



**FIRST ENERGY**  
METALS LIMITED

March 2018

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**(TSX.V – FE; OTC – ASKDF)**

Price Target: \$0.80

Rating: Speculative Buy

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## Under the Radar Cobalt Play Poised to Rise

Rob Goldman  
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#### COMPANY SNAPSHOT

First Energy Metals LTD is focused on developing specialty mineral opportunities and the technology necessary to produce energy metals in mining friendly jurisdictions with existing infrastructure. The Company's primary focus is on the exploration of its cobalt property in Ontario and its lithium property in British Columbia, given the huge growth associated with the cobalt and lithium markets.

#### KEY STATISTICS

Price as of 3/23/18	\$0.23 CAD
52 Week High – Low	\$0.50 - \$0.15
Est. Shares Outstanding	66.4M
Market Capitalization	\$15.3M CAD
Average Volume	112,500
Exchange	TSX.V

#### COMPANY INFORMATION

##### First Energy Metals LTD.

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#### INVESTMENT HIGHLIGHTS

**First Energy Metals is well-positioned to take advantage of the huge, demand for cobalt and the supply constraints expected to plague the industry in the coming years.**

**Driven by the fast-growing battery electric vehicle market, the lithium-ion batteries used in these BEVs will account for 69% of cobalt demand by 2025, according to BMO Capital Markets.** In fact, Lithium cobalt oxide serves as a dominant component of the lithium-ion batteries.

**First Energy recently entered into an option agreement to acquire a 100% interest in the Phyllis Cobalt Property in Ontario and owns 100% interest in lithium properties in BC.**

**The Company just commenced its Phase I exploration program in Ontario for its cobalt property.** This program includes prospecting to locate historical cobalt (Co) showing; trenching and sampling to confirm reported cobalt, copper and nickel mineralization; and geological mapping to further explore the cobalt mineralization along its trend; location of future drill hole sites.

**We believe that this under the radar cobalt pure play offers major upside with little downside risk compared to its peers that have already enjoyed big stock market runs.** Considering the insatiable appetite for junior miners, and their subsequent moves higher following favorable exploration news, we believe FE could reach \$0.80.50 CAD later this year. Thus, we rate these shares Speculative Buy.

## COMPANY OVERVIEW

In our view, **First Energy Metals Ltd. (TSX.V - FE; OTC – ASKDF – Speculative Buy)**, formerly known as Agave Silver, is set to emerge as a key source of cobalt and lithium. A junior resource company, First Energy Metals owns 100% interest in the Kootenay Lithium Property in British Columbia and recently entered into an option agreement to acquire a 100% interest in the Phyllis Cobalt Property in Ontario. The Kootenay Project consists of 3 claim groups covering 4,050 hectares in the Revelstoke and Nelson Mining Divisions of southeastern British Columbia while the Phyllis Property consist of 1792 hectares of land in the Kenora mining district of Ontario. An initial cobalt discovery was made in 2010 and First Energy Metals just commenced Phase I of its exploration program on the Phyllis Property, an important milestone for the Company.

Current and future demand for cobalt and lithium are high, driven by the utilization of lithium cobalt oxide in many products, especially lithium-ion batteries used in electric vehicles. According to a recent market research report published by Grand View Research, Inc. the global lithium-ion battery market size is expected to grow from \$22.8 billion USD in 2016 to \$93.1 billion USD by 2025, a 17% CAGR. Increased usage of lithium-ion batteries in electric vehicles, portable consumer electronics and grid storage systems due to its high energy density drives market demand. Importantly, Lithium cobalt oxide (LCO) serves as the dominant product segment and is expected to play a rising role in the market. A \$7.15 billion USD market in 2016, lithium-ion batteries will account for 69% of cobalt demand by 2025, according to BMO Capital Markets. Other reports suggest that from 2014 – 2024, the estimated CAGR for lithium ion (Li-Ion) products used for transportation and grid storage will be a whopping 30%.

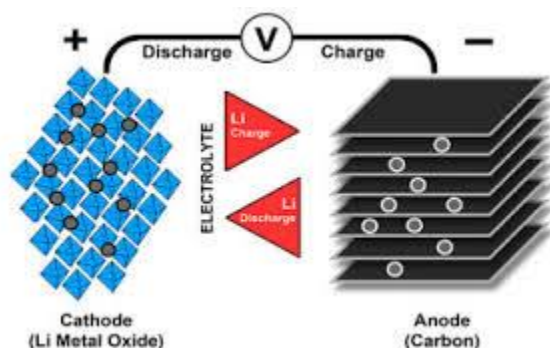
Given that near-term upside is likely to be driven by the cobalt property rather than the lithium project, our focus is on the Company's Phyllis Cobalt Property activity. In fact, we believe that First Energy Metals' under-the-radar positioning and current low relative valuation are unique and should drive a series of increases in market value of the Company, as milestones are successfully achieved. The Company's just launched program will comprise prospecting to locate historical cobalt (Co) showing; trenching and sampling to confirm reported cobalt, copper and nickel mineralization; and geological mapping to further explore the cobalt mineralization along its trend. Another purpose of the current work is to locate ground geophysical survey areas and drill hole targets for the next phase of exploration.

At current levels, this attractive combination cobalt and lithium play appears to offer major upside with little downside risk compared to its peers, thanks to the foresight of its leadership team, which includes new executive and board members with vast experience in the space. Moreover, it should be noted that cobalt prices have reached new highs of late as cobalt miners enjoy premium valuations given the tremendous growth in pricing, supply concerns and expected, future demand. Considering the insatiable appetite for junior miners, and their subsequent moves higher following favorable exploration news, we believe FE could quickly reach and cross above its \$0.50 CAD 52-week high. We believe that this could occur once the Phase I exploration program results are released and these shares could ratchet higher based on the commencement of future programs and general cobalt industry exploration/production/utilization news. Separately, we would not be surprised if First Energy Metals were to ultimately emerge as a takeover candidate. Thus, we rate these shares Speculative Buy.

## INDUSTRY OVERVIEW

There is a critical relationship between lithium-ion and lithium cobalt oxide. As a result, we believe it would be instructive to provide a review of the application and demand side of the businesses, since this is the driver of the market. Speaking of driver, readers will note that our focus in this section is on the use of these materials for Battery Electric Vehicles (BEV), along with a cobalt and lithium primer, given the lithium property holdings.

### A Primer



*Figure 1: How Lithium-ion Works*

Source: GSCR

Lithium has incredibly low density and can float in water. What makes it so versatile is that it is highly reactive on a chemical basis. In fact, when it floats in water it burns in a highly intensive manner. Years ago, a discussion on the lithium market would have referred to industrial uses such as glass or ceramics, along with medical applications to treat certain mental disorders. Fast forward to the 21<sup>st</sup> century and the demand for the product is huge, currently outstripping supply. The drivers have shifted on a dime from industrial uses, to products in the transportation and renewable energy spaces.

As a result, the evolution of lithium usage migrated from mobile phone and laptop batteries to batteries found in hybrid autos to include electric-only cars, and later with grid storage devices. Still, by far the major growth driver of the space is in BEV, or battery electric vehicles, which is logical considering that lithium has the highest electric output per unit weight of any battery material. Moreover, they have higher current and longer usage capabilities than predecessor technologies. The product is measured in tonnage under the category lithium carbonite equivalent, or LCE. Battery-grade LCE can be used to make cathode material for lithium-ion batteries which are used in BEVs and other products and carry higher prices than other forms such as lithium hydroxide.

### How Cobalt Fits In

According to Battery University, cobalt is a hard, lustrous, silver-gray metal that is extracted as a by-product when mining nickel and copper. Besides serving as a cathode material of many Li-ion batteries, cobalt is also used to make powerful magnets, high-speed cutting tools, and high-strength alloys for jet engines and gas turbines. Cobalt compounds have been employed for centuries to color porcelain, glass, pottery, tile and enamel.

As mostly a byproduct in the production of copper and nickel, the pricing often follows the demand of these primary metals, which can lead to both over-supply and under-supply as the demand for large Li-ion batteries increases. Cobalt was the first cathode material for commercial Li-ion batteries, and its relatively high price entices manufacturers to blend it with nickel, manganese and aluminum--but with cobalt remaining a key cog and high demand material. In fact, over 42% of all cobalt today is used for battery production. Why? Lithium cobalt oxide-based batteries provide high energy density- even higher than other lithium batteries. In fact, each lithium-ion battery contains 15 kilograms of cobalt chemicals. Separately, there has been considerable demand for it as a power source for smartphones, tablets, laptops, digital cameras and among others.

With over 64,000 MT produced last year, the Democratic Republic of Congo (DRC) accounted for over 58% of the worldwide production, which is par for the course, although China accounted for 80% of the world's cobalt chemicals. Given the ongoing volatile geopolitical climate in the DRC, supply concerns weigh heavy on investors' minds, which is great for First Energy.

Separately, Canada represented 4.3 MT produced and much of it has been from nickel and copper mines. However, in the last year or so, a number of junior miners such as First Energy Metals have staked land in Ontario. Thus, we believe Canada's cobalt production will rise in the coming years, as a result. As evidenced by the 6-month chart below, cobalt prices (here expressed in USD) have enjoyed quite a ride of late. Interestingly, there have been some negative reports recently citing potential oversupply or over-stated demand. This resulted in a healthy short-term decline; still, the near-term and long-term demand clearly warrant these prices. Moreover, with few new nickel and copper mines coming on line due unfavorable pricing and economics, the secular trend is expected to be quite robust and firms such as First Energy Metals are sitting in the catbird seat.



*Figure 2: Six Month Cobalt Pricing Trend*  
Source: Infomine.com

## The BEV Market and Lithium Play

According to Bloomberg New Energy Finance:

*“The electric vehicle revolution could turn out to be more dramatic than governments and oil companies have yet realized. New research by Bloomberg New Energy Finance suggests that further, big reductions in battery prices lie ahead, and that during the 2020s EVs will become a more economic option than gasoline or diesel cars in most countries. The study forecasts that sales of electric vehicles will hit 41 million by 2040, representing 35% of new light duty vehicle sales. This would be almost 90 times the equivalent figure for 2015, when EV sales are estimated to have been 462,000, some 60% up on 2014.”*

Table I. Lithium Market: The 411				
	2015	2020E	2025E	
Market Size (ton)	202,800	380,000	534,000	
Price/Ton	\$8,000	\$9,000	\$10,000	
Market Size (\$)	\$1,622,400,000	\$3,420,000,000	\$5,340,000,000	
Application	Cell Phone	Laptop	BEV (25kWh)	Tesla 85kWh
Li Content	3 grams	30 grams	44 lbs	112 lbs
App Categories	Transportation	Renewable Energy	Consumer Elec	
App Segments	Cars, Buses	Solar & Wind Storage	Phones, Tablets, Wearables	
Sources: SAI, Credit Suisse, Deutsche Bank, Albemarle, GSCR				

No wonder the transportation sector could account for as much as 70% of the industry's growth as the amount of lithium content required for BEVs is huge. Market size forecasts, along with pricing projections may vary, but the shift in the marketplace is undeniable given the growth (and pricing) for BEVs, especially the Tesla 85kWh. Meanwhile, SAI projects that the CAGRs for lithium ion products from 2014-2024, will grow by 38% for the transportation.

## Stock Market Leaders

There are several sizable publicly traded pure plays in this sector that include companies such as **Cobalt 27 Capital (TSXV – KBLT)** with a market cap in excess of \$800M CAD, along with **M2 Cobalt (TSXV – MC)**, with a market cap north of \$200M CAD. It should be noted that KBLT just closed a \$200M CAD financing and that both companies serve as investment vehicles for cobalt assets, royalty streams, etc. We mention these 2 firms as potential acquirers down the road, should First Energy be successful in its exploration and therefore future production plans. A plethora of junior cobalt miners trade publicly at various market caps, most of which are markedly higher than FE. Thus, we believe that this under the radar firm offers unusual upside potential, vis-à-vis its publicly traded junior resource peers.

## THE PROPERTIES

Formerly known as Agave Silver, First Energy Metals owns 100% interest in the Kootenay Lithium Property in British Columbia and recently entered into an option agreement to acquire a 100% interest in the Phyllis Cobalt Property in Ontario. The Kootenay Project consists of 3 claim groups covering 4,050 hectares in the Revelstoke and Nelson Mining Divisions of southeastern British Columbia while the Phyllis Property consist of 1792 hectares of land in the Kenora mining district of Ontario. An initial cobalt discovery was made in 2010 and First Energy Metals just commenced Phase I of its exploration program on the Phyllis Property, an important milestone for the Company.

### Kootenay Lithium Property



On October 7, 2016 the Company entered into an agreement to purchase a 100% interest in certain mineral claims covering 4,050 hectares located in the Revelstoke and Nelson Mining Divisions, southeastern British Columbia. Under the terms of the Agreement, the Company purchased a 100% interest in the Property by issuing 6,000,000 common shares of the Company. This Kootenay Property is subject to a 2.0% Net Smelter Return ("NSR") mineral royalty and a 24.0% Gross Overriding Royalty ("GOR") on gemstones produced from the Property. The Company will have the option to reduce the NSR to 1.0% by paying \$2,500,000.00. The

Company also has the option to purchase one half (50%) of the GOR for \$2,000,000. A Property vendor also reserves the exclusive right (the "Back In Right") to produce gemstones for its own account from certain discrete zones within the Property as mutually agreed upon, in return for a 24.0% GOR payable to the Company. The Company will have the option to purchase 100% of the Back In Right for \$1,000,000.

The Property consists of three groups of mineral claims. The northernmost is located 5km by road northwest of Revelstoke (the Boulder Group), 9km to the southeast is the Begbie Group, and the Laib Group is situated 25km northwest of Creston. The Boulder and Begbie Groups have been discovered to host a number of lepidolite, pink and green tourmaline, petalite, tantalite, columbite, phosphate and amblygonite-bearing mineral occurrences in pegmatite (LCT type) dyke swarms. Analysis of two grab samples with visible lepidolite-bearing pegmatite outcrop on the Begbie Group returned values of 0.77% and 1.96% Li<sub>2</sub>O. A grab sample of visible lepidolite-bearing pegmatite outcrop on the Boulder Group assayed 3.70% Li<sub>2</sub>O.

The least evolved pegmatites on the properties consist of standard rock-forming minerals consistent with an S-type granite (quartz, k-feldspar, mica, plagioclase, amphibole and locally tourmaline) while others are more fractionated and locally include significant amounts of lepidolite, pink and/or green tourmaline (elbaite), red-brown garnet, beryl, cordierite, columbite, apatite and other phosphate mineral phases. Character sampling by the author returned values ranging from 21.5 ppm Li, 319 ppm Rb and 85.4 ppm Cs (Li2 pegmatite area, Begbie property) to 6660 ppm Li, 1890 ppm Rb, >500 ppm Cs and 569 ppm Be (Prof pegmatite, Boulder property). Analytical data indicates that these pegmatites also contain significant amounts of other uncommon to rare metals, such as niobium and tantalum whose potential significance should not be discounted.

All of the recent work on the property has been conducted outside of the original area of exploration or study. It identified three lithium-bearing pegmatite bodies: Gigantor, GSC and WM. The Gigantor pegmatite consists of large black tourmaline crystals and local zones with lepidolite and pink tourmaline and possible spodumene in a body exposed on a step in cliff-like terrain at the head of drainage on the eastern part of the property. A grab sample collected by Addie from the Gigantor pegmatite returned a grade of 0.91% Li (or 1.96% Li<sub>2</sub>O), >2000 ppm Rb and 968 ppm Cs (Addie, personal communication, 2016). The GSC pegmatite is located approximately 750 metres east of Mount Begbie summit and is thought to be the pegmatite briefly described by Jones (1959). It locally contains both pink and green tourmaline. The WM pegmatite out crops on the southeast part of the claim group and contains abundant black tourmaline, local pockets of lepidolite, pink tourmaline and occasional beryl. A grab sample collected by Addie from a fractionated pocket of the WM pegmatite returned a grade of 0.36% Li (or 0.77% Li<sub>2</sub>O), 1078.7 ppm Rb and 268.3 ppm Cs

On the Begbie property, pegmatite bodies out crop over more than 2000 m in a north-northwest trending band and across a minimum width of approximately 700 metres. Other areas on the property are rumoured to host additional pegmatite bodies; while presently unsubstantiated, these areas may be the subject of focussed prospecting efforts during future work programs

Initial exploration identified 21 pegmatites during a cursory examination of a portion of the property, 7 of which contain pockets or zones of lithium-bearing minerals including lepidolite and pink and/or green tourmaline. The Prof pegmatite occurrence is located south of the Frenchman Cap Dome on Tonkawatla Ridge (Fyles 1970), and is one of many pegmatite bodies in the immediate area. A grab sample collected from the highly fractionated zone of the Prof pegmatite returned a grade of 1.72% Li (or 3.70% Li<sub>2</sub>O) >2000 ppm Rb and 1244 ppm.

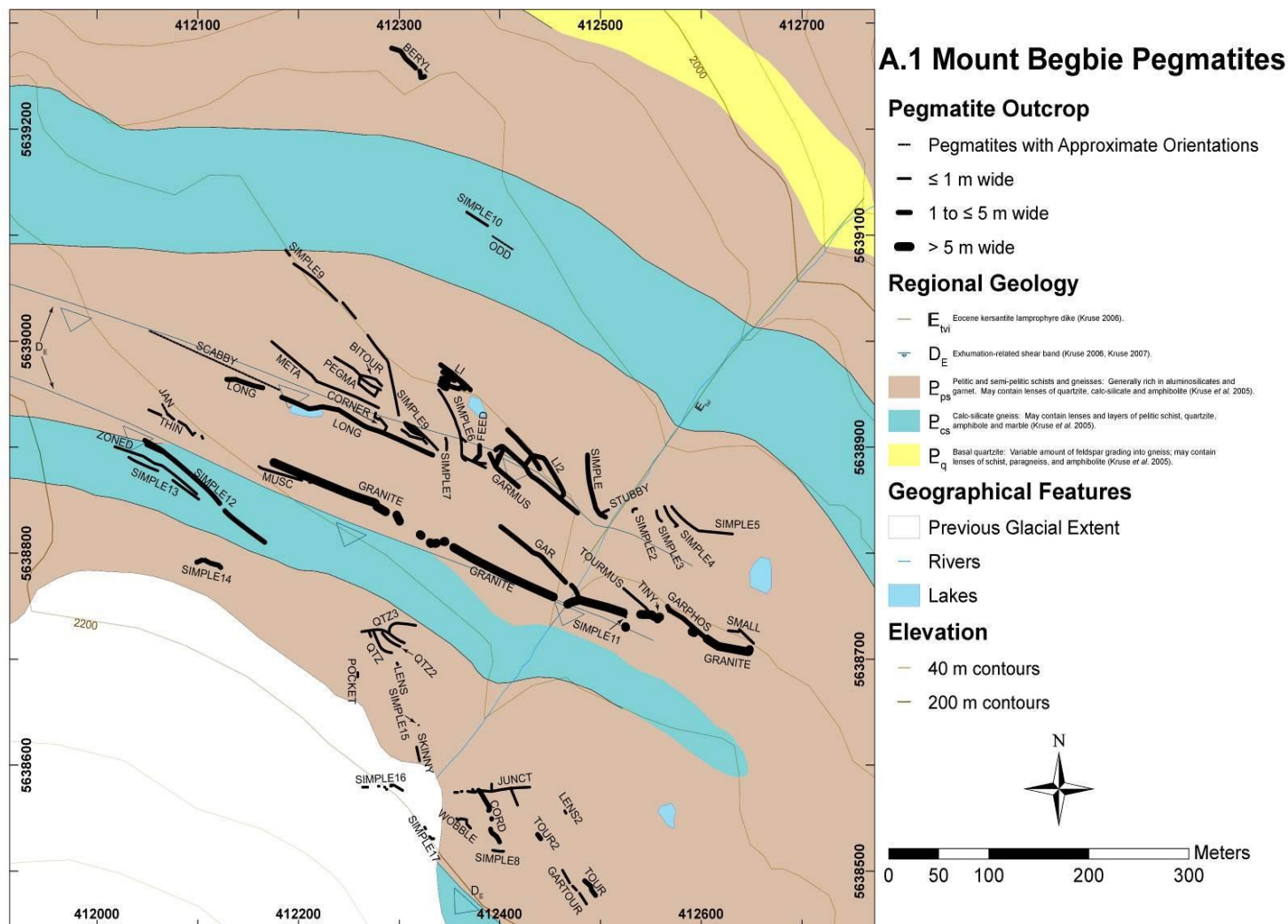


Figure 3: Plate 12-1: WM pegmatite outcrop, Begbie property

Source: First Energy Metals



*Figure 4: Property Images*  
Source: First Energy Metals

### Boulder Group:

The Prof pegmatite (Plate 12-7) of Addie outcrops in the northwest part of the Boulder property. It may correspond to the pegmatite dyke described by Wilson (1968), labelled the GC occurrence (082LNE024) in MINFILE. The Prof pegmatite is a subvertical dyke 3 to 6 metres in width that follows a trend of 062° cutting the well-developed fabric of the host biotite gneiss. It is exposed discontinuously for at least 65 m along strike and appears to pinch out to the northeast and southwest but may be offset by brittle-ductile structures as numerous additional pegmatite dykes and bodies occur approximately along strike but were not investigated because of time and weather constraints.

The Prof pegmatite consists predominantly of coarse-grained, intergrown grey translucent quartz, off-white to beige k-feldspar, colourless to pale green silvery muscovite, conspicuous black tourmaline; trace amounts of red-brown garnet occur locally. The main showing consists of a medial zone measuring approximately 6 metres long by 1.3 metres wide containing up to 5% pink to pale purple lepidolite, up to 2% predominantly pink tourmaline, and traces of cordierite (Plate 12-8), but is devoid of black tourmaline. A representative sample collected from the fractionated lepidolite and pink tourmaline-bearing zone returned values of 6660 ppm Li, 1890 ppm Rb, >500 ppm Cs and 569 ppm Be, while a representative sample of the more primitive black tourmaline-bearing zone returned values of 860 ppm Li, 470 ppm Rb, 120.5 ppm Cs and 40.7 ppm Be.

The Grail pegmatite (Plates 12-9 and 12-10) of Addie (personal communication, 2016) is one of several, including the Red and Green pegmatites, that form part of a pegmatite dyke field in the eastern half of the Boulder property. The Red and Green dyke-like pegmatite bodies were located in 2013, in the vicinity of the Grail pegmatite and



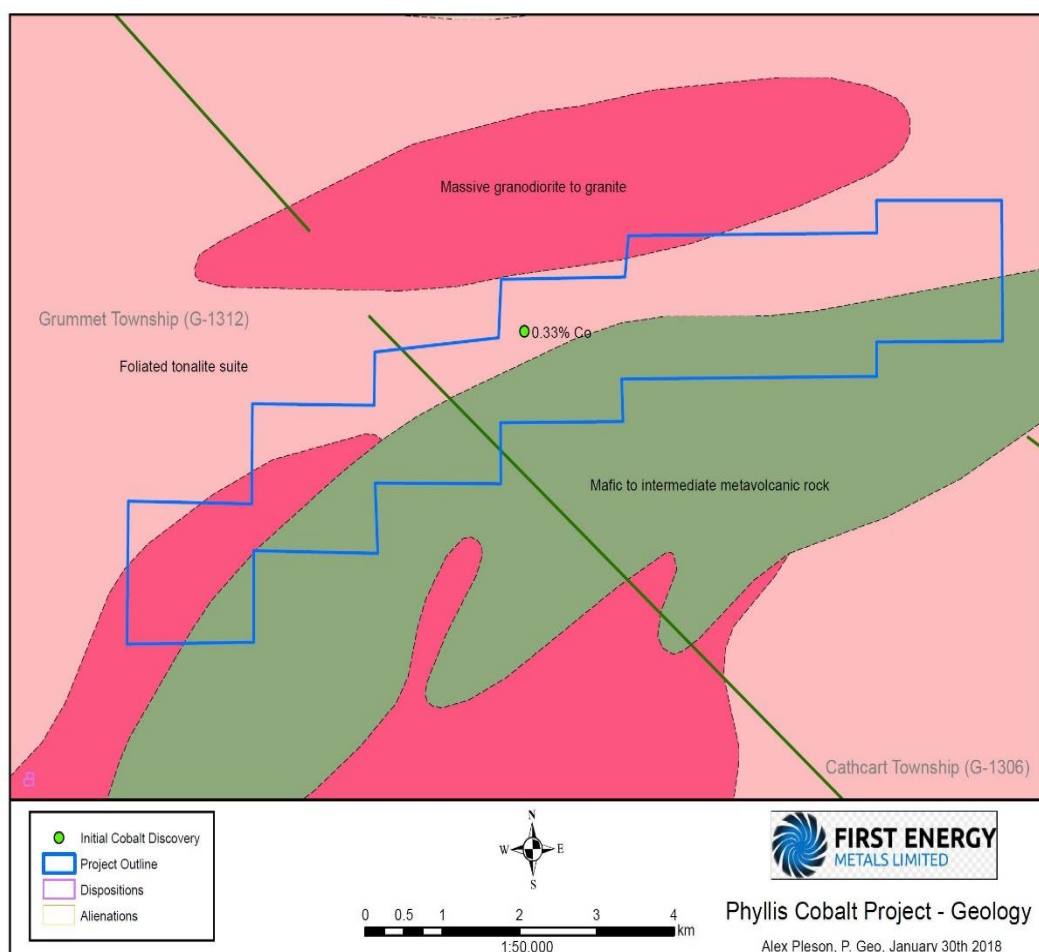
*Figure 5: Close-up of highly fractionated zone, Prof pegmatite, Boulder property*

are said to contain subhedral to euhedral black and green tourmaline and, locally, an unidentified dark pink mineral (Lloyd Addie, personal communication, 2016). The Grail pegmatite dyke is a 3.2 m wide tabular body following striking 080° and dipping 80° north. The Grail pegmatite has a mainly 'salt and pepper' appearance with 0.5 - 1 cm black tourmaline intergrown with coarse-grained quartz, k-feldspar and muscovite. In one area of the dyke a small zone measuring 40 x 50 cm carries 2-3% lepidolite and pink tourmaline in gangue of quartz and k-feldspar.

## The Phyllis Cobalt Property

Acquired in early 2018, The Phyllis Cobalt property consists of 1792 hectares land located in the Kenora Mining District of Ontario. The property boasts year-round access 192km northwest of Thunder Bay, ON via Hwy 17 and 9km south on a gravel forestry road.

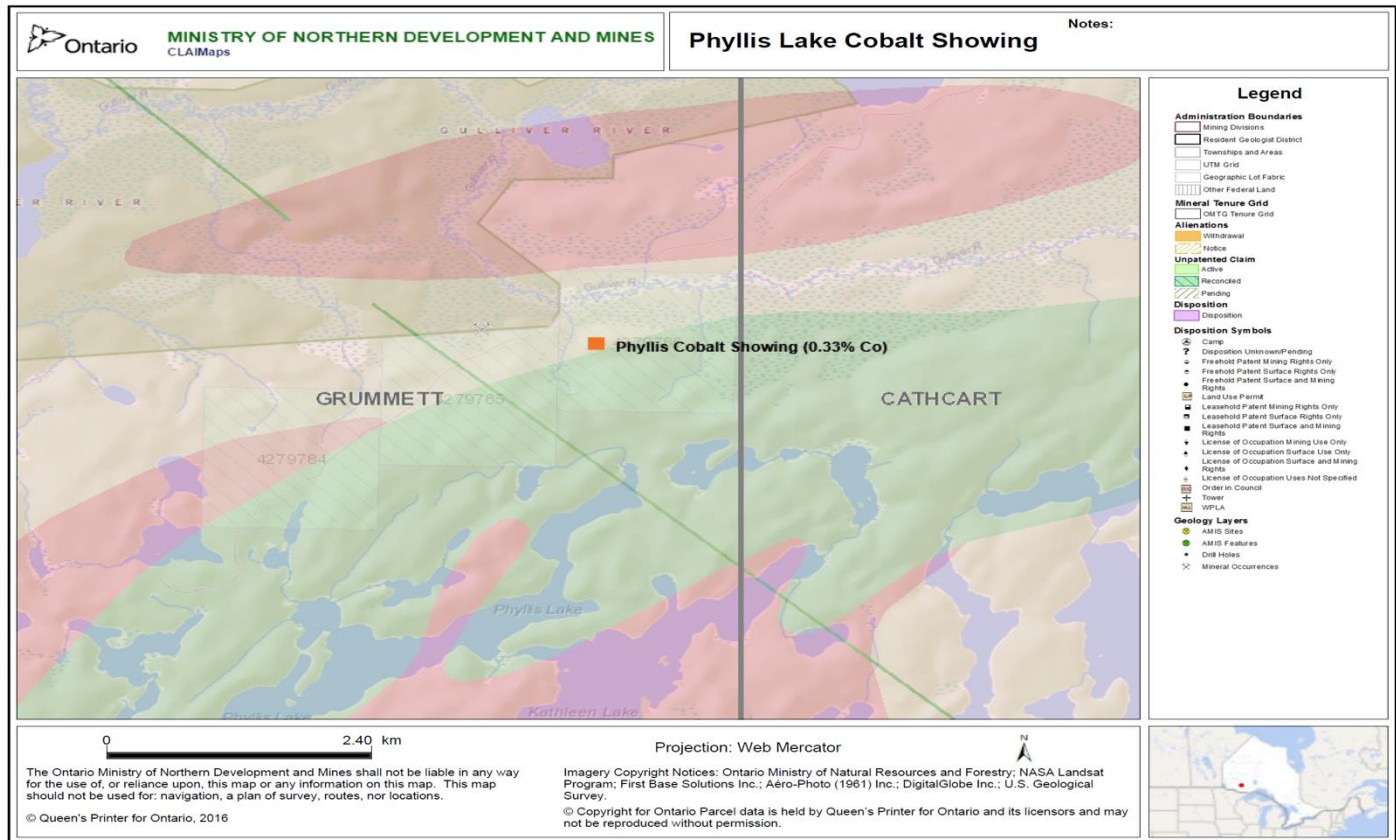
Geologically, the Phyllis Property claim block occupies the central portion of a ENE-WSW trending greenstone belt, consisting of Mesoarchean to Neoarchean age mafic to ultramafic rocks. These are bound by granite of varying composition - ranging from tonalite to biotite-granodiorite (Atikokan-Lakehead Sheet Map 2065) as shown in Figure 1. Recent mapping undertaken by the Ontario Geological Survey (Gulliver River Sheet, Map 3370), which includes a small portion of the Phyllis claims, suggests that there is a greater abundance of ultramafic metavolcanics than previously indicated. The regional foliation follows the general trend of the greenstone belt.



The initial cobalt discovery on the Phyllis Property was made in 2010 and this historical discovery is reported to be an 80mx 60m outcrop and appears as a fairly structureless gabbro, with the exception of an array of narrow quartz veins and veinlets, which have sharp contacts with the country rock and trend roughly NE-SW and appear to have been intruded relatively recently. The gabbro itself is fine-to medium grained and appears highly altered. The exposed outcrop follows the northern flank of a gentle hill. Earlier excavations focused in the uppermost parts of the topographic profile. The initial work program has now been completed and awaiting results from the assay lab

The historical worked confirmed the presence of economic grades of cobalt mineralization up to 0.33% Co (including 1.2% Cu and 0.39% Ni). Recent mapping undertaken by the Ontario Geological Survey (Gulliver

River Sheet, Map 3370) includes a small portion of the Phyllis claims and suggests that there is a greater abundance of ultramafic metavolcanics than previously indicated.



First Energy has the option to acquire a 100% interest in the Claims, by making the following cash payments, common shares issuances and exploration expenditures:

	Cash	Securities	Exploration Expenditure Requirements
On Signing	\$20,000	100,000 Common Shares	Nil
Year 1	\$35,000	150,000 Common Shares	Exploration expenditures of not less than \$75,000 to be incurred on or before January 31, 2019.
Year 2	\$35,000	150,000 Common Shares	Cumulative exploration expenditures of not less than \$100,000 to be incurred on or before January 31, 2020.
Year 3	\$50,000	200,000 Common Shares	Cumulative exploration expenditures of not less than \$125,000 to be incurred on or before May 31, 2021.

The Claims Agreement also provides for a royalty equal to 3% Net Smelter Return ("NSR") from the Claims payable by First Energy. The royalty will be payable for as long as First Energy and/or its successors and assigns hold any interest in the Claims. First Energy will have a right to purchase a 1% NSR for \$1,000,000 at any time up to when a production decision is made.

The recently completed exploration program will comprise prospecting to locate historical cobalt (Co) showing; sampling to confirm reported cobalt, copper and nickel mineralization; and geological mapping to further explore the cobalt mineralization along its trend. Another purpose of the current work is to locate ground geophysical survey areas and drill hole targets for the next phase of exploration.

## **THE FIRST ENERGY METALS EXECUTIVE TEAM**

### **Ernest "Ernie" Peters, President, Chief Executive Officer, Director**

Mr. Peters has over 40 years of experience in the mining industry, having been involved with the formation, management and financing of a number of public companies. Mr. Peter's experience in the resource sector includes exploration, development and production management of projects in Canada, United States, Brazil, Mexico and Australia.

### **Jurgen Wolf, Chief Financial Officer, Director**

Mr. Wolf has been involved in the oil and gas industry for more than 15 years, assisting public companies with investor relations and administration. Mr. Wolf was educated in Germany and immigrated to Canada in 1953. From 1958 to 1982 he operated and owned pre-cast concrete factories in Calgary and Vancouver, and from 1982 to 2002 he operated and owned J.A. Wolf Projects, Ltd., a commercial construction company. Mr. Wolf was President and a director of former US Oil and Gas Resources Inc., which amalgamated to form Petrichor Energy Inc. in 2005. Mr. Wolf is a director of several public companies.

### **Paul Taggar, Director**

Mr. Taggar is a Chartered Professional Accountant with over 15 years of professional experience. Mr. Taggar is currently the Chief Financial Officer for a private commodities firm and previously worked for Fronteer Gold and Hana Mining in various capacities. Mr. Taggar is a Member of the Canadian Institute of Chartered Accountants and has a BBA from Simon Fraser University.

### **Gurminder Sangha**

Mr. Sangha is an independent business advisor to the resources industry and brings over twelve years of management and financing expertise in both public and private companies. Mr. Sangha has served as a board member of various TSX Venture Exchange listed companies and assisted with corporate finance duties, business development activities, and governance.

## **FINANCIALS**

Management has done an admirable job with respect to budgeting and recently close a private offering which should fund key near term expenses such as the cobalt exploration program. The net loss and comprehensive loss for the three months ended December 31, 2017, its most recent quarter, was \$31,746, as compared to the net loss and comprehensive loss for the three months ended December 31, 2016 of \$85,234. The decrease in

net loss of \$53,488 was due to a significant reduction in legal fees when compared to the Comparative Quarter as the Company did not have any material transactions during the Current Quarter and also did not use corporate counsel in preparation for its annual general meeting held on December 8, 2017.

As evidenced by the February 2018 closing of \$500,000 at \$0.15 per share, the Company has demonstrated a keen ability to raise funds, as needed, for capital projects, and on favorable terms for FE and investors. Thus, we believe that management will have no issues raising future funds as required for upcoming projects.

## RISK FACTORS

In our view, FE's biggest risks relate to exploration and development including results from future lithium and cobalt capital project programs, resource estimates and technical/economic studies. However, in our view, this risk is largely mitigated by the historical and initial cobalt discovery in the Phyllis Property and the Kootenay's compelling mineralization, along with the experience of FE's leadership team and history of successes. Changes in supply/demand/pricing are typical future concerns and are also consistent with firms of FE's size and standing.

Volatility and liquidity are typical concerns for microcap stocks that trade on the stock market, especially those that are not generating revenue. Finally, the shares outstanding of this stock could increase due to potential capital needs or to execute future property acquisitions. However, since the proceeds of any future funding would be used in large part to advance exploration and development efforts, we believe that any dilutive effect from such a funding would be more than offset by related increases in market value.

## CONCLUSION

First Energy Metals is well-positioned to take advantage of the huge, demand for cobalt and the supply constraints expected to plague the industry in the coming years. Driven by the fast-growing battery electric vehicle market, the lithium-ion batteries used in these BEVs will account for 69% of cobalt demand by 2025, according to BMO Capital Markets. In fact, Lithium cobalt oxide serves as a dominant component of the lithium-ion batteries.

First Energy Metals recently entered into an option agreement to acquire a 100% interest in the Phyllis Cobalt Property in Ontario and owns 100% interest in lithium properties in British Columbia. The Company just commenced its Phase I exploration program in Ontario for its cobalt property. This program includes prospecting to locate historical cobalt (Co) showing; trenching and sampling to confirm reported cobalt, copper and nickel mineralization; and geological mapping to further explore the cobalt mineralization along its trend; location of future drill hole sites.

**We believe that this under the radar cobalt pure play offers major upside with little downside risk compared to its peers that have already enjoyed big stock market runs.** Considering the insatiable appetite for junior miners, and their subsequent moves higher following favorable exploration news, we believe FE could reach \$0.80 CAD later this year. Thus, we rate First Energy Metals Speculative Buy.

## SENIOR ANALYST: ROBERT GOLDMAN

Rob Goldman founded Goldman Small Cap Research in 2009 and has over 20 years of investment and company research experience as a senior research analyst and as a portfolio and mutual fund manager. During his tenure as a sell side analyst, Rob was a senior member of Piper Jaffray's Technology and Communications teams. Prior to joining Piper, Rob led Josephthal & Co.'s Washington-based Emerging Growth Research Group. In addition to his sell-side experience Rob served as Chief Investment Officer of a boutique investment management firm and Blue and White Investment Management, where he managed Small Cap Growth portfolios and *The Blue and White Fund*.

## ANALYST CERTIFICATION

I, Robert Goldman, hereby certify that the view expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the recommendations or views expressed in this research report.

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