

**Noram Lithium Corp.**  
(TSXV: NRM / OTCQB: NRVTF)

**Updated Resource Significantly Higher Than Expected /  
PEA Coming Soon**

**BUY**

**Current Price: C\$0.74**

**Fair Value: C\$1.76**

**Risk: 5**

**Sector / Industry: Junior Resource**

[Click here for more research on the company and to share your views](#)

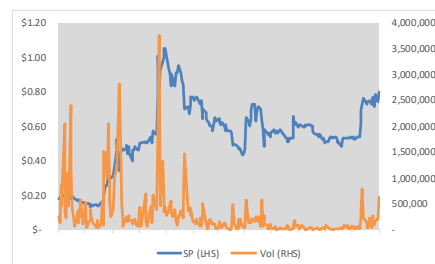
**Highlights**

- An updated resource estimate on Noram's Zeus lithium project reported 1.78 Mt of Lithium Carbonate Equivalent/LCE (up 60%) in Measured & Indicated ("M&I), and 3.89 Mt in inferred resources (up 369%). **The updated resource was 65% higher than our estimate.** A PEA is expected to be completed in the coming weeks.
- NRM's new resource is almost 80% of direct comparable (Cypress Development/TSXV: CYP and American Lithium/TSXV: LI) resources. However, **NRM's MCAP is just 28% of CYP, and 12% of LI.**
- Most of Zeus' deposit occurs near surface, which means lower OPEX. Preliminary extraction analysis indicates that the stripping ratio would be less than 0.2:1, inline with Cypress' Clayton Valley project.
- Considering the proximity of Zeus to Albemarle's (NYSE: ALB) Silver Peak mine, CYP's Clayton Valley project, and LI's TLC project (40 km northeast), we continue to believe that **the area is ripe for consolidation.** NRM, CYP, and LI hold similar style lithium-bearing clay deposits.
- We estimate that lithium juniors are currently trading at US\$52 per tonne, while **Noram is trading at US\$12/t.** CYP is at \$20, and LI is at \$36.
- Battery-grade lithium prices are up 30% in the past two months on stronger demand. We are expecting the lithium market to move to a deficit starting 2024. Orocobre Limited (ASX: ORE) and Galaxy Resources' merger **triggered M&A activities** in the sector. China's Ganfeng (SZSE: 002460) is acquiring Bacanora (AIM: BCN) for US\$350M. In July, Ganfeng made a C\$353M bid for Millennial Lithium (TSXV: ML). However, an undisclosed bidder made a superior offer to ML earlier this month. Sibanye-Stillwater (NYSE: SBSW) is investing US\$490M for a 50% interest in Ioneer's (ASX: INR) lithium-boron project in Nevada.
- We believe the upcoming PEA will be the next major catalyst for NRM. **An M&A event is also likely.**

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Head of Research

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Equity Analyst

**Price Performance (1-year)**



	YTD	12M
Ret.	45%	280%
TSXV	-1%	28%

**Company Data**

52 Week Range	\$0.12 - \$1.25
Shares O/S	74.4M
Market Cap.	C\$55M
Yield (forward)	N/A
P/E (forward)	N/A
P/B	13x

**Key Financial Data (FYE - Jan 31)**  
(\$)

	FY2020	FY2021(3M)
Cash	\$866,476	\$2,364,078
Working Capital	\$1,361,737	\$2,918,997
Mineral Assets	\$3,317,858	\$3,590,304
Total Assets	\$5,039,229	\$6,843,286
Net Income (Loss)	-\$4,996,985	-\$3,058,759
EPS	-\$0.10	-\$0.04

**\*See last page for important disclosures, rating and risk definitions. All figures in C\$ unless otherwise specified.**

## New Resource Estimate

The latest resource estimate includes results of Noram's Phase V drill program.

### 2021 Resource Estimate


Measured				
Li Cutoff (ppm)	Tonnes X 1,000,000	Li Grade (ppm)	Contained Li (Tonnes)	LCE (Tonnes)
400	66.74	927	61,863	329,299
600	61.34	964	59,128	314,738
800	46.47	1051	48,840	259,975
1000	27.7	1150	31,854	169,558
Indicated				
Li Cutoff (ppm)	Tonnes X 1,000,000	Li Grade (ppm)	Contained Li (Tonnes)	LCE (Tonnes)
400	296.42	922	272,297	1,454,762
600	279.66	947	264,837	1,409,728
800	221.64	1007	223,193	1,188,059
1000	103.76	1128	117,044	623,023
Measured + Indicated				
Li Cutoff (ppm)	Tonnes X 1,000,000	Li Grade (ppm)	Contained Li (Tonnes)	LCE (Tonnes)
400	363.15	923	335,191	1,784,222
600	241.00	950	232,945	1,724,361
800	268.11	1014	271,865	1,447,135
1000	131.46	1133	148,945	792,836
Inferred				
Li Cutoff (ppm)	Tonnes X 1,000,000	Li Grade (ppm)	Contained Li (Tonnes)	LCE (Tonnes)
400	827.22	884	731,261	3,892,501
600	715.91	942	674,383	3,589,743
800	546.48	1013	553,588	2,946,750
1000	265.47	1134	301,043	1,602,452

Resource estimate increased despite using a higher cut-off grade of 400 ppm vs 300 ppm in the 2020 estimate

Grades are in line with CYP and LI's projects

M&I resource increased 60%

Inferred resource increased 369%

 NORAM LITHIUM CORP.	Million Tonnes (MT)	Li Grade (ppm)	Li Cutoff (ppm)	LCE (MT)	LCE % Increase
February 2020 Indicated	213	976	300	1.11	
August 2021 Measured + Indicated	363	923	400	1.78	60%
February 2020 Inferred	194	807	300	0.83	
August 2021 Inferred	827	884	400	3.89	369%

Source: Company

## New Members

Since our previous update, the company has appointed a new CEO, and an independent director. Brief biographies of the new members, as provided by the company, follow:

### Sandy MacDougall - Interim President, CEO and Director

Mr. MacDougall is an Economics graduate of the University of British Columbia has over 30 years of experience in the investment banking and finance industry. He was a former investment advisor at Canaccord Capital Corp. and was involved in numerous significant financings in Canada and abroad for a wide range of companies. His experience includes extensive exposure to precious and base metal projects throughout North and South America.

### Adam Falkoff – Director

Mr. Falkoff has over 20 years of experience in public policy, international relations, and business development. He has advised CEOs of the Fortune 100, Presidents, Prime Ministers, Cabinet Ministers and Ambassadors. As President of CapitalKeys, a bipartisan global public policy and strategic consulting firm based in Washington D.C., with offices in London and Singapore, he has successfully helped clientele understand, anticipate, and navigate the complex public policy environment as well as develop strategies for business development driving client revenues. He is also the interim president of RARE, The Association for Rare Earth. Mr. Falkoff is a 2018 recipient of the Ellis Island Medal of Honor for service to the United States of America and was named to the Washington, D.C. Power 100, a list of the 100 most influential non-elected people by Washington Life Magazine. Mr. Falkoff received a B.A. from Duke University and both an M.B.A. and M.I.M. (Master of International Management) from the Thunderbird School of Global Management on an academic scholarship.

## Financials

### Liquidity Position

	FY2020	FY2021(3M)
Cash	\$866,476	\$2,364,078
Working Capital	\$1,361,737	\$2,918,997
Current Ratio	4.99	10.23
LT Debt / Assets	-	-
Monthly Burn Rate (G&A)	-\$94,570	-\$179,828
Exploration and Development	-\$240,163	-\$286,203
Cash from Financing Activities	\$2,915,320	\$2,394,272

Data Source: Financial Statements

Healthy cash  
position, with no  
debt

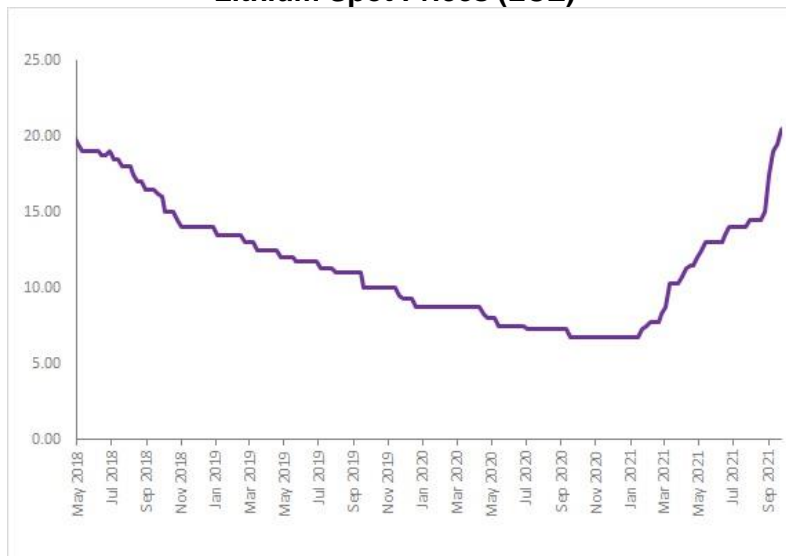
In-the-money  
options and  
warrants can bring  
in another \$2.79M

**Stock options and warrants** – 7.30M options (weighted average exercise price of \$0.69 per share), and 5.99M warrants (\$0.62) outstanding. 4.25M options and 2.28M warrants are in-the-money, implying a potential to raise up to \$2.79M.

## Outlook on Lithium

Battery-grade LCE spot prices are up 30% in the past two months to US\$20,500/t on stronger demand

### Lithium Spot Prices (LCE)



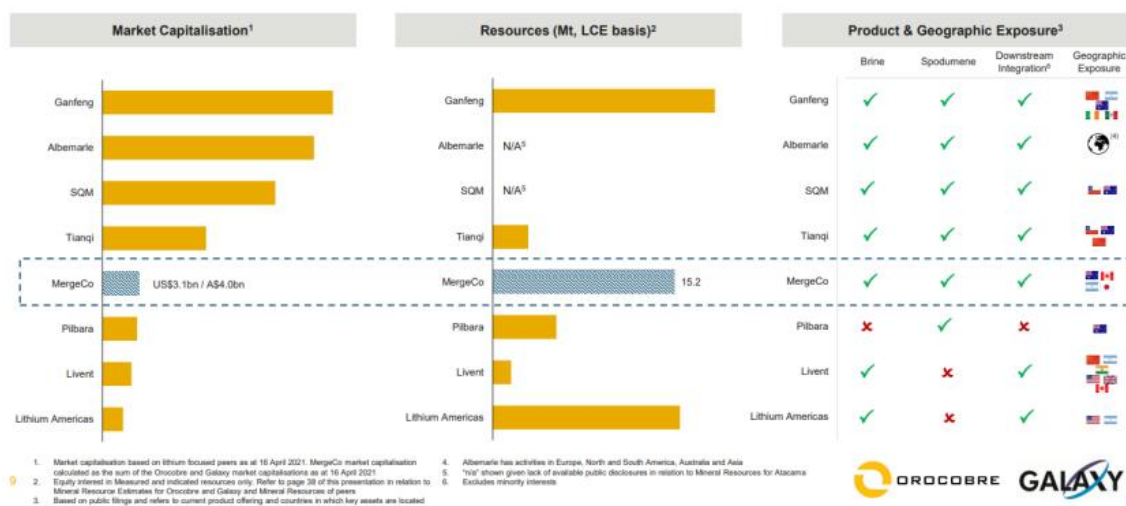
Source: Fastmarkets

Expected to be in a deficit starting 2024

Electric vehicle (“EV”) sales are expected to increase to 25–30M per year by 2030, up from 3M in 2020. Based on consensus global EV sales forecasts, we expect lithium demand for batteries to grow from 300 Kt per year currently, to 1.9 Mt. **The lithium market is expected to move to a deficit starting in 2024.**

This year, the sector saw major consolidation. ASX listed Orocobre and Galaxy merged to form the fifth largest lithium company by MCAP.

Consolidation in the space



China’s Ganfeng is acquiring Bacanora for US\$350M. Ganfeng made a C\$353M bid for Millennial Lithium. Earlier this month, Millennial received a superior bid

(C\$375M) from an undisclosed bidder. We expect further consolidation in the space, and believe that juniors in attractive mining jurisdictions will be likely targets.

## Valuation

*NRM is trading at US\$12 per tonne (previously US\$28) vs the comparables' average of US\$52 (\$38)*

Project Owner	Pure Energy Minerals	Standard Lithium	Lithium Power	Lithium Americas		Neo Lithium	Millennial Lithium	Lake Resources	Cypress Development	American Lithium	Noram	Bacanora	E3 Metals	Enertopia	Ioneer	Spearmint
Location	Nevada, US	South Arkansas, US	Chile	Argentina	Nevada, US	Argentina	Argentina	Argentina	Nevada, US	Nevada, US	Nevada, US	Sonora, Mexico	Alberta, Canada	Nevada, US	Nevada, US	Nevada, US
Stage	PEA	PEA	Feasibility	Feasibility	PFS	PFS	Feasibility	PFS	PFS	Resource	Resource	FS	PEA	Resource	DFS	Resource
Resources	218 Kt LCE Inferred	3.14 Mt Indicated and 0.8 Mt Inferred	2.07 Mt M&I	19.85 Mt M&I, 4.72 Mt Inferred, 1.95 Mt Reserves	3.14 Mt Reserves, 5.98 Mt M&I, 2.30 Mt Inferred	4 Mt M&I, 3 Mt Inferred	4.1 Mt LCE M&I, 0.80 Mt Inferred	1.01 Mt LCE Indicated and 3.39 Mt Inferred	6.3 Mt LCE Indicated (905 ppm) + 0.95 Mt Inferred (760 ppm)	5.37 Mt LCE Indicated (912 ppm) + 1.76 Mt Inferred (912 ppm)	1.78 Mt LCE M&I (923 ppm) + 3.89 Mt Inferred (884 ppm)	4.12 Mt LCE Indicated (3,250 ppm) + 3.22 Mt Inferred (2,650 ppm)	6.7 Mt LCE Inferred	0.49 Mt LCE Indicated (1,121 ppm) + 0.11 Mt Inferred (1,131 ppm)	1.09 Mt LCE Indicated (1,600 ppm) + 0.17 Mt Inferred (1,600 ppm)	0.82 Mt LCE Indicated (781 ppm) + 0.19 Mt Inferred (808 ppm)
EV (US\$M)	\$36	\$1,000	\$63	\$2,308	\$466	\$261	\$481	\$138	\$342	\$43	\$252	\$65	\$8	\$808	\$20	
Resources (100% M&I, 50% Inferred)	109,000	1,656,000	2,070,000	22,214,050	7,132,500	5,500,000	4,500,000	2,702,000	6,775,000	9,480,333	3,725,000	5,800,000	3,450,000	542,592	1,175,000	915,000
EV/Resources (US\$)	\$330.28	\$603.86	\$59.68	\$78.65	\$84.73	\$58.00	\$178.02	\$20.37	\$36.07	\$11.54	\$43.45	\$18.84	\$14.74	\$687.66	\$21.86	
Average (excl. outliers)	\$52.16															

Resource – 100% of M&I + 50% of Inferred

Source: FRC / Various Companies / S&P Capital IQ

Since we are expecting consolidation, we are now using the average of juniors operating in the region, instead of the sector average, for valuation. Applying US\$28/t to NRM's new resource, we arrived at a fair value estimate of \$1.76 per share vs our previous estimate of \$1.27 per share. **We are maintaining our BUY rating.** We believe the upcoming PEA will be the next major catalyst for NRM.

## Risks

We believe the company is exposed to the following key risks (not exhaustive):

- The value of the company is dependent on lithium prices.
- Access to capital and share dilution.
- The company has yet to complete an economic assessment on its project.
- Development risks.

*Maintaining our risk rating of 5*

**Fundamental Research Corp. Equity Rating Scale:**

**Buy** – Annual expected rate of return exceeds 12% or the expected return is commensurate with risk

**Hold** – Annual expected rate of return is between 5% and 12%

**Sell** – Annual expected rate of return is below 5% or the expected return is not commensurate with risk

**Suspended or Rating N/A**— Coverage and ratings suspended until more information can be obtained from the company regarding recent events.

**Fundamental Research Corp. Risk Rating Scale:**

**1 (Low Risk)** - The company operates in an industry where it has a strong position (for example a monopoly, high market share etc.) or operates in a regulated industry. The future outlook is stable or positive for the industry. The company generates positive free cash flow and has a history of profitability. The capital structure is conservative with little or no debt.

**2 (Below Average Risk)** - The company operates in an industry where the fundamentals and outlook are positive. The industry and company are relatively less sensitive to systematic risk than companies with a Risk Rating of 3. The company has a history of profitability and has demonstrated its ability to generate positive free cash flows (though current free cash flow may be negative due to capital investment). The company's capital structure is conservative with little to modest use of debt.

**3 (Average Risk)** - The company operates in an industry that has average sensitivity to systematic risk. The industry may be cyclical. Profits and cash flow are sensitive to economic factors although the company has demonstrated its ability to generate positive earnings and cash flow. Debt use is in line with industry averages, and coverage ratios are sufficient.

**4 (Speculative)** - The company has little or no history of generating earnings or cash flow. Debt use is higher. These companies may be in start-up mode or in a turnaround situation. These companies should be considered speculative.

**5 (Highly Speculative)** - The company has no history of generating earnings or cash flow. They may operate in a new industry with new, and unproven products. Products may be at the development stage, testing, or seeking regulatory approval. These companies may run into liquidity issues and may rely on external funding. These stocks are considered highly speculative.

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