

The next few months are likely to be a news-flow intensive period for **First Class Metals plc** (FCM), with exploration drilling likely on at least two high priority properties and work planned to move other prospects towards drill-ready status. In this updated research note we look at FCM's exploration properties to understand the catalysts that could spark a share price uplift. We also analyse the additions made over the last 12-months to FCM's expanding exploration portfolio of interests.

- **Sunbeam** is the most advanced asset that produced gold between 1898 and 1905, upon which it is estimated 50,000 to 70,000 tonnes of gold at a 13.0 g/t grade exist in old workings.
- Several exploration targets and trends at Sunbeam have been identified. Following channel sampling work, some of these are likely to be drilled within the next few months.
- The high-grade nickel drill results reported by JV partner Palladium One (PDM) at **West Pickle Lake** (WPL) provides clear evidence that a district-scale sulphide nickel play has emerged on the North Hemlo properties.
- The management believe similar high-grade mineralisation discoveries at WPL could also be present on their 100%-owned North Hemlo properties. One prospect targeted for near term drilling is '**Dead Otter Lake**', where high grade gold samples have been recorded.
- FCM expanded its footprint at North Hemlo by 30% in area after securing a JV earn-in deal with **OnGold** in July 2023.
- The addition of the **Zigzag** earn-in JV provides investors with exposure to a property prospective for a vital battery metal, lithium, from which historic drilling has returned lithium grades of over 1.00% lithium.

**First Class Metals** has made notable advancements since listing on the LSE 12-months ago, by adding three new exploration properties (**Sunbeam**, **Zigzag** and **OnGold**), and through improving value to these and its existing projects. Despite this progress, the shares are now back to around their IPO placing price of 10p per share, after trading at between 15p and 17p for the last two months of 2022.

A drop in sector wide sentiment towards junior exploration companies may have impacted the share price in the last six-months, as investors have become more risk-adverse and aware of potential downside risks such as commodity price falls or exploration disappointment. Nevertheless, such an environment can create a good entry point for investors.

As explained in our last research note in January, we still believe the company should command a market cap valuation in the region of £20m, possibly as high as £25m, given the recent addition of new projects, coupled with its high quality and exciting exploration properties within a low risk and established mining jurisdiction. A market cap of around £20m to £25m would imply a value per share in the range of **24p to 30p**, and thus leads us to a '**Buy**' recommendation for the shares.



**TP: 24p to 30p**

#### MARKET DATA:

<b>Name:</b>	First Class Metals plc
<b>Ticker:</b>	FCM.L
<b>Sector:</b>	Resources
<b>Listing:</b>	LSE SL
<b>Share Price:</b>	9.85p.
<b>Market Cap</b>	£8m.
<b>Shares Issued:</b>	81.9m.
<b>Warrants o/s:</b>	2.85m

#### ACTIVITIES:

Exploration & Development of resource properties in Ontario, Canada.

#### RECENT FINANCINGS:

23' June - £1.05m @ 10p Placing, Subscription & exercise of Warrants.

#### KEY DATES:

<b>LSE Admission</b>	29 July '22
<b>Y/E</b>	31 Dec
<b>Last Finc. Results:</b>	2 May '23 (Finals)
<b>AGM:</b>	29 June '23

#### KEY PROJECTS / ASSETS:

North Hemlo  
Sunbeam  
Esa  
Zigzag  
Mc Keller

#### DIRECTORS & MANAGEMENT:

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

#### SHAREHOLDINGS: (>=6%)

Power Metal Resources plc	23.2%
Ayub Bodi (Dir) & Family	14.2%
James Knowles (Dir) & Family	14.2%
Cantor Fitzgerald Europe	6.4%

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

#### ANALYST

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## Project Licence Overview

First Class Metals (FCM) has assembled a large portfolio of exploration properties in the province of Ontario, Canada, most of which are 100%-owned.

Many of these are near existing large-scale discoveries or operating mines controlled by mining majors such as Barrick Gold (NYSE:GOLD), and mid-cap operators like Silver Lake Resources (ASX:SLR), which control the Sugar Zone Gold Mine. Following 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.

Since listing on the LSE in July 2022, FCM has added the Sunbeam former gold mine to its portfolio, along with the Zigzag lithium and tantalum prospective blocks and signed an earn-in-deal with OnGold Investment extending its presence over North Hemlo.

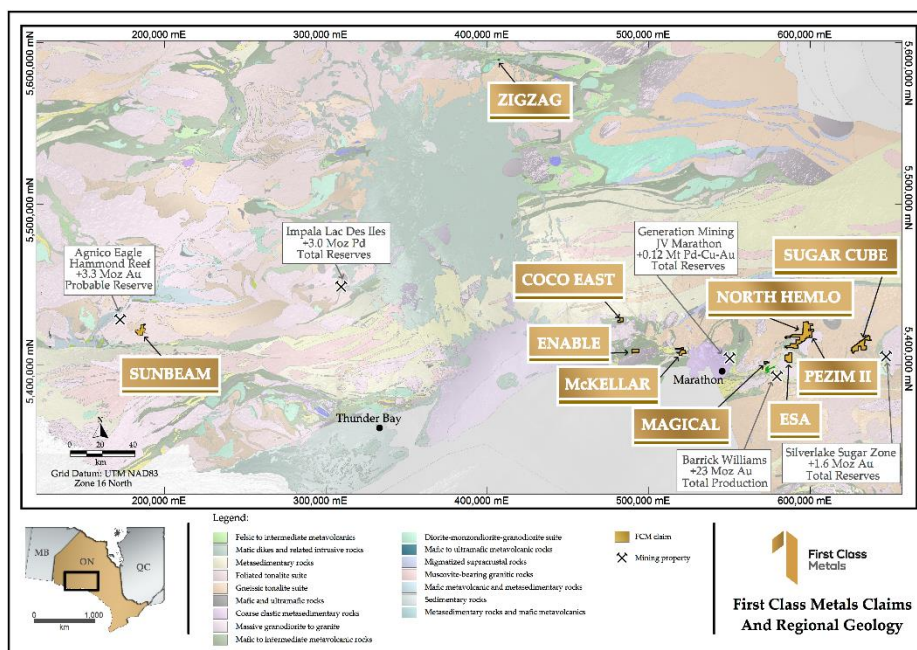


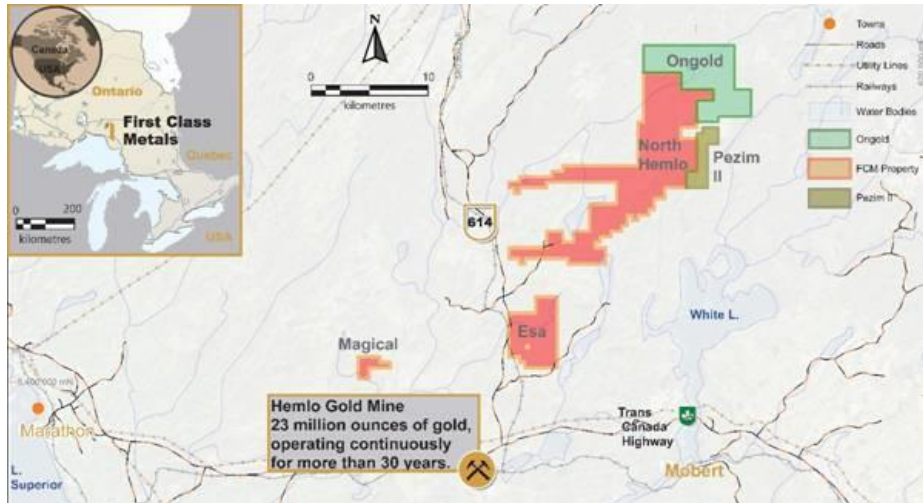
Fig 1: FCM property overview map (Source FCM).

Property	Mining Claims	Area sq km	Interest %	Prospective for
<b>North Hemlo (FCM properties)</b>	394	82.7	100%	Gold, Nickel, Molybdenum, Copper
<b>OnGold (JV by FCM)</b>	163	35	Earn in up to 80% by FCM	
<b>PEZIM II / West Pickle Lake (JV by PDM)</b>	33	6.9	Earn in up to 80% by PDM	Nickel, Copper, PGMs
<b>Sunbeam</b>	113	45.0	Earn in up to 100% by FCM	Gold
<b>McKellar</b>	66	12.5	100%	Gold, Silver, Zinc, Copper and Rare Earths
<b>Zigzag</b>	6	1.2	Earn in up to 80% by FCM	Lithium, Tantalum
<b>Esa</b>	86	20.6	100%	Gold
<b>Coco East</b>	30	6.3	100%	Gold
<b>Enable</b>	41	8.7	100%	Gold, Silver
<b>Magical</b>	14	2.9	100%	Gold
<b>Sugar Cube</b>	205	42.7	100%	Gold

Fig 2: FCM project summary (Source FCM).

## North Hemlo

The Group's interests at North Hemlo include those under three different property ownership structures (1) licences held by FCM with a 100%-interest (denoted in red in Fig 3 – '**North Hemlo**'), (2) the OnGold Investment Corp ('**OnGold**') earn-in of up to 80% and (3) option agreement to earn up to 80% by Palladium One (TSX:PDM) ('**Pezim II**' or **West Pickle Lake** earn-in/JV).



**Fig 3:** North Hemlo properties and JV earn-ins, along with other nearby FCM properties. (Source FCM).

The **West Pickle Lake earn-in JV** is the most advanced of the three North Hemlo projects, upon which **Palladium One** has undertaken an extensive drilling programme over the last 18-months.

This has defined a massive nickel-copper sulphide discovery covering a strike length of over 600 metres that remains open in all directions. Most holes have encountered economic nickel and 'nickel equivalent' mineralisation, including copper grades up to 3.8%, along with trace elements of cobalt, gold and platinum group metals. Highlighted core sections, are:

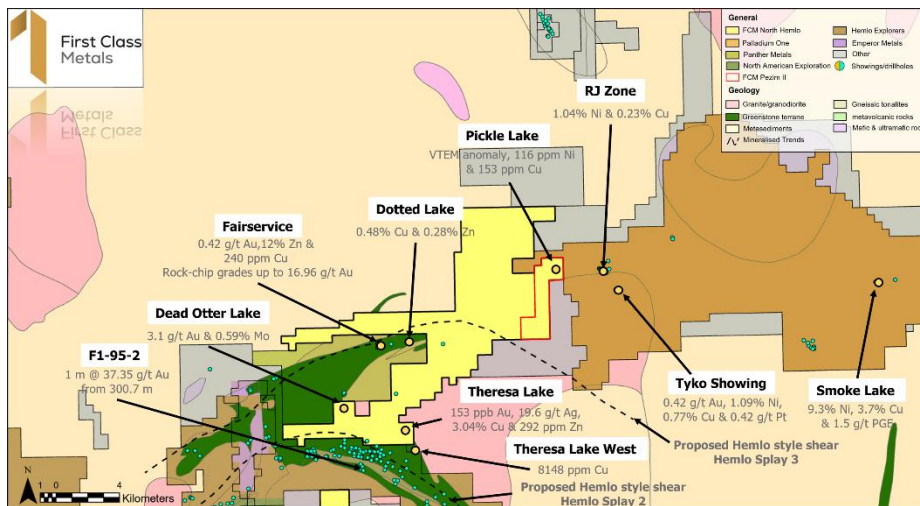
*TK-22-070 - Including 12.58% Nickel, 2.49% Copper over 1.7 metres*

*TK-22-073 - Including 10.32% Nickel, 2.88% Copper over 1.8 metres*

As the strike length of the 600-metre zone identified by Palladium One has grown, so too has the potential that this could cross into FCM's own **100%**-held **North Helmo** properties.

FCM's management are particularly excited about the '**Dead Otter Lake**' prospect within its 100%-controlled North Hemlo properties. The identification of a 3 km plus gold and molybdenum anomalous trend to the southeast of the Dead Otter Lake Occurrence was reported by FCM in January 2023, with a grab sample of 19.6 g/t gold recorded along the trend. This is to the southeast of historic showings that returned 3.1 ppm gold and 0.59% molybdenum. FCM's technical team believe the high-grade sample of 19.6 g/t (the highest ever recorded over the Hemlo North Limb) in the southeast of this trend could be where "a subparallel arcuate trend intersects the Dead Otter Lake Trend".

An update in mid-June 2023 reported that over 100 samples had been taken along the 'favourable' horizon around the old showings and prepared for dispatch to the lab for assaying. Visible gold had been observed in several grab samples.



**Fig 4:** Dead Otter Lake Trend location (Source FCM).

The **OnGold** earn-in JV covers the northern extent of North Hemlo and was added to FCM's portfolio in early July 2023. The previous operators identified eleven high priority drill targets.

A due diligence program by FCM returned gold grades of up to 103 ppb gold from sampling work. Bruce MacLachlan, Principle of Emerald Geological Services, who led the supervision of the program work said encouragingly, "To the best of our knowledge the 103ppb Au Lake sediment value is the highest lake sediment value collected in the Hemlo Belt outside of the deposit area".

#### **Deal Details for JV/earn-ins.**

**OnGold** – FCM has an option to earn up to 80% by issuing 1m shares to OnGold by 31 October 2023 and a work commitment of C\$0.3m over a three-year term to July 2026.

**Pezim II - West Pickle Lake earn-in/JV** - The option agreement enables PDM to earn 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 partnership.

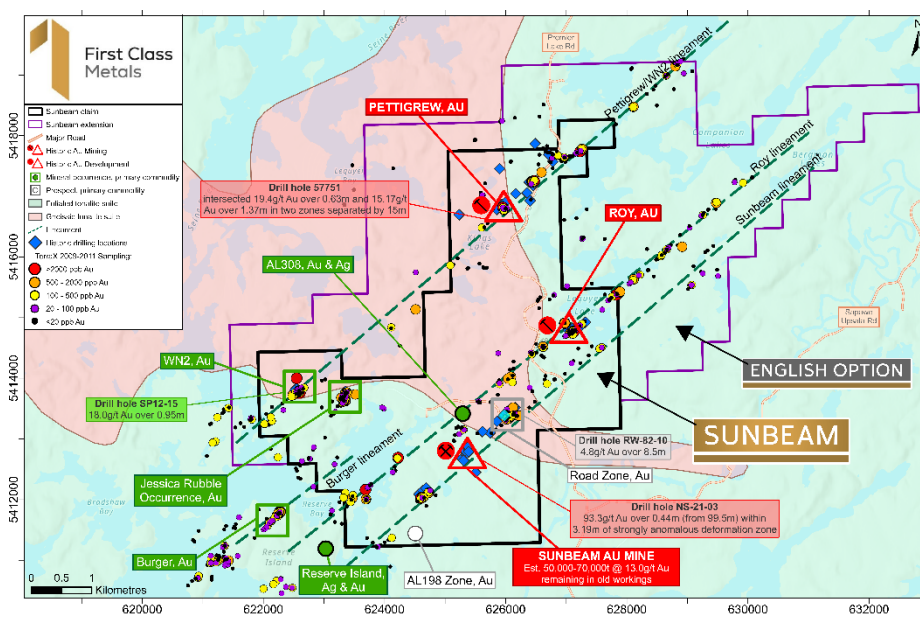
**Next Stage - (100% North Hemlo property)** – As the mid-June 2023 RNS explained, an exploration permit has been submitted to the relevant authorities for the 'Dead Otter Trend', a drill contract is under negotiation and other drill preparation work is in progress.

## Sunbeam

The Sunbeam licences provide both brownfield and exploration development opportunities around a historic high-grade gold project. The permits encompass 45 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 Agnico Eagle Mines Limited (TO:AEN).

Of notable interest to FCM is the location of three historic mines in the project area, namely the Sunbeam Mine, Roy Mine and 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. 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, nobody returned to re-commence mining or exploration until very recently.



**Fig 5:** Sunbeam project area and identified trends (Source: FCM).

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 shown in Fig 6, the structure hosting the Sunbeam Mine is open in several directions, providing FCM with significant opportunities to add value.

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

Work to date by FCM has involved reviewing the wealth of historic data available, to understand more about the project's geology and exploration potential. This included the identification of three trends from the reprocessing and interpretation of historic geophysics data.

FCM also noted the surprising lack of drilling in the Pettigrew development area. From the assay data on the limited number of holes drilled, the results were very promising:

Hole 57751: **19.4 g/t gold over 0.63m** at 5.33m and **15.17 g/t gold over 1.37m** at 21.44m.  
 Hole 57766: **2.96 g/t gold over 0.18m** at 28.26m and **3.56 g/t gold over 0.5m** at 37.31m

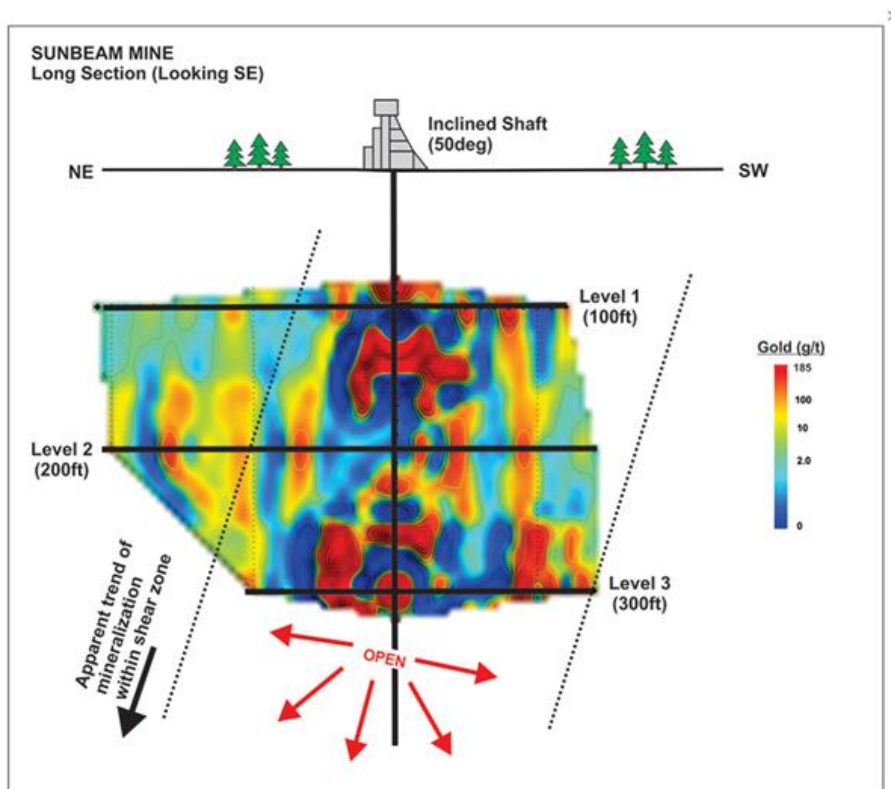


Fig 6: Sunbeam mine cross section looking southeast (Source: FCM).

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

- Initial C\$0.7m and undertaking to spend C\$0.75m in exploration-related expenses over 3-years.
- Milestone payments of up 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).

**Next Stage** – The property is likely to be drilled in Q4 2023, following a channel sampling exercise.

## 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. The presence of molybdenum showings at McKellar is encouraging as the Hemlo gold deposit also contains molybdenum. The licence is adjacent to the Marathon Palladium project, held by Generation Mining (TO:GENM). McKellar is also believed to hold potential for the discovery of a VMS style deposit.

Sample results by FCM over the exposed diatreme (a funnel shaped old volcanic pipe blasted through basement rocks) have shown good results consistent with historic assay results from 2013.

Metal / Element	Historical assay results for selected elements, (ppb or ppm)	FCM 2023 sampling showing two highest values, parts per million (ppm)
Gold	25 ppb	N/A
Platinum	17 ppb	N/A
Neodymium	300 ppm	259, 205
Lanthanum	400 ppm	362, 253
Cerium	513 ppm	653, 503
Yttrium	214 ppm	287, 193
Strontium	1280 ppm	1410, 1360
Thorium	180 ppm	145, 140
Uranium	38 ppm	U: 32.8 23.4

Fig 7: McKellar Sample results comparison (Source: FCM).

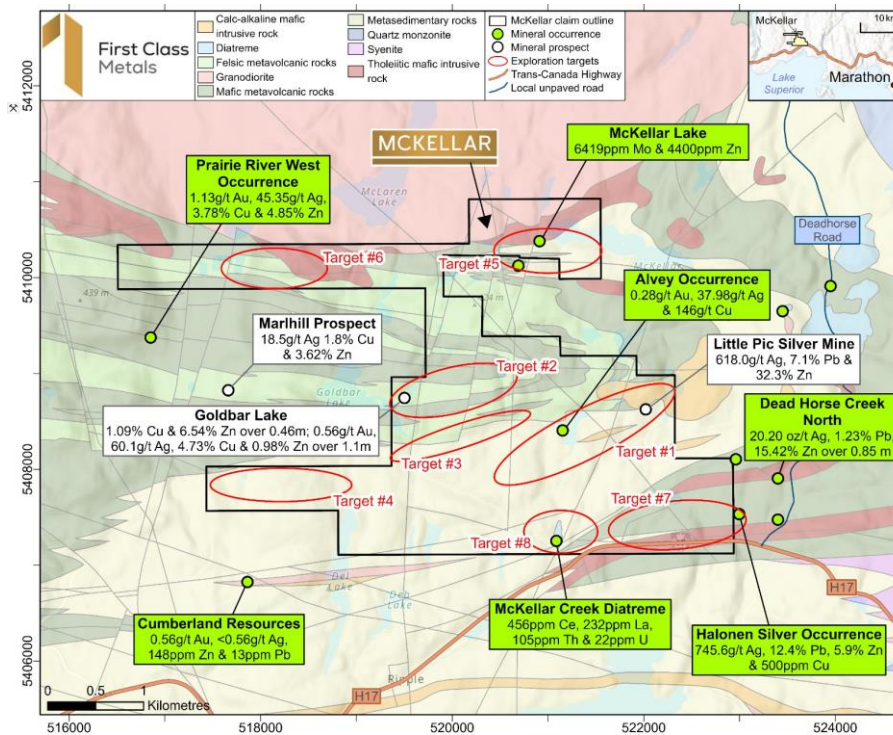


Fig 8: McKellar location (Source: FCM).

**Next Stage** – Near-term work to include further exploration along the McKellar trend, the initiation of exploration at Goldbar Lake and exploration of areas highlighted of interest from historical data review.

## Zigzag

The project consisting of 6 licences being pursued as part of a JV earn-in deal to acquire up to an 80% interest. It is located 10.5km from Green Technology Metals Limited's (ASX:GT1) lithium deposit (2.13mt at 1.29% lithium - indicated resource) and several hard rock lithium properties.

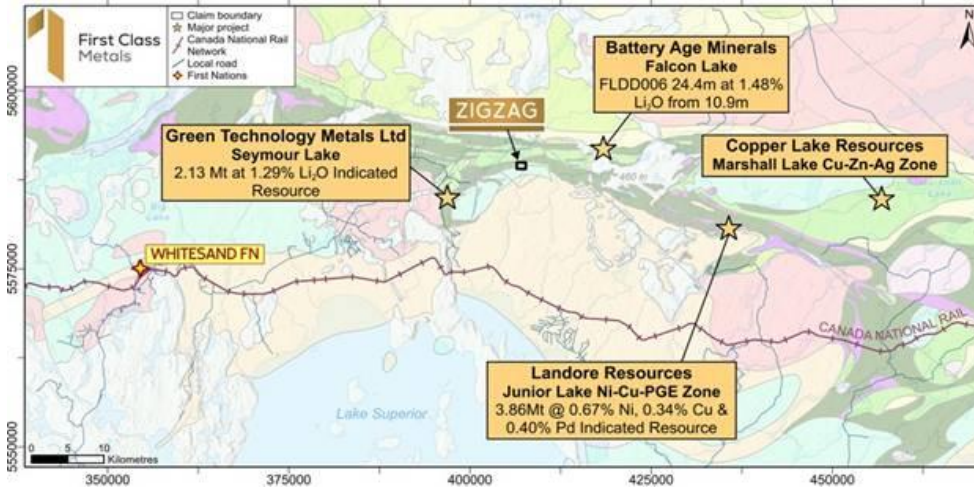


Fig 9: Zigzag location (Source FCM).

The licence block includes a mapped structure that is 800 metres in length and up to 18 metres thick (termed the Tebishogeshik occurrence), which is prospective for 'critical metals' such as lithium, tantalum, rubidium and cesium.

Channel sample results at surface have shown grading of up to 1.68% lithium over 7.9 metres and 0.168% tantalum over 2.54 metres.

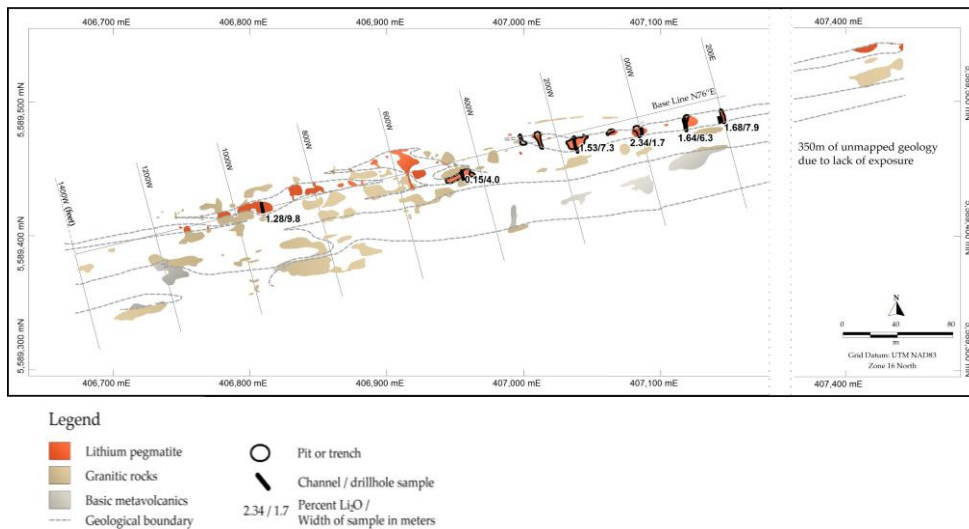


Fig 10: Zigzag lithium prospective structure (Source FCM).

Historic drilling returned sizeable intersections, with 1.08% lithium over 6.1 metres, along with a separate intersection of 399.8 ppm tantalum over 2.92 metres, at relatively shallow depths of less than 20 metres down hole. Structures like this will probably be prioritised by FCM for exploration given that the structure is open along strike and to depth.

Initial exploration conducted by FCM's exploration team returned encouraging validating sample results from an old trench with lithium grades of 10,000 ppm (1.0%) and 198 ppm tantalum from different samples. The samples



were collected during a winter reconnaissance programme, under difficult weather conditions with several feet of snow on the ground.

**Consideration Details** - Terms of deal with project vendors Nuinsco to earn up to 80% of the asset include:

- Cash payment of C\$0.5m over a 3 and half year period to June 2026 (Year 1 - C\$0.125m, Y2 - C\$0.1m, Y3 - C\$0.125m and Y4 - C\$0.15m).
- FCM issue of C\$0.25m of shares over 3.5 years to June 2026.
- Work commitments of C\$0.55m over 3.5 years.

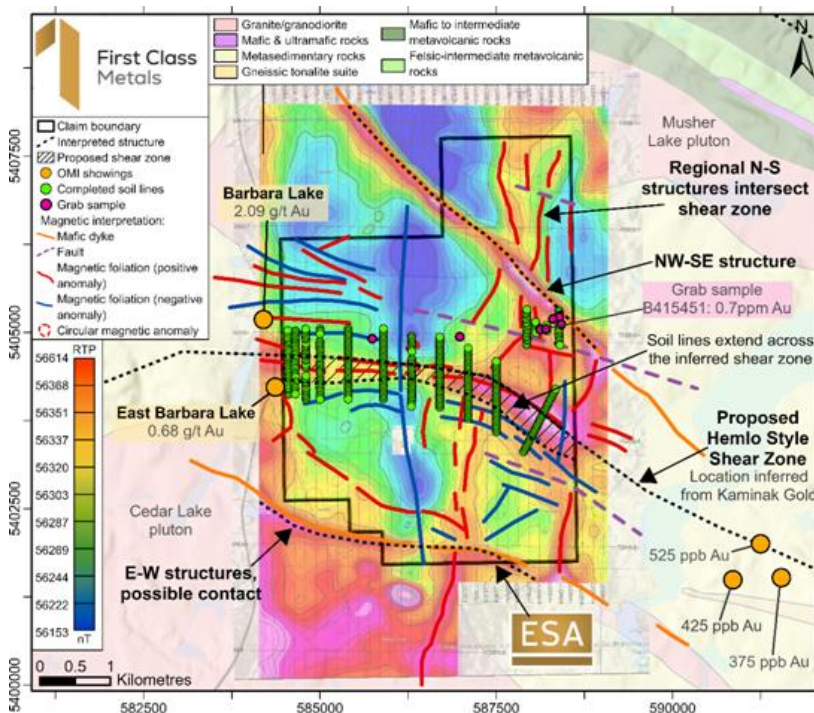
**Next Stage** – The near-term objective will be to define and prioritise drill targets.

## ESA

ESA lies 11km northeast of the Barrick Hemlo gold mine. From what is known so far, the property 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 2022, interpreted by Paterson Grant Watson Ltd, the raw data of which was obtained from previous owners at nil cost. The survey provided useful geological data for FCM's geologist and management team, including further information on potential of a 'Hemlo' style east-west trending shear zone dissecting the licences' central area.

FCM conducted an intensive soil sampling programme during 2022, which included the collection of 534 soil and 5 rock chip samples. Results from the programme showed an intermittent 4 km long anomalous zone which corresponded to the surface expression of the inferred shear. It also indicated multiple occurrences of gold and key pathfinder elements along the anomalous trends highlighting the north-east structures intersecting the shear.



**Fig 11:** ESA, showing shear transecting property and soil lines completed in 2022 (Source FCM).

**Next Stage** – Once an exploration permit is obtained, after review by the First Nations, a more intense exploration programme will be conducted to include identifying suitable drilling targets following stripping and drilling work.

## Western Claims

**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 claim boundaries, along interpreted trends.

The **Enable** project lies 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.

An operational update on Enable in January 2023 reported that almost half the 80 rock samples taken contained anomalous gold values, along with significant silver values.

**Coca East** is prospective for gold and potentially a VMS-style deposit. It lies 8km east of Metallum Resources' (TSXV:MZN) Lake Zinc project which contains a VMS-style high-grade zinc deposit (2.35mt @ 17.7% zinc). Field work in 2022 confirmed anomalous gold in rock chip samples.

**Magical** is located just 9km north-west of the Barrick Hemlo gold mine. Initial exploration sampling by FCM has shown that potential exists with anomalous gold, molybdenum and arsenic values reported.

## Sugar Cube

The property is contiguous to the north-west of the Silver Lake Resources (ASX:SLR) Sugar Zone gold mine (1.6m oz gold). An airborne VTEM survey highlighted significant structures and magnetic anomalies requiring follow up work.

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