First Phosphate Closes Second Tranche of Oversubscribed Private Placement for Total Current Financing of $7.5 Million

written by Raj Shah | December 29, 2023

December 29, 2023 (Source) – First Phosphate Corp. (CSE: PHOS) (OTC: FRSPF) (FSE: KD0) ("**First Phosphate**" or the "**Company**") is pleased to announce that it has closed on a second tranche (the "**Second Tranche**") of its non-brokered private placement financing originally announced for gross proceeds of a minimum of $2,000,000 (the "**Offering**"), as further described in the Company's news release dated December 14 and 22, 2023.

The Initial Tranche and Second Tranche of the financing were largely oversubscribed inclusively by a factor of 375%. As part of the Second Tranche, the Company issued 3,090,438 Hard-Dollar Units and 12,560,000 Flow-Through Shares for aggregate gross proceeds of $7,516,175 between the two tranches of financing.

A potential subsequent final tranche of the financing reflecting hard cash subscriptions and 2024 flow through subscriptions is scheduled for closing on or about January 10, 2024.

In connection with the Second Tranche, the Company paid $137,600 in finder's fees, issued 895,000 Compensation Shares, and issued 646,000 Compensation Warrants, exercisable at a price of $0.50 per common share of the Company, until December 31, 2025, subject to an Accelerated Expiry Date.

Insider Participation

In connection with the closing of the Second Tranche, Gilles Laverdiere, the Chief Geologist of the Company, has purchased a total of 50,000 Flow-Through Shares, and Jerome Cliché, Vice-President, Business Development has purchased 62,500 Hard-Dollar Units.

Insider Line of Credit

The Company has also completed a credit agreement ("**Credit Agreement**") to enable the Company to access its working capital needs. The agreement with members of its management team and board of directors (the "**Lender**") enables the Company to establish a secured revolving credit facility of $2,100,000 (the "**Credit Facility**") to be advanced in installments.

The Credit Facility is due January 1, 2026, bears interest at a rate of the greater of 8% or 2%+ prime, as established by the Bank of Canada per annum, and is secured by first ranking security over the Company's receivables by the Government of Canada and the Province of Quebec in respect of goods and services tax and other receivables.

In consideration for providing the Credit Facility, the Company will grant 5,250,000 warrants ("**LOC Warrants**") to the Lenders, comprised of the CEO, CFO/CAO, and the Chairman of the Company. Each LOC Warrant will be exercisable into one Common Share (a "**LOC Share**") at an exercise price $0.40 (the "**Exercise Price**") for a period of five years from the date of issuance and will be non-transferable. 2,625,000 LOC Warrants will be granted to each Lender to vest immediately upon issuance. The remaining issued but unvested LOC Warrants will vest by dividing the amount of any advance under the Credit Facility by the exercise price of the LOC Warrants. All of the LOC Warrants and LOC Shares will be subject to a hold period of four months plus one day. The

issuance and exercise of the LOC Warrants are subject to the rules of CSE Policy.

The Company's Board of Directors considered and unanimously approved the Credit Agreement, with the directors who have an interest in the transaction abstaining from such approval.

RSU and Option Grants

The Company also announces today that it has approved the grant of 2,204,000 restricted stock units of the Company (the "**RSUs**") in lieu of any and full cash salary and 3,110,000 options to purchase Common Shares (the "**Options**") at the exercise price of $0.40 to certain eligible persons of the Company.

1,881,100 RSUs will vest on in 4 tranches (25% on each of May 31, 2024; August 31, 2024; November 31, 2024; and February 28, 2025); 73,000 RSUs will vest in 3 tranches (33.3% after each of 3, 6 and 9 months of December 1, 2023); and 250,000 RSUs will vest as follows: 75,000 RSUs will vest on February 28, 2024, 87,500 will vest on May 31, 2024, and 87,500 will vest on August 31, 2024.

2,800,000 Options have an expiry date of December 29, 2028, 25% of the Options will vest every 6 months for 2 years; 150,000 Options have a 3 year term, with such Options to vest as follows, 37,500 at the end of 7.5 months, (August 31, 2024) and 37,500 every 6 months thereafter; and 160,000 Options have an expiry date December 29, 2026, and 25% of the Options will vest every 6 months for 2 years.

The terms of the RSUs and Options granted are in accordance with the Company's Omnibus Equity Incentive Plan as approved by disinterested shareholders at the Company's annual and special meeting of shareholders held on August 25, 2023. All securities issued are subject to a statutory hold period of four months

plus one day from the date of issuance, in accordance with applicable securities legislation.

Debt Settlement

The Company settled $511,918.29 of amounts owing to various arm's length creditors for 1,279,796 Common Shares at the deemed price of $0.40 per share, which are subject to a statutory four month and one day hold period.

Related Party Transactions

As related parties of the Company received Hard-Dollar Units, Flow-Through Shares, Common Shares, Warrants, LOC Warrants, LOC Shares, RSUs, and Options in connection in connection with the Offering, RSU and Option Grants, and Line of Credit, the transactions are considered related party transactions for the purposes of Multilateral Instrument 61-101 – Protection of Minority Security Holders in Special Transactions ("MI 61-101"). The participation of the related parties of the Company are exempt from the formal valuation and minority shareholder approval requirements provided under MI 61-101 in accordance with sections 5.5(a) and 5.7(1)(a) of MI 61-101. The Company is relying on an exemption from the formal valuation requirements of MI 61-101 available because the fair market value of the issued Hard-Dollar Units, Flow-Through Shares, Common Shares, Warrants, LOC Warrants, LOC Shares, RSUs, and Options to the related parties pertaining to the transactions does not exceed 25% of the Company's market capitalization, as determined in accordance with MI 61-101. The Company did not file a material change report related to the transactions more than 21 days before the expected closing of the transactions as required by MI 61-101 but believes that this shorter period is reasonable and necessary in the circumstances as the Company wishes to improve its financial position by reducing its accrued

liabilities as soon as possible, to incentivize the retaining of key personnel, and to close the overall transaction in short order for sound business reasons.

All securities issued under the Offering will be subject to a four-month and one day statutory hold period in accordance with applicable securities laws. The securities issued pursuant to the Offering have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "**U.S. Securities Act**"), or any U.S. state securities laws and may not be offered or sold in the United States absent registration or an available exemption from the registration requirement of the U.S. Securities Act and applicable U.S. state securities laws. This press release shall not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, such securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

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About First Phosphate Corp.

First Phosphate is a mineral development company fully dedicated to extracting and purifying phosphate for the production of cathode active material for the Lithium Iron Phosphate ("LFP") battery industry. First Phosphate is committed to producing at

high purity level, in responsible manner and with low anticipated carbon footprint. First Phosphate plans to vertically integrate from mine source directly into the supply chains of major North American LFP battery producers that require battery grade LFP cathode active material emanating from a consistent and secure supply source. First Phosphate holds over 1,500 sq. km of royalty-free district-scale land claims in the Saguenay-Lac-St-Jean Region of Quebec, Canada that it is actively developing. First Phosphate properties consist of rare anorthosite igneous phosphate rock that generally yields high purity phosphate material devoid of high concentrations of harmful elements.

For additional information, please contact:

Jérôme Cliche, VP, Business Development
jerome@firstphosphate.com
Tel: +1 (514) 815-8799

Investor Relations: investor@firstphosphate.com
Media Relations: media@firstphosphate.com
Website: www.FirstPhosphate.com

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Forward-Looking Information and Cautionary Statements

Certain information in this news release constitutes forward-looking statements under applicable securities laws. Any statements that are contained in this news release that are not statements of historical fact may be deemed to be forward-looking statements. Forward-looking statements are often

identified by terms such as “may”, “should”, “anticipate”, “expect”, “potential”, “believe”, “intend” or the negative of these terms and similar expressions. Forward-looking statements in this news release include statements relating to: the Company’s plans to integrate directly into the functions of certain major North American LFP Battery producers; the Company’s proposed development of its land claims in the region of Saguenay-Lac-St-Jean, Quebec; the Offering and any subsequent tranches; the use of proceeds from the Offering; the terms of the Offering, including, the issuance of any securities, the closing date, the obtaining of all necessary approvals from the CSE; and statements about the Credit Facility, debt settlements, and RSU and Option issuances.

Forward-looking information in this press release are based on certain assumptions and expected future events, namely: the Company’s ability to integrate directly into the functions of certain major North American LFP Battery producers; the Company’s ability to develop its land claims in the region of Saguenay-Lac-St-Jean, Quebec; the Company’s ability to carry out the Offering and any subsequent tranches; the Company’s ability to allocate the use of proceeds from the Offering as stated; the Company’s ability to carry out the terms of the Offering as state; and the Company’s ability to carry out the Credit Facility, debt settlements, and RSU and Option issuances as stated.

These statements involve known and unknown risks, uncertainties and other factors, which may cause actual results, performance or achievements to differ materially from those expressed or implied by such statements, including but not limited to: the Company’s inability to integrate directly into the functions of certain major North American LFP Battery producers; the Company’s inability to carry out the Offering and any subsequent tranches; the Company’s inability to allocate the use of

proceeds from the Offering as stated; and the Company's inability to carry out the Credit Facility, debt settlements, and RSU and Option issuances as stated.

Readers are cautioned that the foregoing list is not exhaustive. Readers are further cautioned not to place undue reliance on forward-looking statements, as there can be no assurance that the plans, intentions or expectations upon which they are placed will occur. Such information, although considered reasonable by management at the time of preparation, may prove to be incorrect and actual results may differ materially from those anticipated.

Forward-looking statements contained in this press release are expressly qualified by this cautionary statement and reflect the Company's expectations as of the date hereof and are subject to change thereafter. The Company undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, estimates or opinions, future events or results or otherwise or to explain any material difference between subsequent actual events and such forward- looking information, except as required by applicable law.

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