

FORM 51-102F3
MATERIAL CHANGE REPORT

Item 1: Name and Address of Company

First Phosphate Corp. (the “**Corporation**” or **Issuer**”)
833 Seymour Street, Suite 3606
Vancouver, BC V6E 4N7

Item 2: Date of Material Change

December 22, 2023, and December 29, 2023.

Item 3: News Release

The Company disseminated a news release through the facilities of via Newsfile on January 2, 2024 in respect of the material change and filed the news release under the Company’s SEDAR+ profile at www.sedarplus.ca

Item 4: Summary of Material Change

The Company announced the closing of the second tranche (the "**Second Tranche**") of its non-brokered private placement financing (the "**Offering**") on December 22, 2023. The offering including the Second Tranche were largely oversubscribed by a factor of 275%. 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 Offering. In connection with the Second Tranche, the Company paid \$330,880.00 in finder's fees, issued 369,840 Compensation Shares, and issued 1,179,400 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.

A potential final tranche of the financing is scheduled for closing on or about January 10, 2024.

On December 29, 2023, the Company also completed a credit agreement ("**Credit Agreement**") intended to provide the working capital that may be required to facilitate the development that this oversubscribed Offering allows. The agreement with members of its management team and board of directors (the "**Lenders**") enables the Company to establish a secured revolving credit facility of \$2,100,000 (the "**Credit Facility**") to be advanced in installments.

On December 29, 2023, 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.

Item 5.1: Full Description of Material Change

Insider Participation

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

Insider Line of Credit

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. 1,750,000 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 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.

MI 61-101 Disclosure

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.

While the Company is filing a material change report in respect to the Offering RSU and Option Grants, and Line of Credit, it does not expect this material change report will be filed more than 21 days before the expected date of closing of the Debenture Offering. In the view of the Company, such shorter period is reasonable and necessary to improve the Company's financial position in a timely manner in the circumstances.

Corrective Disclosure

This press release contained corrective disclosure to the following:

- Private Placement: The Initial Tranche and Second Tranche of the financing were largely oversubscribed inclusively by a factor of 275% (previously stated as 375%)
- Finder's Fees: In connection with the Second Tranche, the Company paid \$330,880.00 in finder's fees, issued 369,840 Compensation Shares, and issued 1,179,400 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 (previously stated as \$137,600 in finder's fees, 895,000 Compensation Shares, and 646,000 Compensation Warrants)

- Insider Line of Credit: 1,750,000 LOC Warrants will be granted to each Lender (previously stated as 2,625,000)

Item 5.2: Disclosure for Restructuring Transactions

Not applicable.

Item 6: Reliance on Subsection 7.1(2) of National Instrument 51-102

Not applicable.

Item 7: Omitted Information

Not applicable.

Item 8: Executive Officer

Jérôme Cliché
VP, Business Development
T: +1 (514) 815-8799
E: jerome@firstphosphate.com

Item 9: Date of Report

January 3, 2024.