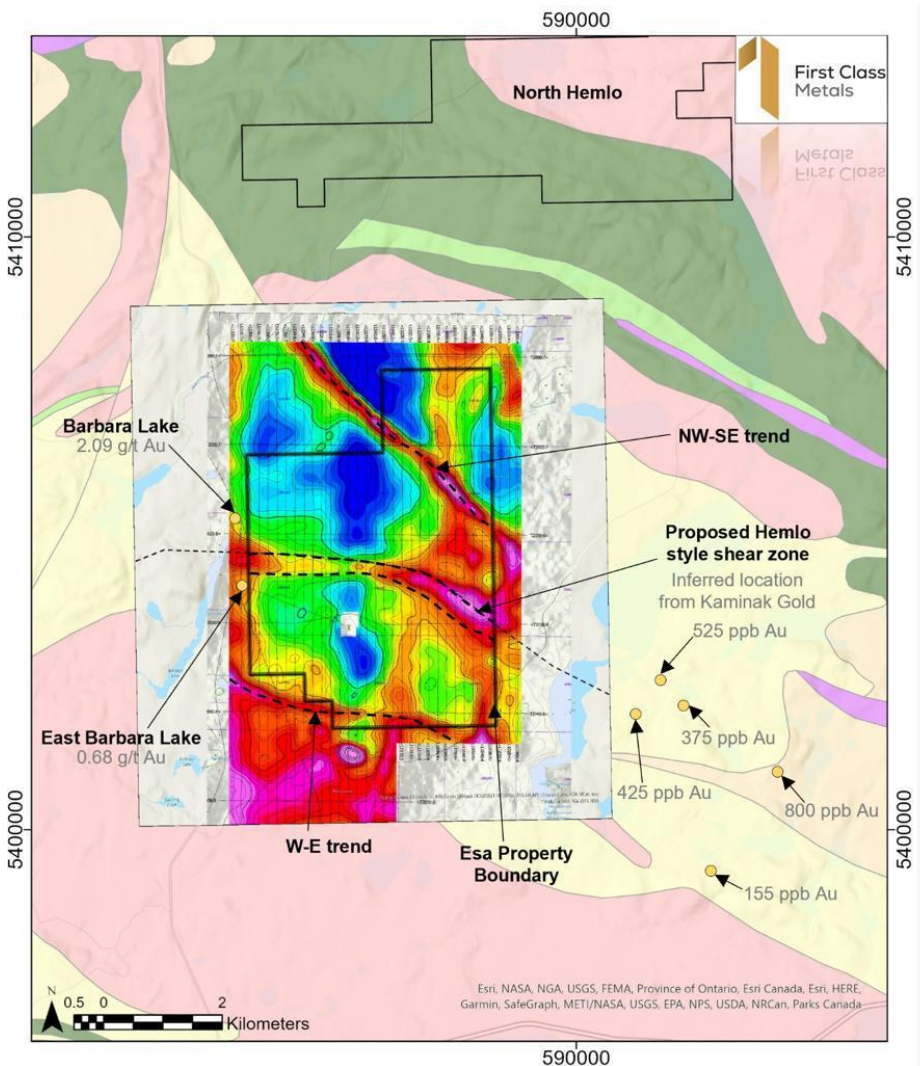


Fig 4: Esa (Source: FCM).

Sugar Cube

FCM's Sugar Cube project lies contiguous to the Harte Gold Sugar Zone gold mine (Fig 5), operated by Silver Lake Resources which has a 1.7m oz. gold NI-43-101 resource at 7.2 g/t (1.1m oz. at 8.1 g/t - Measured & Indicated & 0.6m oz. at 7.2 g/t - Inferred). A VTEM survey flown over Harte Gold's licence blocks revealed many significant structures and magnetic anomalies.

IEA - A high-resolution magnetic survey is planned to define potential mineralised structures and trends, and in particular the presence of greenstone style geology. This could then be followed up with mapping and sampling work.

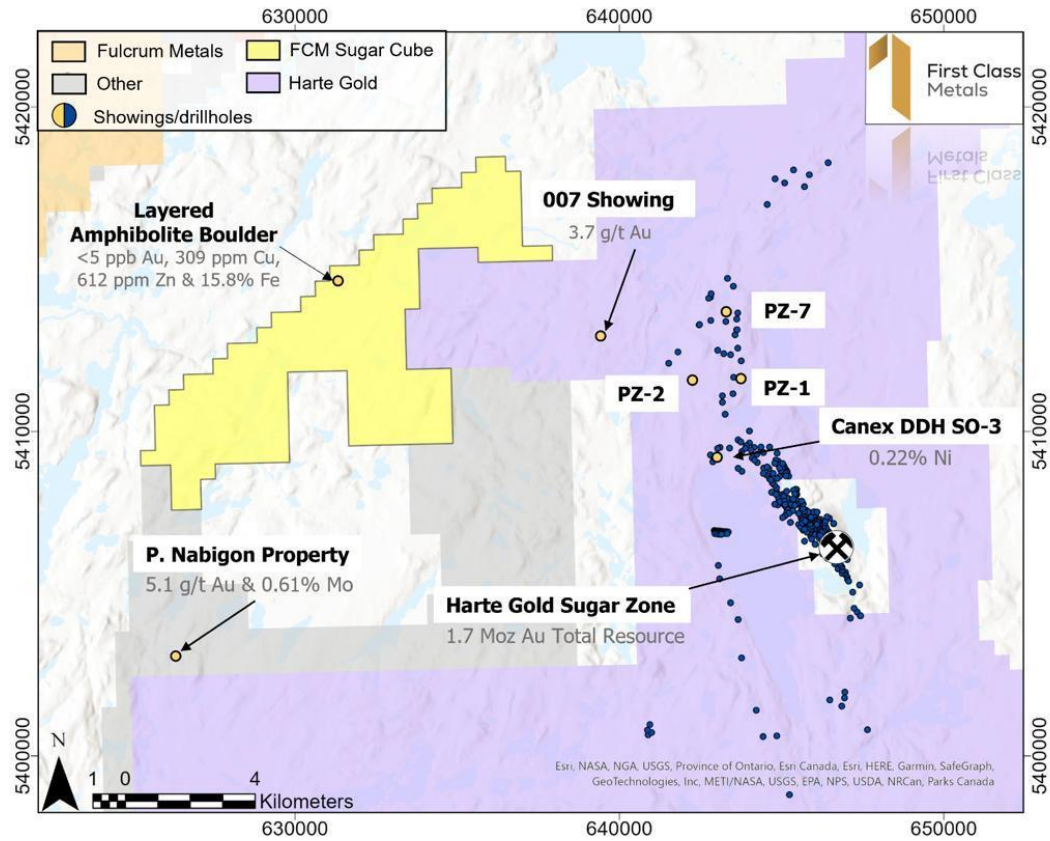


Fig 5: Sugar Cube project area (Source FCM).

Coca East, Enable & Magical

Coca East, Enable and Magical are termed the 'Western Claims', situated on favourable geological trends, with previous showings either within the claims or near to the claim boundaries, along interpreted trends.

IEA – A detailed review of historic data is planned, along with a systematic ground exploration programme.

Enable - As Fig 6 illustrates, the Enable project lies interestingly near the Joa-Walton occurrence which reported 192.7 g/t gold and 401 g/t silver, and Hays Lake sampling point which returned 9.64 g/t gold and 20 g/t silver.

To date 64 samples have been collected during a recent brief reconnaissance visit, the results for which are awaited.

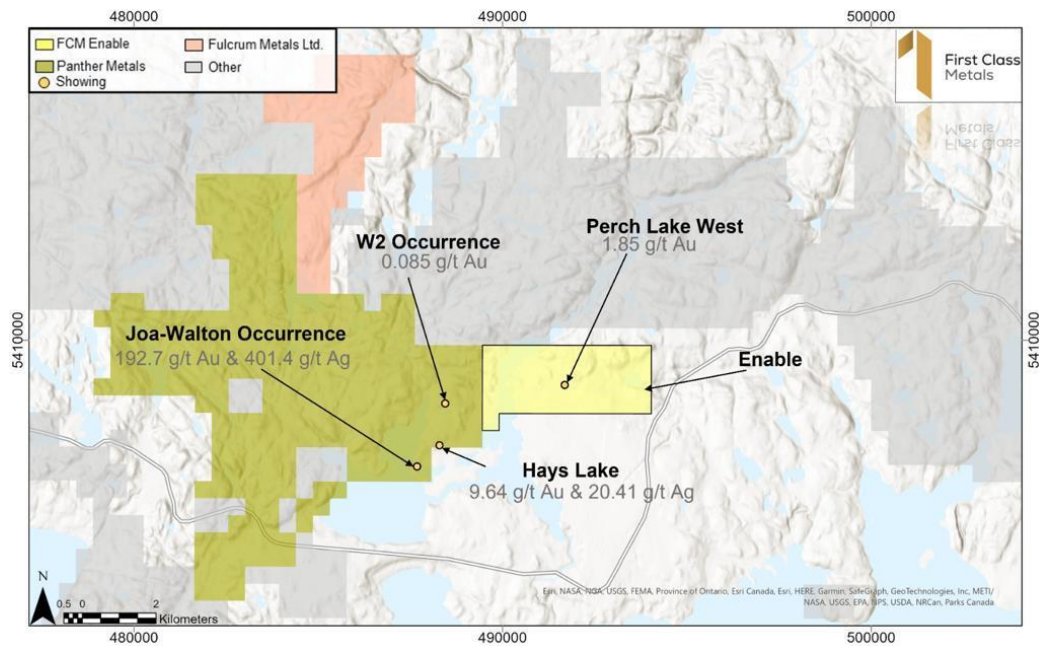


Fig 6: Enable project area (Source FCM).

Magical - Although 'Magical' is the smallest of the Group's seven claim blocks at just 3 sq. km in size, it lies close to numerous mineralised showings. The Kusins Occurrence is of particular note, with some high reported samples of 70 g/t silver, 10% zinc and 9% lead.

An initial reconnaissance to Magical collected 12 rock samples, the results for which are pending.

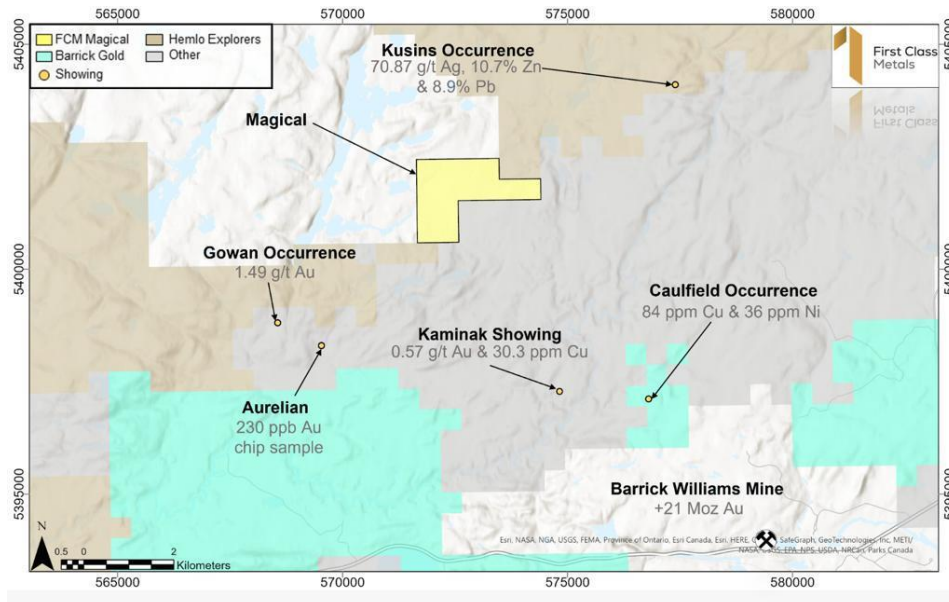


Fig 7: Magical project area (Source FCM).

Coco East - Coca East is located 10km east of the TSX-V listed Metallum Resources' (MZN.V) recommissioned zinc mine and 3km to the west of the Coco Estelle deposit, which has a reported 53,700 tonnes at 10.7 g/t gold.

FCM's initial focus is the Big Birch occurrence, which previously returned 0.56 parts per million (ppm) gold and 2.8 ppm silver showings. To date 46 rock samples have been collected, for which the results are awaited.

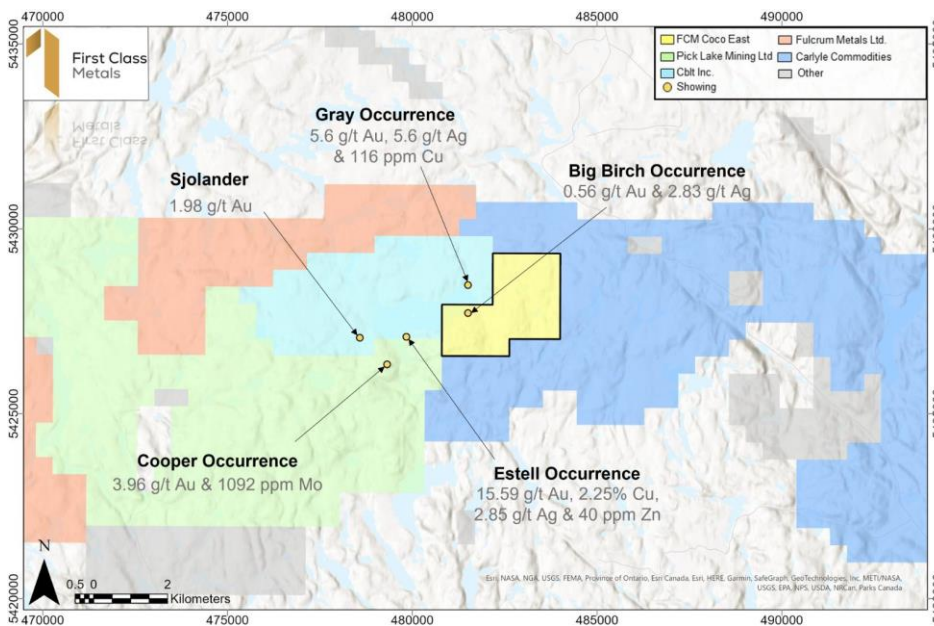


Fig 8: Coca East project area (Source FCM).

McKellar

The McKellar licence contains several interesting historic exploration showings, which indicate that the claims block is prospective for gold, silver, copper, zinc, lead, uranium, thorium, molybdenum, and rare-earth elements such as lanthanum and cerium. The presence of molybdenum showings at McKellar is encouraging as the Hemlo gold deposit also contained molybdenum. The licence is adjacent to the Marathon Palladium project, held by TSX listed Generation Mining (GENM.TO).

Noranda Exploration Company Ltd in 1988-90 reported on a channel sample of 618 g/t silver and a trench sample of 1.1 metres at 32.3% zinc and 7.1% lead, along with a VMS style mineralisation over a 600-metre length at the Silver Pic Silver Mine, which was discovered in 1875.

The Gold Bar Lake silver base metal prospect returned some interesting high-grade zinc and copper when sampled and drilled in 1981, as highlighted in Fig 9.

FCM's initial focus has been on the western sector of the project area, where 89 rock samples have been collected, for which the results are awaited.

IEA – The work programme includes reprocessing and interpretation of government airborne magnetic data, exploration reconnaissance, along with stripping and trenching. Drilling work on the licence is planned within the next 9-months.

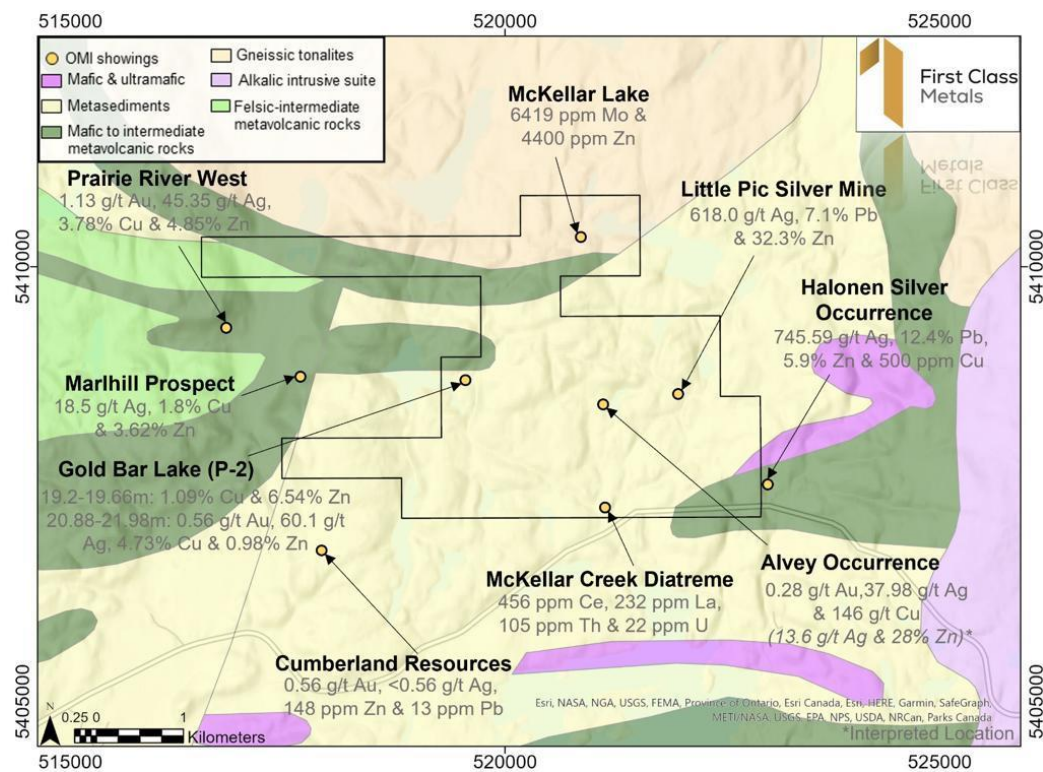


Fig 9: McKellar project (Source FCM).

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