

Ticker: NILI CN **Cash:** C\$4.8m **Project:** Nevada North
Market cap: C\$64m **Price:** C\$0.39/sh **Country:** U.S.A., NV
REC. (unc): BUY **TARGET (+90c):** C\$3.90/sh **RISK RATING (unc):** VENTURE

Today's resource update is a beat on our estimated +50% forecast, at a remarkable +85% over the prior 1Q24 initial attributable MRE driven by new drilling of higher grade (and thick) zone extensions. The optionality on cut-off here is critical in our view, where we think the potential reserves could approach 3,500-4,000ppm at higher cut-offs, with the highest grades sitting at surface to drive margins – key for a staged-build and/or to attract M&A in our view. For reference, the **263Mt @ 3,880ppm Li** (>3,000 ppm Li cut-off) shown in Table 1 below, is **1.2x larger and higher grade than LAC's Thacker Pass reserve** (217Mt @ 3,160ppm Li = 40-year mine life), lifting to 1.7x larger and 1.2x higher grade on a 100% basis (363Mt @ 3,843ppm Li >3,000ppm Li, Table 2). Put simply, we think Nevada North is firmly the world leading deposit of its type and should qualify for strategic U.S government funding.

On valuation, the attributable MRE puts the stock at ~US\$4/t LCE in situ, with advanced peers Lithium Americas (US\$510m mc), Ioneer (US\$312m mc), and American Lithium (US\$90m mc) trading on average US\$30/t in-situ resource or US\$160/t on inventory / reserves (up to US\$400/t). With Surge's 8.7Mt LCE MRE booked already and ability to convert to reserves quickly (and cheaply), we apply an updated US\$70/t in situ value to the MRE, conservatively in line with peers ahead of the PEA. As such, **we maintain our BUY rating and lift our C\$3.00/sh price target to C\$3.90/sh**. As resources convert to reserves on infill, we will likely opt to convert our valuation to a DCF over time. For now, the value proposition is simple given Surge's critically low market cap vs peers, making it an attractive counter cycle investment opportunity. Key now will be showcasing the economic potential in the 1Q25 PEA, securing a land agreement with the neighbour as well as securing an Exploration 'Plan of Operations' to enable a quick conversion to Feasibility.

Table 1. Attributable Nevada North 3Q24 MRE cut-off grade sensitivity

Cutoff (Li ppm)	Tonnes (Mt)	Grade (Li ppm)	Lithium (Mt)	LCE (Mt)
1,000	554.1	2,943	1.63	8.68
1,250	550.2	2,955	1.63	8.65
1,500	510.0	3,079	1.57	8.36
1,750	472.3	3,193	1.51	8.03
2,000	437.1	3,298	1.44	7.67
3,000	263.2	3,880	1.02	5.44
4,000	92.6	4,583	0.42	2.26

Source: Surge Battery Metals

+113% resource growth to 11.2Mt LCE @ 3,010ppm Li ahead of maiden PEA; PT increased to C\$3.90

Today, Surge Battery Metals reported an updated resource for the Nevada North Project, lifting the pit-constrained Inferred Resource to **8.65Mt Lithium Carbonate Equivalent (LCE) @ 2,955ppm Li** (>1,250 ppm Li cut-off) **on an attributable basis**. On a 100% basis, the resource totals 11.24Mt LCE @ 3,010 ppm Li (a +113% increase on LCE tonnes, +5% on grade), which includes ~2.59 Mt LCE located on the private parcel of land where the majority of mineral rights are owned by Evolution Mining (ASX: EVN). Next steps: Surge is preparing for a larger drill program after receiving its Exploration Plan of Operations Permit. The company aims to complete its PEA by 1Q25 and continue optimizing metallurgical testwork for battery-grade lithium production. Additionally, detailed surface exploration and reclamation efforts are ongoing, with a focus on converting inferred resources to M&I by the end of 2025.

Table 2. Nevada North 3Q24 MRE cut-off grade sensitivity on a 100% basis

Cutoff (Li ppm)	Tonnes (Mt)	Grade (Li ppm)	Lithium (Mt)	LCE (Mt)
1,000	707.4	2,995	2.12	11.28
1,250	701.4	3,010	2.07	11.24
1,500	653.7	3,129	2.04	10.89
1,750	611.2	3,231	1.97	10.51
2,000	567.9	3,334	1.89	10.08
3,000	363.3	3,843	1.40	7.43
4,000	119.9	4,532	0.54	2.89

Source: Surge Battery Metals

Why we like Surge Battery Metals Inc

1. Highest grade lithium clay deposit in tier-1 Nevada with >3,000ppm Li at surface
2. Large 8.7Mt LCE 3Q24 attributable MRE, still open, growing towards SCPe 15Mt LCE long term
3. Best in class lithium team (formerly Millennial Lithium, acquired by LAC for US\$490m)

Catalysts

- 1H25: Exploration Plan of Operations / PEA

Research

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Ticker: NILI CN	Price / mkt cap:	C\$0.39/sh, C\$64m	Project PNAV today:	0.10x	Assets:	Nevada North
Author: B Gaspa Rec / xNAV PT:	BUY, C\$3.9/sh		1xNAV FF FD:	C\$3.89/sh	Country:	USA/Canada
SOTP project valuation*				Commodity price		
	C\$m	O/ship	NAVx	C\$/sh	CY22A	CY23E
SCPe NNLP NAV @ US\$70/t LCE	818	100%	1.00x	3.80	68,579	20,000
Cash at 2Q24	4.8	100%	1.00x	0.02	20,000	20,000
Cash from ITM options/warrants	17	100%	1.00x	0.08	Resource	Li (ppm)
SCPe Group 1xNAV	840		PT:	3.89	3Q24 Inferred 43-101	000t LCE
*Ex G&A and fin. costs			Market P/NAV	0.10x	550	2,955
					SCPe 'blue sky' potential	8,650
					17,000	
					Share Data	Basic
					Shares (m)	FD
						164,524
						215.6

Source: SCP estimates

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TENDER: The analyst recommends tendering shares to a formal tender offering

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Summary of Recommendations as of September 2024	
BUY:	50
HOLD:	0
SELL:	0
UNDER REVIEW:	0
TENDER:	0
NOT RATED:	0
TOTAL	50

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