

First Class Metals plc (FCM.L) announced yesterday the identification of a 3 km plus gold and molybdenum trend to the southeast of the Dead Otter Lake Occurrence, with an exceptional high-grade sample of 19.6 g/t gold, within its flagship **North Hemlo** project.

Since the publication of our initiation research note in September last year and IPO in July, **FCM** has made significant progress in expanding its portfolio of projects in Ontario, Canada with the Sunbeam acquisition and discovery of very high-grade nickel results within its flagship North Hemlo project on the JV/earn-in partner licences with Palladium One (PDM) at **West Pickle**.

- By applying modern exploration methods at Sunbeam, multiple asset upside opportunities exist, including expanding the known mineralisation at the old mine working at depth and investigating potential to define economic deposits elsewhere on the 48 sq. km project area.
- The acquisition of **Sunbeam** provides FCM with control over a former mine that produced gold between 1898 and 1905, upon which it has been previously estimated 50,000 to 70,000 tonnes of gold at a 13.0 g/t grade exist in old workings.
- Several significant and large nickel grades (> 10% nickel) have been reported over the last few months during the current drill programme on the JV earn-in project at West Pickle by TSX listed PDM.
- It now seems evident that a new district-scale sulphide nickel play is being established at West Pickle, which raises the prospect that similar discoveries could be made on FCM's 100% controlled licences, as the mineralisation strike length is open in its direction.
- The discovery at West Pickle provides early proof of concept of the management's pursuit of a "close-ology" strategy to advance low-risk, high-reward exploration projects. Many of FCM's licences are near existing large-scale discoveries or/and operating mines such as the Sugar Zone Gold Mine.

The addition of **Sunbeam** broadens FCM's reach to include a 'brownfield' stage project to add to its earlier stage interests and West Pickle Lake JV, which could now be considered a mid-stage project, given its high-grade nickel sulphide discovery.

We are encouraged by the high director ownership at FCM of around 30%, and that the company's exploration programme is funded for the remainder of this year, with a cash bank likely to improve with the exercise of further warrants.

There are several near-term news events to look forward in the coming period, namely results from 10 further holes drilled by PDM on the **West Pickle Lake JV/earn-in**, confirmation and further details on the potential new lithium prospective project at **Zig-Zag**, commencement of drilling at Sunbeam, along with exploration updates on other FCM projects.

For the reasons explained above, high-quality exploration portfolio, in a low-risk mining friendly jurisdiction we believe the shares should be trading at a higher valuation point, with a market capitalisation in the region of £20m to reflect this and we therefore recommend the shares as a '**Buy**' with a **target price** of **29p** per share.



TP: 29p

MARKET DATA:

Name:	First Class Metals plc
Ticker:	FCM.L
Sector:	Resources
Listing:	LSE SL
Share Price:	14.25p.
Market Cap	£10m.
SII:	70m.

ACTIVITIES:

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

FINANCINGS:

22' Nov to 23' Jan - £170K Warrant exercises.
2022 Dec - £300K Placing @ 16p.
22' Oct - £1m CLN & £80K Placing @ 12p.
22' Q4 to 23' Q1 - C\$200K Ontario Govt Grant.
22' July IPO - £1.13m Placing @ 10p.

Next Financial Results – est. in April '23.

KEY PROJECTS / ASSETS:

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

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	26.5%
Ayub Bodi (Dir) & Family	14.5%
James Knowles (Dir) & Family	14.5%
Afzal Valli	5.2%
Asif Bodi	5.1%
James Huddleston	4.9%

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

ANALYST

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Project Licence Overview

Project	Mining Claims	Area sq km
Sunbeam	113	48
North Hemlo	427	90
Esa	86	20
Sugar Cube	205	43
Coco East	30	6
Enable	41	9
Magical	14	3
McKellar	58	11
New Lithium Project	TBC	TBC

Fig1: FCM Licence overview.

Sunbeam

The Sunbeam project acquisition, announced by FCM in early October '22, gives the Group ownership of a historic high-grade gold project, which effectively offers both brownfield and exploration development opportunities.

The project area encompasses 56 sq.km, with 117 single claims (Sunbeam Property) and 9 multi cell claims (English Option) in north-west Ontario. Sunbeam lies 15kms southeast of the 3.3m ounce Hammond Reef project, controlled by TSX listed Agnico Eagle (Market cap C\$35bn).

Of particular interest to FCM is the location of three historic mines in the project area, namely the Sunbeam Mine, the Roy Mine and the Pettigrew Mine, along with four known gold occurrences.

Gold production at Sunbeam took place between 1898 and 1905. No records of production for most of this period exist, however it is known that 650 tonnes were mined just below the surface at an average grade of 12.2 g/t, in 1904. A collapse in gold prices in 1905 led to the mine's New York owners ceasing operations. As the property was held under a 100-year lease no one returned to re-commence mining or exploration until recently.

It has been previously estimated 50,000 to 70,000 tonnes at a gold grade of 13.0 g/t exist in the old workings. As illustrated in Fig 1, the structure hosting the Sunbeam Mine is open in several directions, providing FCM with significant opportunities to add project value.

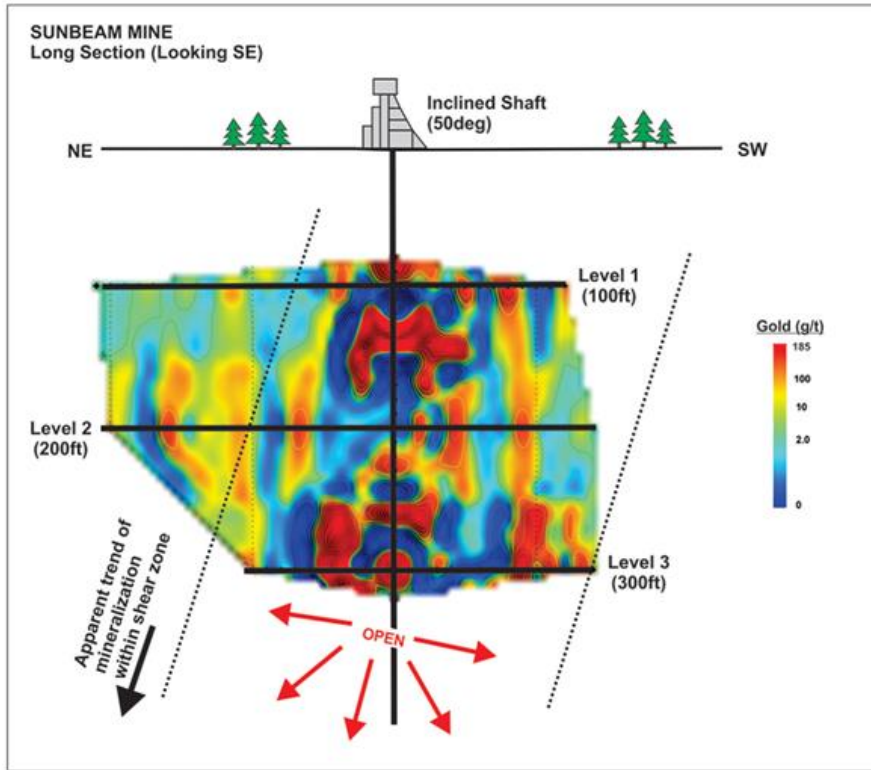


Fig2: Sunbeam mine cross section looking southeast (Source: FCM).

A surface sampling programme by Nuinsco in 2021 showed grades of up to 83.5 g/t from underground waste rock from the Sunbeam mine. An eight-hole drill programme by Nuinsco in the Sunbeam Mine area (but not on FCM’s permit area), showed some very high grades, including 93.3 g/t over 0.44 metres (NS-21-03).

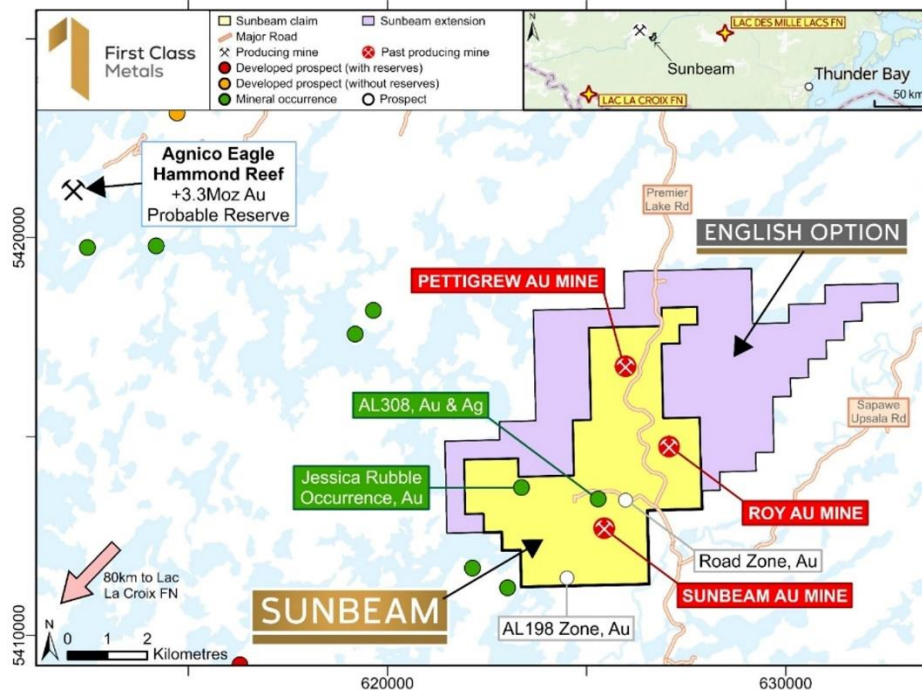


Fig3: Sunbeam project area (Source: FCM).

Acquisition Details - The terms of deal with the project vendors - Nuinsco, include the following payments by FCM to provide 100% ownership of asset.

- Initial C\$0.7m consideration paid over 8-months.
- An undertaking to spend C\$0.75m in exploration related expenses over 3-years.
- Milestone payments of up to C\$0.5m, dependant on a NI43-101 Indicated resource of 250,000 to 500,000 gold ounces being established.
- 1% net smelter royalty (of which 50% can be bought back for C\$0.5m).

Project Financing - The acquisition was financed with a £1m Convertible Loan Note (CLN) investment by Sanderson Capital Partners and an existing investor – Afzal Valli, along with a small equity funding of £80K with two investors at a 12p placing price. The CLN converts over four tranches (at 12p,15p,19p & 22p). A two-year 1-1 warrant was issued to the equity investor with an exercise price of 20p per share, along with a similar warrant to the CLN investors, with exercise prices of 20p, 22p, 24p and 30p, issued per note conversion.

Next Stage: *Historic and available data are being reviewed and assimilated. A short drill programme is planned for the latter half of '23 at Sunbeam. Earlier stage prospecting and exploration will be conducted during the year on the 'English Option' claims that surround the main Sunbeam project area.*

North Hemlo

North Hemlo consists of both FCM's own 100% project owned licence and an area of ground upon which Palladium One (PDM) has an option agreement (West Pickle Lake earn-in/JV) with FCM (covering 700 hectares), which straddles the boundary area of FCM's North Hemlo licence area and PDM's Tyko project.

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 30% interest in the third year of the partnership.

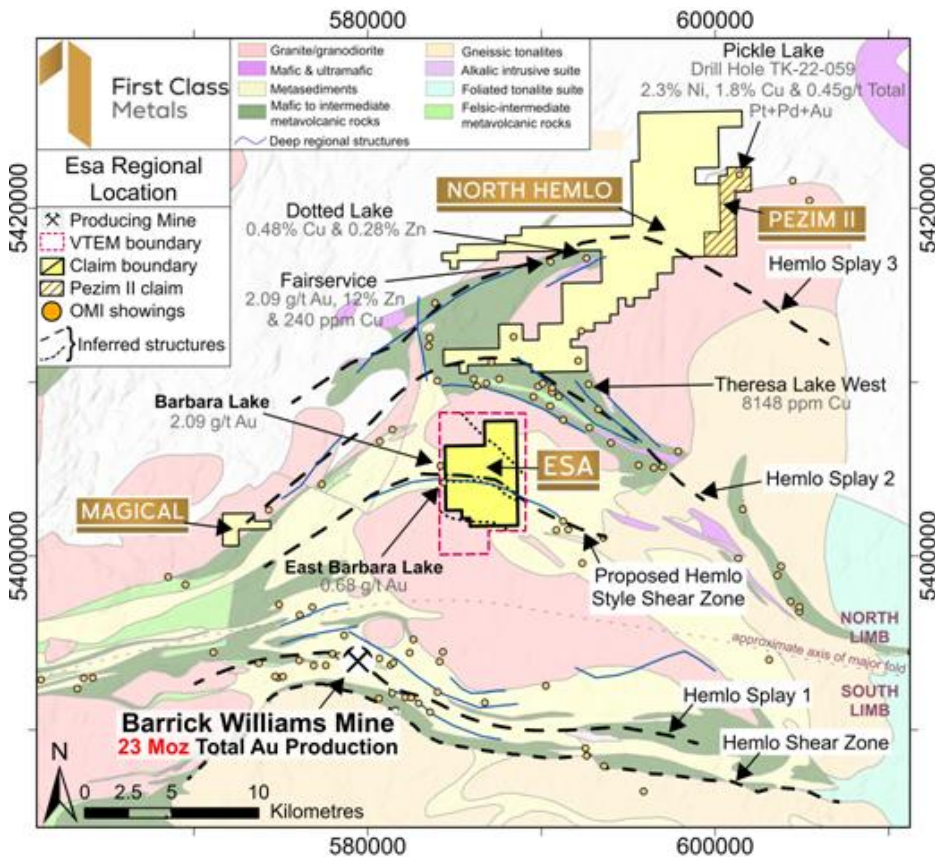


Fig4: North Hemlo, ESA and Magical Licence Areas (Source FCM).

On 26 January '23, FCM reported the identification of a 3 km plus gold and molybdenum anomalous trend to the southeast of the Dead Otter Lake Occurrence, with a grab sample of 19.6 g/t gold recorded along the trend. This is to the southeast of historic showings that returned 3.7 g/t gold and 4.9% molybdenum. FCM's technical team believe the high-grade sample of 19.6 g/t in the southeast of this trend could be where "a subparallel arcuate trend intersects the Dead Otter Lake Trend".

Next Stage: Future exploration work in '23 to include exploring the 'Dead Otter Lake' trend, from which sampling has shown anomalous gold and molybdenum mineralisation over 3 kms and looking for an extension to the 'Dotted Lake' structure. Completion of the exploration permit process is also planned within the next year.

West Pickle Lake earn-in/JV - Drilling work undertaken by PDM in Q3/Q4 '22 led to the announcement of the West Pickle Lake massive nickel-copper sulphide discovery.

The West Pickle mineralisation is defined so far over a 500-metre strike length and remains open in all direction, some of which covers the JV area between FCM and PDM (termed 'Pezim II' claim block, Fig 3 and 4). It is also open to the west in the direction of FCM's 100% controlled North Hemlo property.

To date, 32 holes have been drilled and reported by PDM over 6,766 metres in the last four months. Palladium One plan to drill a total of 15,000 metres in its current drilling programme at West Pickle Lake on both the JV/earn-in ground with FCM and its 100% owned permit blocks. We believe results from 10 holes on the JV/earn-in permits are awaited, which are likely to be announced over the next 6-weeks.

Most holes have encountered economic nickel and 'nickel equivalent' mineralisation, which includes copper grades up to 3.8%, along with trace elements of cobalt, gold and platinum group metals. Some highlighted core sections, are;

TK-22-073 - Including 10.3% Nickel, 2.9% Copper over 1.8 meters,

TK-21-070 - Including 12.8% Nickel Equivalent over 2.3 metres (10.4% nickel, 3.4% copper).

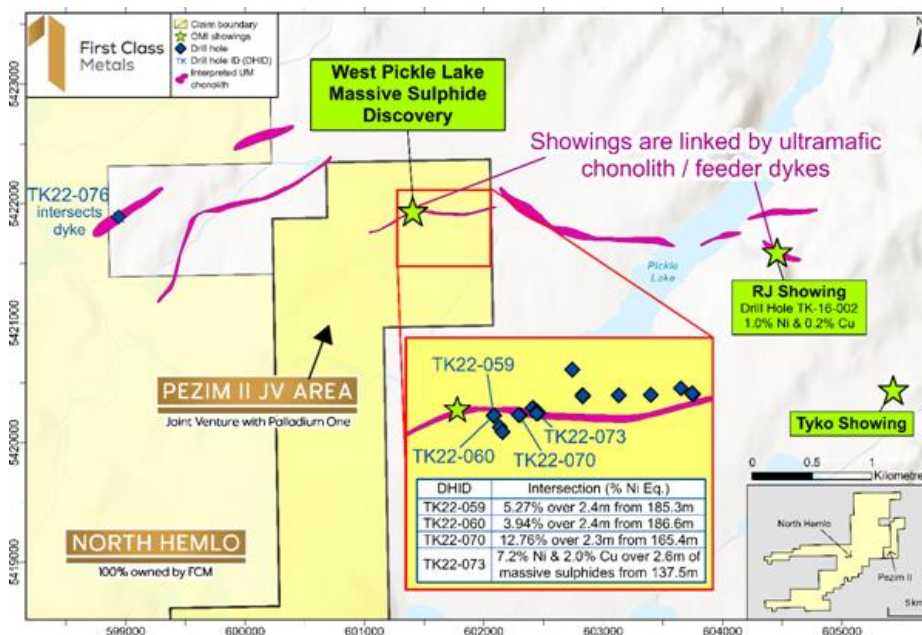


Fig5: West Pickle Drilling Area (Source FCM).

Enable

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

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.

In January '23, FCM provided an operational update on Enable, which included assay results from the recent field season. Almost half of the 80 samples taken contained anomalous gold values of over 1 parts per million (ppm), with 10 samples showing over 3 ppm, along with significant silver values over 7 ppm.

The management believe these results and presence of historic gold on the project, that there is "substantive evidence to support the inferred continuation of the mineralised geological structure/contact through" the licence area.

Next Stage: *For 2023, the work programme will include lake sediment sampling to the east and west of the gold occurrences, along with soil sampling along the strike extension of the mineralised trend. An exploration permit application is being made with the Crown at Enable to allow for more intense work to be conducted, to include stripping, trenching a drilling exploration for three years.*

ESA

ESA lies just 11km northeast 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, running on a west to east trend across the licence.

FCM reported the findings of a VTEM survey in November '22, interpreted by Paterson Grant Watson Ltd, the raw data of which was obtained from previous owners at nil cost.

The VTEM survey provided some very useful geological information for FCM's geologist and management team, including further information on potential of a 'Hemlo' style east-west trending shear zone dissecting the central area of the licence.

Next Stage: *On the back of confidence gained from this data, FCM undertook a "very late" season soil sampling campaign to extend on previous work to encompass the entire length of the known shear structure. Results from this work are awaited. We anticipate soil sample results should be available and announced during February '23. Future work during this year could include trenching in the 'boulder' location, along with follow up work in the shear zone.*

An exploration permit application is being made at ESA to allow for drilling and other work to be completed.

Sugar Cube

Sugar Cube lies contiguous to the Harte Gold Sugar Zone gold mine, 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.

Next Stage: A high-resolution magnetic survey commenced in January '23 to define potential mineralised structures and trends, and in particular the presence of greenstone style geology. Results from the survey are expected during March '23.

McKellar

The McKellar licence contains several interesting historic exploration showings, indicating the claim blocks prospectivity for gold, silver, copper, zinc, lead, uranium, thorium, molybdenum, and rare-earth elements such as lanthanum and cerium. Moreover, 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). McKellar is also believed to hold potential for the discovery of a VMS style deposit.

Next Stage: A field programme at McKellar took place in the latter months of '22, with a focus on rare earth elements potential. Results are anticipated in Feb '23, which could lead to follow up work later in year such as further exploration along the McKellar trend and start of exploration at Gold Bar Lake. An exploration permit application is being made at McKellar for drilling and other work to be conducted.

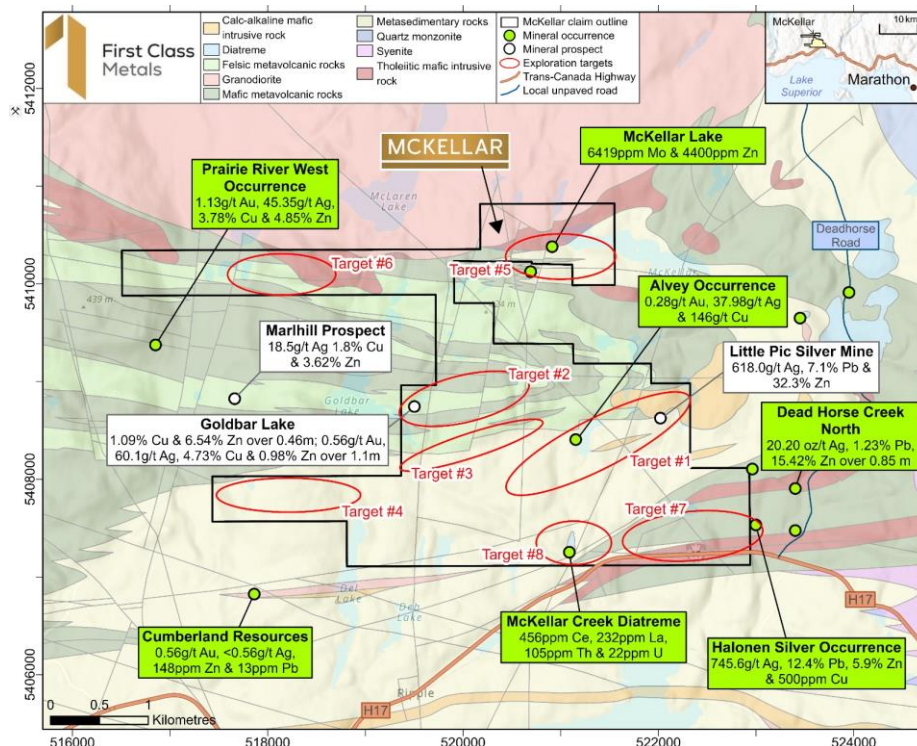


Fig6: McKellar Licence and target areas (Source FCM).

Zig-Zag - Lithium Exclusivity Agreement.

Sunbeam entered into an exclusive 60-day agreement for Zig-Zag on 12 December '22 after signing an NDA with an un-named third party for a lithium prospective project in Ontario. Negotiations we understand are now at an advanced stage.

The potential new project is in an area proven to be prospective for hard rock, pegmatite hosted lithium. Significant lithium and tantalum oxide intersections have been drilled with one historic hole encountering lithium oxide at 1.08% over 6.1 metres.

Next Stage: *Once FCM's technical and legal due diligence is complete, a decision will be made on whether to pursue this project, which would represent FCM's first lithium prospective project.*

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