



HALLGARTEN + COMPANY

Corporate Action

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Fox River Resources

(CSE: FOX | OTCQB: FXRVF)

Strategy: ACCEPT

Key Metrics

Price (CAD)	\$1.08
12-Month Target Price (CAD)	\$1.10
Upside to Target	2%
12mth high-low	\$0.425 to \$1.08
Market Cap (CAD mn)	\$86.08
Shares Outstanding (mns)	79.70
Fully diluted	84.26

Fox River Resources

Agnico Electrifies the Phosphate Space

- + The surprise bid for the company by Agnico Eagle comes totally out of left-field and potentially kicks off an acquisition spree in the space
- + The move prompts rethinking of the valuations and comps with the other players in the phosphate space in Eastern Canada
- + Removing the laggard from the space will focus attention on the survivors
- × The price being offered by Agnico Eagle appears low, as does the premium over recent VWAP
- × The haste by the board to accept the offer prompts thoughts as to why the eagerness to sell?
- × CapEx at Martison is frighteningly high
- × The project is challenging on a number of fronts, most particularly topography

Agnico Goes Off-Piste into Phosphate

In an intriguing transaction, in recent days, it was announced that Agnico Eagle (TSX: AEM | NYSE: AEM), via its subsidiary Avenir Minerals Ltd, was acquiring Fox River Resources. The structure being used, Avenir, is a curious venture capital arm of Agnico which is really a rag-bag of assets at this time. The transaction will be effected by way of a statutory plan of arrangement under the Canada Business Corporations Act. The deal was unanimously approved by the directors of Fox.

Ergo, the transaction is essentially in the bag, unless a challenging bid surfaces. This appears highly unlikely because there are frankly better targets out there with more enticing attractions and better dynamics.

In this Corporate Action note, we shall look at the transaction, the target asset, its attractions (or detractions) and moreover why is Agnico Eagle diverting from its well-trod path in precious metals.

Agnico Goes Off-Piste into Phosphate

Fox River holds a 100% interest in the Martison Phosphate Project located ~70 km northeast of Hearst, Ontario. This had been planned as a vertically integrated operation, to exploit a high-grade, large-scale igneous carbonatite phosphate deposit “capable of providing a secure domestic supply of phosphate fertilizers as well as PPA for the LFP battery industry”. The project's Anomaly A deposit underpinned a PEA with an effective date of April 21, 2022 though curiously there was a PFS from 2008 which only considered the mine aspect.

The Deal

As mentioned, the transaction is proposed to be consummated by way of a statutory plan of arrangement under the Canada Business Corporations Act with shareholders of Fox River receiving CAD\$1.10 per share, payable in cash. This puts purchase valuation of approximately CAD\$94.3mn on a fully-diluted basis. The purchase price represents premium of approximately 20% to the 30-day VWAP as of the 1st of May 2026.

Martison

The company claims that its Martison deposit is the highest-grade, undeveloped igneous carbonatite phosphate deposit with scale in North America. It is an igneous carbonatite deposit with potential for an open pit, truck and shovel operation.

Management also claims that Martison's "high grade" means that less rock will need to be mined and processed to produce the P_2O_5 for its phosphoric acid plant, resulting in a cost advantage when compared to lower grade deposits.

The company asserts that its large scale allows for a multi-decade supply to both the agriculture and LFP battery industries. They also claim that there is significant potential for the deposit to grow.

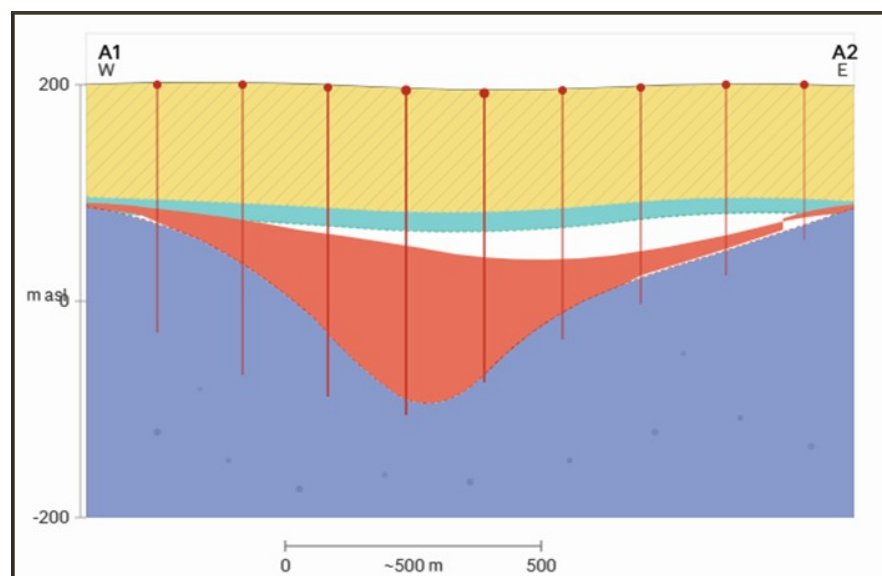
Geology

The Martison deposit is formed from an igneous intrusion (carbonatite), and differential weathering of the Martison igneous complex has resulted in an irregular, weathered karst-type surface to the basement carbonatite.

Management lays claim to having a "soft rock geology". The so-called Residuum, a paleo soil, is apatite-rich and is preconcentrated from the decomposition (weathering) of a basement carbonatite P_2O_5 source.

The deposit can be seen as a form of layer-cake. Depressions in this carbonate-rich surface are filled with the weathered breakdown product of the carbonatite i.e. a residuum.

The colour-coded Martison deposit formation: Blue: Carbonatite basement (Unit1), Red: Residuum



(Unit 2) — P₂O₅ ore, Green: Lateritic material (Unit 3) — Nb, REE, Yellow: Glacial till (Unit 4).

The residuum is the main source of phosphatic material of economic importance. Above the residuum lies a less consistent layer of iron-rich, pseudo-lateritic material containing niobium and rare earth element (REE) mineralization, also at levels of economic interest. REE make the metallurgy and separation very difficult for igneous carbonatites.

The deposit consists of at least three distinct ore units: unconsolidated residuum (2A), hard re-cemented residuum (2B), and partially weathered carbonatite lenses (2C). Each of these units has distinct physical properties and P₂O₅ grades (ranging from low-grade waste up to 38%). This variability demands careful selective mining and grade control to maintain consistent feed to the beneficiation plant. Mixing ore types without segregation would dilute concentrates and reduce processing efficiency.

Exploration

Over 200 drill holes have been used to define the present resource in Anomaly A.

More than \$50 million has been spent advancing Martison.

Studies

This project has been around for quite a while now with a Prefeasibility Study completed in 2008. Then in 2022 a Preliminary Economic Assessment (PEA) was published. This PEA was dated at June 1st 2022 with an effective date of April 21st of 2022. The report was prepared by Hatch Limited with input from Ausenco, PSI Chemetics Inc., DMT (UK) Limited and JESA Technologies.

PEA - SUMMARY METRICS		
	Units	Base Case
Life-of-Project (LOP) Operating Costs		
Average Annual Cash Operating Costs (7%)	US\$m p.a.	\$307.13
Average Annual OPEX + Sustaining CAPEX (SUSEX)	US\$m p.a.	\$328.61
Capital Costs		
Initial CAPEX (8%)	US\$m	\$1.859
LOP SUSEX	US\$m	\$545
Financial Analysis		
After-Tax NPV8%	US\$m	\$1,467
After Tax IRR	%	17.40%
Payback Period	years	5.2

The base case outlined the following economics:

- An after-tax payback period of 5.2 years
- NPV (8%) of US\$1.47bn

- IRR of 17.4%
- Life of project revenue of US\$20.55bn
- Cash flow of US\$6.46bn at base case pricing

The PEA did not include production of PPA which could improve the economics of the project. We would note that the payback period at 5.2 years is quite exceptional.

MRE

The PEA included an updated MRE, as shown below:

Martison Project - MRE				
	Category	Tonnes (mn)	P2O3 %	Niobium %
Anomaly A - Residuum	Indicated	53.8	22.99%	0.42
	Inferred	128.3	17.09%	0.42
Anomaly A - Lateritic Material	Indicated	6.2	7.97%	1.13
	Inferred	5.3	6.40%	0.69%

Mineral Resources were estimated at a cut-off grade of 6% P₂O₅ in the Residuum or 0.2% Nb₂O₅ in the Lateritic Material. The Base Case was a weighted average of three market forecast scenarios for the years 2022 to 2047. The reference price (\$CAD/tonne MAP delivered Western Canada) for Base Case was \$1,060.

CapEx – Not For the Faint-Hearted

At the right can be seen the projected capex from the 2022 PEA:

There has been substantial inflation in most mining projects since that time, though some of that might be absorbed in the sizeable contingency component that has been set aside.

Capital Costs (US\$ mns)	
Mine Site Preparation	22.6
Mine	60.7
Mine Mobile Equipment	90.2
Mill (Beneficiation Plant) incl. Mobile Equip	190
Infrastructure and Utilities	24.7
Tailings Management Facility	41.5
Access Road, Haul Roads, In-Plant Roads	37.4
Power Line, Substations and Transformers	54.8
Slurry Pipeline	109.5
Sulfur Plant and Cogeneration	274.6
Phosphoric Acid Plant	286.7
Super Phosphoric Acid Plant	88.4
Granulation Plant	143.2
Warehouse and Loadout Facilities	15.2
Railyard and mobile equipment	28.3
Infrastructure and services	64.9
Sub-total	<u>1,532.9</u>
Owner's Costs	76.6
Contingency	250
Total	<u><u>1,859.5</u></u>

A Note on Topographical Challenges

The deposit sits in the James Bay Lowlands of northern Ontario, one of the largest peatland (muskeg) systems in the world. Muskeg is essentially waterlogged, spongy bog comprised of a thick layer of partially decomposed organic material saturated with water.

In summer this is too soft and unstable to drive heavy equipment across, impassable for trucks, drill rigs, and supply vehicles, prone to rutting, sinking, and getting equipment stuck. For this reason winter exploitation is suggested.



In winter, the muskeg freezes solid. Once frozen to sufficient depth, it becomes a stable, load-bearing surface, effectively a natural road. This is why northern Canadian resource projects in muskeg terrain deliberately construct winter ice roads and frozen ground roads each season. The frozen peat can support the weight of drill rigs, fuel trucks, and camp equipment that would simply sink through in summer. Not a pretty sight....



The PEA specifically notes this, positing that the site work window is typically 9–12 weeks during the coldest part of winter, when sustained low temperatures are maintained long enough to freeze the

muskeg surface to sufficient depth. This allows the construction and maintenance of temporary access roads over it. This seems extremely challenging as the building crews must de-camp (literally) before the spring thaw makes the roads impassable again.

Not All Plain Sailing

The first of the challenges is that while the deposit is located only ~70 km northeast of Hearst, it is still a sparsely populated part of northern Ontario. This is remote muskeg terrain, with no existing grid connection. There is no power line anywhere near the deposit. Everything has to be built from scratch. While rail access exists on site (affording a significant advantage), building and operating a mine, a beneficiation plant at mine site, an 86 km slurry pipeline to Hearst, and a Fertilizer Conversion Complex represents very substantial infrastructure capital expenditure.

The project relies on an approximately 86 km buried phosphate concentrate slurry pipeline from the mine to the Fertilizer Conversion Complex. The PEA also states that no testing of the rock concentrate slurry for pipeline design had been performed, though the design was based on Ausenco PSI experience.

Why does this matter? Firstly, particle-size control is critical. Oversized material can cause bottom wear and early pipeline failure. A pipeline failure would directly interrupt Fertilizer Conversion Complex feed and could create environmental and cost exposure.

As to the mining, a major issue is the stripping ratio. The economic ore zones are blanketed by up to 80–140 m of glacial till, gravels, sands and clays — none of which has economic value. This represents a substantial waste-to-ore stripping burden before any phosphate ore can be reached.

Hydrogeological management within the proposed open pit also requires careful design, as the 2008 drilling program specifically included over 2,000 m of hydrogeological study holes.

The Niobium & REE Components

The Niobium and REE in the pseudo-laterite horizon are not locked in cleanly liberated pyrochlore grains. Instead, they are hosted in fine-grained, poorly crystallised iron oxyhydroxides (goethite, hematite) and secondary phosphate phases. Characterising and extracting these requires combined XRD, back-scattered electron imaging, and electron beam microanalysis. Notably, a flowsheet specifically designed for this material has not yet been proven at scale. However, perhaps this is what AEM is interested over the phosphate and yet this makes the phosphate very difficult to separate.

Purified Phosphoric Acid (PPA)

In mid-November of 2025 the company announced the successful production of purified phosphoric acid (PPA), a crucial component for the lithium-iron-phosphate (LFP) battery supply chain.

The testwork identified all the operations required to upgrade merchant grade acid to PPA. It claimed that this laid the groundwork for building a dedicated PPA production facility. The proprietary

technology and testing, provided by JESA Technologies LLC, confirmed the suitability of Martison concentrate for PPA production. The envisioned PPA facility is designed for integration within a phosphate fertilizer complex, which will recover byproducts rich in P₂O₅ through adjustments in product mix and feed compositions throughout the complex.

The Competitive Field

We highlight in the table below the comps in Eastern Canada in the Phosphate Stakes:

PHOSPHATE STOCKS - CANADA							
Security	Ticker	Rating	Currency	Price	Market Cap. mns	Status	Country
First Phosphate	CSE: PHOS	LONG	CAD	1.56	\$245.3	Developer	Quebec
Arianne Phosphate	DAN.v	AVOID	CAD	0.45	\$102.9	Explorer	Quebec
Fox River Phosphate	CSE: FOX	Neutral	CAD	1.08	\$86.1	Explorer	Ontario
Kap Minerals	Unlisted					Past Producer	Ontario

We had not paid much attention to Fox River as it appeared to be “out there” in quite a number of ways.

We have covered **First Phosphate** (CSE: PHOS) for a long while now and it is clearly the most advanced of these projects. Our accumulated *opus* on PHOS [can be found here](#). We will note though that CAD\$675mn is the cost mooted by the PEA for First Phosphate’s mine or PPA plant, where a significant component of the value added resides. We also note the focused downstream processing focus for First Phosphate strictly in LFP and not agriculture. PHOS has significant downstream development into LFP, the staff, the partnerships, the offtake and has even produced LFP battery cells going through all the steps of the mine to market.

Arianne Phosphate (TSX-V: DAN) we have watched for a number of years now. Our most recent commentary on it was in January of this year when we noted:

“Unfortunately for Arianne Phosphate with its Lac à Paul greenfield project, First Phosphate is pulling well ahead in the competition. This raises the question for investors and government as to whether the company will just be left as an also-ran.

The claims around the project are mighty indeed with management claiming it is “fully permitted and construction-ready” and has made “significant improvements” since its 2013 FS. The project might create ~1,000 jobs during operation and supposedly contribute CAD\$12bn in economic benefit to the region. An updated engineering study was undertaken in late 2022 and early 2023 and estimates CapEx for the Lac à Paul project to be an eye-watering ~US\$1.55bn, based on a \$1.35 US/CAD exchange rate.

When we wrote our Initiation in October of 2024, we noted that First Phosphate was “just about as far away from having a mine as Arianne”. That is no longer true with First Phosphate having made a quantum leap forward while Arianne has been idling in neutral.

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If Arianne could glean the cash to build, they still would have numerous bridges to build (literally) and a new port to build on the north side of the Saguenay for about CAD\$500mn and likely more or just about the same capex amount to put PHOS into production. While Arianne would still be in the port authority business, PHOS would be producing and exporting phosphate concentrate to a definitive, bankable and pre-paid offtaker in Europe”.

Kap Minerals flies under the radar because it is not listed, at least as yet. It is owned by the same group as Soma Gold, which we have covered in the past. Kap Minerals has an almost total fertilizer focus at this time. Its asset (hence the corporate name) is the former Agrium Phosphate Mine in Kapuskasing, Ontario. In mid-December of 2024, Infracon Construction, Inc., acquired 2333382 Ontario, Inc., owner of the former mine, a processing plant located in Matheson, Ontario and various other mineral properties in Ontario, through its wholly owned subsidiary, KAP Minerals, Inc.

Kap Minerals at that time planned to deploy “substantial capital” to bring this asset back into production. The former Agrium pit can be seen below:



KAP Minerals will focus on commercializing the Apatite deposit, located in the Cargill Township Carbonatite Complex. The deposit is also claimed to have “high-quality Phosphate rock with ultra-low Cadmium levels”. The KAP site also has a significant Rare Earth deposit in the existing tailings which can make the metallurgy on the deposit difficult.

We might highlight the Cadmium issue. This is a toxic heavy metal that accumulates in agricultural soils over time. Globally, only 5% of the phosphate rock reserves consist of low-cadmium igneous rocks. Sedimentary phosphate rocks (Morocco, Florida, Russia) typically contain 3–150 mg/kg of Cadmium. Martison is an igneous carbonatite, its apatite contains inherently very low Cadmium.

The EU has tightened Cadmium limits on imported phosphate fertilisers over the last decade, and

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Canada's reliance on sedimentary US imports is becoming a food safety and trade vulnerability. Martison's igneous purity directly addresses this regulatory trend.

It is interesting to note the different target markets of these players. First Phosphate is targeting the LFP space. Fox River was targeting fertilizer & LFP, Arianne and KAP are targeting (ostensibly) the fertilizer markets.

Agnico: Going Where Eagles Dare?

The most intriguing thing here is not the target nor the price by the issue of what Agnico Eagle is doing wandering so far from its core competency. There are metals that are precious-adjacent such as copper with gold and zinc/lead with silver. We have never heard anyone mention fertilisers (or battery metals) in the same breath as gold/silver.

Then, because the target company was the only phosphate wannabe in this part of Canada that was openly espousing both fertilizer and LFP end-markets, we are left wondering (in the absence of a major position statement by Agnico Eagle) as to which of these two end markets is catching their eye?

Avenir has made an increasingly random looking set of investments thus far. If there is any identifiable trend it is that most of its targets thus far have challenges in location, size, or both. The catalogue has Canada Nickel (a 10.4% stake), Perpetua Resources (a 6.4% stake), Fuerte Metals (8%) and Li-FT (where it is the largest shareholder). It also has a role connected to zinc that we cannot grasp in Agnico's LaRonde Complex.

Does Agnico have that much money lying about and feels so thwarted in the precious metals space (due to a paucity of targets that make sense) that it has decided to use its fire power to become a diversified miner? This is an intriguing thought as it is usually to copper that gold companies first feel tempted to diversify.

The one fear that we have is that the company is going into territory that is novel, and with a capex so outsized, that the potential for pitfalls (pardon the pun) is heightened.

Are they targeting phosphate for fertilizer here, the REE potential of the deposit (which incidentally would kill the fertilizer and especially the LFP side), or are they targeting LFP? If so, why have they bought this asset and why? In the press release on the acquisition, they state fertilizer and LFP though it's likely just fertilizer, if they are even able to get it into production.

Risks

The sole risk at this point is that Agnico Eagle withdraws its offer. This would appear unlikely except in the context of extreme *force majeure* or conducting proper due diligence and realizing they have bought the wrong asset but perhaps for the right reasons (growth in LFP space).

Investment Thesis

There is really no investment thesis for this company beyond selling out as the boat has already sailed.

Rationale & Rating

We see potential eventually for the consolidation of battery metals' supply chains into groups covering various of the inputs and vertically integrated downstream from the mines. This transaction though is not in this category and appears somewhat random, dare we say it.

We hope the evolution of the project under new ownership does not come to grief and impact negatively other players. There is the possibility though that it may electrify other non-traditional participants in the growth minerals space to get their skies on and likewise go off-piste.

In this Corporate Actions note we are rating Fox River with an **ACCEPT** recommendation at the offer price of CAD\$1.10. First Phosphate (CSE: PHOS) remains our favoured name in the Phosphate space.



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