July 17, 2020

Noram Ventures Inc. (TSXV: NRM / OTC: NRVTF)

Attractive Lithium Resource Close to the Only Lithium Producer in the U.S. – Introductory Note

N/A

Current Price: C$0.15
Fair Value: N/A
Risk: 5

Sector / Industry: Junior Resource

Click here for more research on the company and to share your views

Highlights

- Noram Ventures Inc. ("company". "Noram") is advancing its 100% owned Zeus lithium property in Nevada. It is located just 2 km from Albemarle Corporation's (NYSE: ALB) Silver Peak mine - the only lithium brine producer in the U.S.
- Zeus is **adjacent to Cypress Development Corp's (TSXV: CYP)** advanced stage Clayton Valley lithium project, on which a recently completed Preliminary Feasibility Study ("PFS") returned an After Tax – Net Present Value ("AT-NPV") at 8% of US$1.05 billion, with an attractive After Tax – Internal Rate of Return ("AT-IRR") of 26%. Another noteworthy deposit in the region is **American Lithium Corp's (TSXV: LI)** TLC lithium project, which is located 40 km to the northeast of Zeus. A maiden resource estimate was recently completed on this project.
- Noram's Zeus has a resource estimate of 0.75 Mt Lithium Carbonate Equivalent / "LCE" (1,136 ppm) indicated and 0.43 Mt (1,045 ppm) inferred. These grades are in line with CYP's project.
- **Noram, LI and CYP's projects hold lithium within clay deposits.** As pegmatites and brines account for most of the global lithium resource-base, there is no active commercial mining of lithium clay deposits. CYP's PFS demonstrates that lithium can be extracted from clays by leaching. Initial leach tests conducted by Noram have been encouraging.
- **Based on their projects' similarities and proximity, we see opportunities for Noram, LI and CYP to consolidate.**
- **We estimate that lithium juniors are currently trading at US$18 per tonne, while Noram is trading at just US$5. CYP is at US$7, and LI is at $28.**
- Noram is in a tight cash position. At the end of Q1-FY2020 (ended April 2020), the company had $26k in cash, with a working capital deficit of $240k. Noram is currently pursuing a $0.27 million equity financing.

Risks

- The value of the company is dependent on lithium prices.
- The lithium market is expected to be in a supply surplus in the short and mid-term.
- Access to capital and share dilution.
- The company has yet to complete an economic assessment on its projects.
- Development risks.

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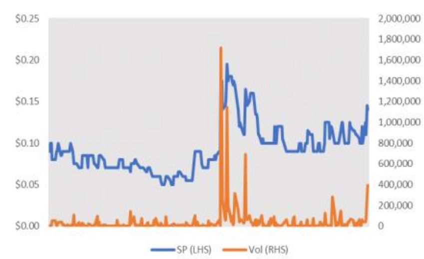
Price Performance (1-year)



	YTD	12M
Ret.	67%	67%
ASX	14%	14%

Company Data

52 Week Range	$0.05 - $0.21
Shares O/S	43,481,802
Market Cap.	C$6.52 million
Yield (forward)	N/A
P/E (forward)	N/A
P/B	2.3x

Key Financial Data (FYE - Jan 31) ($)	FY2019	Q1-FY2020
Cash	$10,868	$25,644
Working Capital	-$198,989	-$239,874
Mineral Assets	$3,018,696	$3,018,696
Total Assets	$3,197,689	$3,192,794
Net Income (Loss)	-$513,623	-$127,558
EPS	-$0.01	-$0.00

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

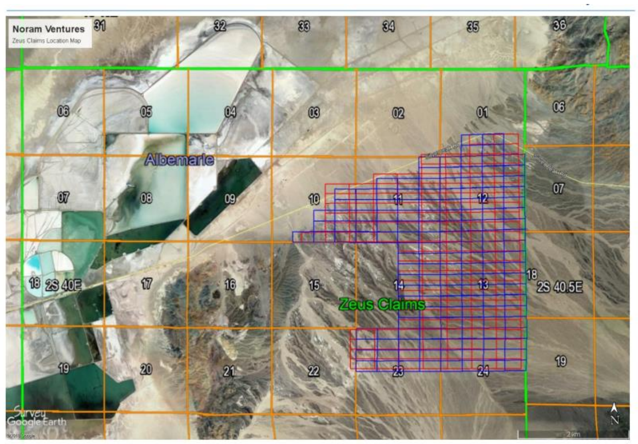
Overview

Vancouver, B.C. based Noram Venture holds two lithium assets, including the flagship Zeus lithium clay project in Clayton Valley, Nevada, and the Arizaro East property in the Lithium Triangle in Argentina.

Close to the only commercial lithium brine operations in the U.S.

The 100% owned Zeus property (1,214 ha / no outstanding royalty), located between Las Vegas and Reno, is just 2 km from Albemarle's Silver Peak mine - the only lithium brine producer in the U.S. Silver Peak has been in production for over 50 years. Between Silver Peak and Zeus is Cypress Development's advanced stage Clayton Valley lithium project, on which a recently completed PFS returned highly encouraging results. Another noteworthy deposit in the region is American Lithium's TLC lithium project, which is located 40 km to the northeast of Zeus. A maiden resource estimate on this project (completed in May 2020) showed 4.8 Mt LCE measured and indicated (1,036 ppm), and 1.5 Mt inferred (1,016 ppm).

Project Location



Source: Company

According to the U.S. Geological Survey (USGS), the U.S. holds approximately 6.8 Mt of lithium resources (35 Mt of LCE), or approximately 10% of global resources. Silver Peak is the only commercial lithium mine in North America (which accounts for approximately 2% of global production). We believe the discrepancy between production and resources in the U.S. indicates the potential for the U.S. to be a significant producer globally. The U.S. Department of Energy has categorized lithium as a critical mineral. Currently, over 25% of the U.S.' lithium consumption is reliant on imports, suggesting a need for domestic producers. We believe these reasons, and the relatively lower exposure to political, geographic, and currency risks, offers companies such as Noram a significant advantage over comparable juniors focused on South America.

The U.S. imports 25% of its consumption

Mineralization and Resource

Zeus' mineralization occurs within a lithium-bearing clay deposit. Lithium primarily occurs in three types of deposits: pegmatites, brines, and clays. As pegmatites and brines account for most of the global resource-base, there is no active commercial mining of lithium clay deposits. Lithium can be extracted from clays by leaching, followed by filtration, purification, concentration and electrolysis to produce lithium hydroxide. CYP and LI's projects also hold clay deposits. CYP's recently completed PFS was based on leaching. Initial leach tests conducted by Noram in 2018 have indicated that only moderate temperatures and amounts of sulfuric acid are required to extract over 80% of the contained lithium. A key advantage of Noram / CYP / LI's resources is that they are non-refractory, implying a lower cost of extraction.

No commercially known extraction from clay deposits

In February 2020, Noram completed an updated resource estimate on Zeus, which showed **0.75 Mt contained LCE (1,136 ppm) indicated and 0.43 Mt (1,045 ppm) inferred**. We note that these grades are in line with CYP's project, which has a higher tonnage because it is much more advanced than Zeus. LI's maiden resource is of higher tonnage and slightly higher grades than Zeus.

Over 1 Mt in contained LCE

Indicated Mineral Resource

	Lithium Cutoff Grade		
	300 ppm	600 ppm	900 ppm
Tonnes (1000s)	213,281	202,336	123,966
Grade (ppm)	976	1000	1136
Contained Li (kg)	208,059,082	202,253,772	140,789,264
LCE (Tonnes)	1,107,498	1,076,597	749,421

Inferred Mineral Resource

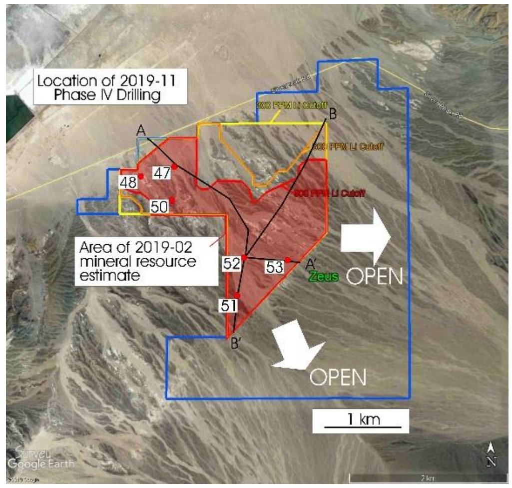
	Lithium Cutoff Grade		
	300 ppm	600 ppm	900 ppm
Tonnes (1000s)	193,601	150,527	76,891
Grade (ppm)	807	907	1045
Contained Li (kg)	156,218,540	136,471,941	80,340,620
LCE (Tonnes)	831,551	726,440	427,653

Indicated + Inferred Mineral Resource

	Lithium Cutoff Grade		
	300 ppm	600 ppm	900 ppm
Tonnes (1000s)	406,882	352,863	200,857
Grade (ppm)	895	960	1101
Contained Li (kg)	364,277,622	338,725,713	221,129,884
LCE (Tonnes)	1,939,050	1,803,037	1,177,074

Source: Company

Resource Location



Source: Company

Zeus' deposit is considered to be open to south and east.

Neighbouring property completed a robust PFS in May

As mentioned above, Noram's deposit is considered to be similar to CYP's deposit. A PFS completed in May 2020 was based on annual production of 27,400 tonnes LCE over 40 years. The initial CAPEX is estimated to be US$493 million, with an OPEX of US$3,392 per tonne. Based on a US$9,500 per tonne LCE price, the study returned an AT-NPV at 8% of US$1.05 billion, with an AT-IRR of 26%. An IRR of over 20% is considered to be attractive for large projects. **Based on their projects' similarities and proximity, we see opportunities for Noram / CYP / LI to consolidate.**

Share Ownership

Management and directors own 11% of the outstanding shares.

Management and board own 11%

Management / Directors	Shares	% of Total
Tucker Barrie, Ph.D., P. Geo, President / CEO	957,273	2.2%
Anita Algie, CFO	1,350,000	3.1%
Mark Ireton, Independent Director	755,000	1.7%
Arthur Brown, Independent Director	1,240,000	2.9%
Cyrus Driver, C.A., Independent Director	500,000	1.1%
Total	4,802,273	11.0%

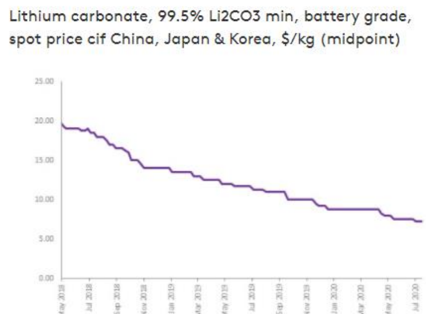
Key Investors	Shares	% of Total
		0.0%
		0.0%
	-	0.0%
Total		

Source: Sedi

Outlook on Lithium

Battery-grade LCE prices have declined from approximately US$20,000 / tonne in mid-2018, to US$7,250 / tonne currently.

Price Chart



Source: Fastmarkets

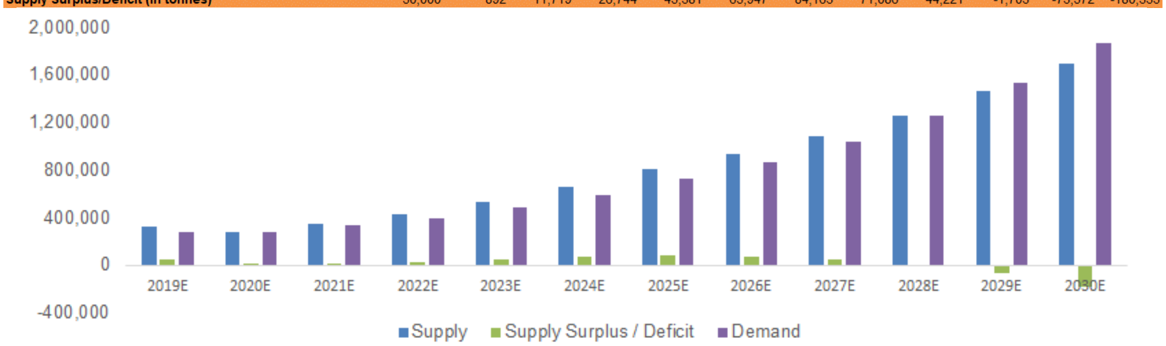
As a result of **production disruptions from COVID-19**, we are forecasting a 15% YoY decline in lithium production in 2020. Sources indicate that China's production is expected to decline 25%, Argentina (35%), Chile (20%) and Australia (8%). On the demand side, various sources indicate a 18% decline in Electric Vehicle ("EV") sales in 2020, which is lower than the 22% decline expected for global auto sales.

The following chart shows our long-term supply / demand outlook for lithium. A key reason for the recent decline in prices is that the market is in a supply surplus. Based on the consensus long-term positive outlook on EV sales (21 million vehicles by 2029, from 2.2 million in 2019), **we expect the lithium market to move to a supply deficit in 2028.**

FRC Supply and Demand Model

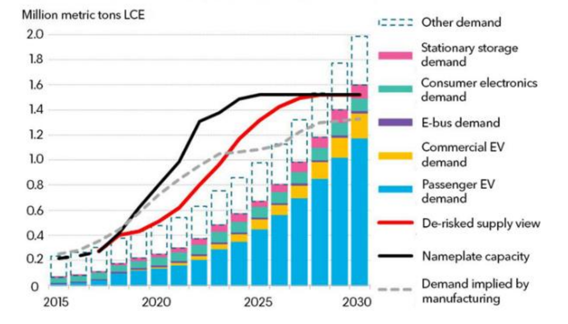
Metric Tonne LCE	2019	2020E	2021E	2022E	2023E	2024E	2025E	2026E	2027E	2028E	2029E	2030E
Total Supply from Production (in tonnes)	325,000	275,892	342,107	424,212	526,023	652,269	808,813	937,414	1,086,463	1,259,211	1,459,425	1,691,474
EV Sales (millions)	2.1	2.1	2.8	3.7	4.9	6.4	8.5	10.6	13.3	16.6	20.8	26.0
EV Sales Growth		0%	32%	32%	32%	32%	32%	25%	25%	25%	25%	25%
Average LCE per EV (kgs)	64	64	64	64	64	64	64	64	64	64	64	64
Total Demand from EV (in tonnes)	134,505	134,505	177,950	235,428	311,471	412,076	545,177	681,471	851,839	1,064,799	1,330,999	1,663,749
Total Demand from Consumer Electronics & Storage (tonnes	140,495	140,495	152,437	162,041	169,170	174,246	179,473	184,857	190,403	196,115	201,998	208,058
Consumer Electronics & Storage Growth		0%	9%	6%	4%	3%	3%	3%	3%	3%	3%	3%
Total Demand (In tonnes)	275,000	275,000	330,387	397,469	480,642	586,322	724,650	866,329	1,042,242	1,260,914	1,532,997	1,871,807
Supply Surplus/Deficit (in tonnes)	50,000	892	11,719	26,744	45,381	65,947	84,163	71,086	44,221	-1,703	-73,572	-180,333

Lithium market in surplus in the near-term

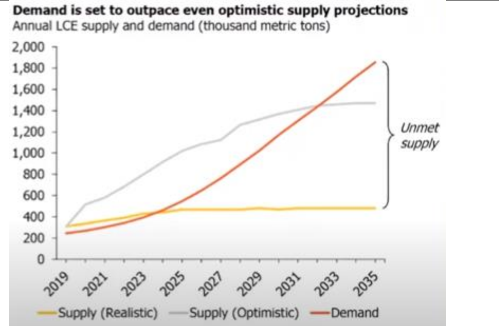


Source: FRC, Statista, Bloomberg NEF, Wood Mackenzie, Benchmark Mineral Intelligence, Lithium X

Our projections are in line with other forecasts.



Source: BloombergNEF, Avicenne.



Source: LUX Research Group

We believe the long-term projections are realistic considering the significant investments proposed by EV manufacturers as shown below.

Planned Capital Spending on EV from Automakers

	• Targeting annual production of 500,000 EVs by the end of 2019 • Building a ***US$2 billion*** factory in China, aiming to produce 1,000 EVs per week	HYUNDAI	• Investing ***US$35 billion*** in EVs and mobility technology by 2025 • Targeting 44 electrified models by 2025 with forecasted sales of 1.67 million units
	• Spending ***€33 billion*** on EVs and a further ***€27 billion*** on hybrid technology by 2023 • Pledged to introduce 75 EV models and 60 hybrid models by 2029	GM	• Plans to offer electrification technology through nearly all of its models in China by 2025 • Targeting 20 electric vehicle models by 2023
mazda	• Plans to make all of its vehicles electric-based, including petrol hybrids, by the early 2030s • Revealed first EV in October 2019	Ford	• Launching 16 EV and 24 hybrid models by 2022, (budgeting ***US$11 billion***) • Plans to spend ***US$850 million*** by 2023 to add more EV production capacity
	• Investing ***US$13 billion*** in EVs by 2030 • Accelerating EV rollout by five years with six models expected by 2025	Mercedes-Benz	• Plans to offer an electric version of every Mercedes-Benz model by 2022 • Commenced production of the EQC electric SUV in May 2019
VOLVO	• Plans to introduce a new EV every year through to 2025 • Targeting 50% of global sales to come from EVs by 2025	BMW	• Plans to produce 25 EV models by 2023 • Committed to spending ***€10 billion*** on battery cells between 2020 and 2031

Source: Business Insider Intelligence, Critical Elements

From our review of the technical reports of multiple lithium juniors, we estimate that the average break-even LCE price is $6,919 per tonne for these projects to be advanced to production. We also estimate that LCE prices need to be US$8,500 per tonne for the projects to generate a 15% IRR, and US$11,690 per tonne for a 25% IRR. **We believe juniors are not likely to advance their projects if the IRR is under 15%.**

Break-Even LCE Price

	Cash Cost (US$/t)	Base LCE Price (US$/tonne)	NPV Break-Even LCE Price ($/tonne)	LCE Price (US$/tonne) at 15% IRR	LCE Price (US$/ton at 25% IRR
Pure Energy Minerals	$3,652	$12,683	$8,117	$10,400	$14,585
Standard Lithium	$3,107	$13,550	$7,840	$8,130	$10,840
Lithium Power	$3,772	$17,280	$8,640	$12,096	$18,144
Lithium Americas	$3,331	$12,000	$4,484	$6,269	$8,229
Neo Lithium	$2,914	$11,882	$4,753	$4,990	$6,892
Millennial Lithium	$3,377	$13,050	$6,525	$7,830	$11,745
Lake Resources	$4,178	$11,000	$8,073	$10,069	$11,399
Average	**$3,476**	**$13,064**	**$6,919**	**$8,541**	**$11,691**

Source: Various Companies /FRC

Based on the above, we have a long-term LCE price forecast of US$10,000 per tonne.

Financials

At the end of Q1-FY2020 (ended April 2020), the company had $26k in cash, with a working capital deficit of $240k. We estimate the company had a burn rate (general and administrative expenses) of $30k per month in Q1- FY2020, which is on the lower end of juniors of similar size. Management indicated that their budget for this month is just $22k, including operating expenses and property maintenance costs. The following table summarizes the company's liquidity position.

Tight cash position

Liquidity Position

	FY2019	Q1-FY2020
Cash	$10,868	$25,644
Working Capital	-$198,989	-$239,874
Current Ratio	0.18	$3,018,696
LT Debt / Assets	-	-
Monthly Burn Rate (G&A)	-$29,489	-$30,242
Exploration and Development	-$240,042	-
Cash from Financing Activities	$299,714	$107,162

Data Source: Financial Statements

In July 2020, the company announced **plans to raise $0.27 million** by issuing units at $0.075 per unit. Each unit will consist of a common share and one full warrant ($0.10 per share for five years).

Stock options and warrants - We estimate the company currently has 4.25 million options (weighted average exercise price of $0.14 per share) and 17.94 million warrants (weighted average exercise price of $0.12) outstanding. 1.4 million options and 6.03 million warrants are in-the-money, implying a potential to raise up to $0.52 million.

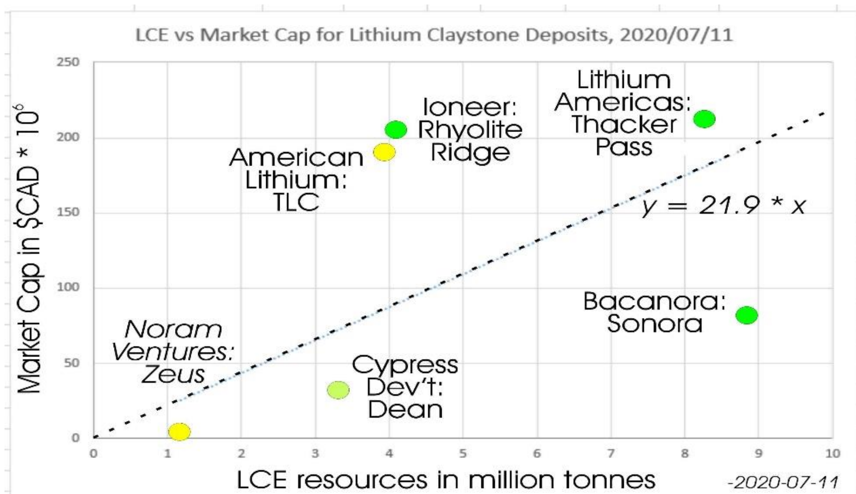
Preliminary Valuation

The following table presents some of the key lithium projects under development by juniors. The key takeaway of this analysis is that the average EV of lithium juniors is US$18 per tonne (excluding outliers), while Noram is trading at just US$5. CYP is trading at US$7, and LI is trading at US$28.

NRM trading at just US$5 per tonne versus the comparables' average of US$18

Project Owner	Pure Energy Minerals	Standard Lithium	Lithium Power	Lithium Americas		Neo Lithium	Millennial Lithium	Lake Resources	Cypress Development	American Lithium	Noram
Location	Nevada, US	South Arkansas, US	Chile	Argentina	Nevada, US	Argentina	Argentina	Argentina	Nevada, US	Nevada, US	Nevada, US
Stage	PEA	PEA	Feasibility	Feasibility	PFS	PFS	Feasibility	PFS	PFS	Resource	Resource
Reserves/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 2P Reserves	3.14 Mt 2P Reserves, 5.98 Mt M&I, 2.30 Mt Inferred	1.29 Mt 2P Reserves, 0.75 Mt M&I, 0.55 Mt Inferred	4.1Mt LCE M&I, 0.80 Mt Inferred	1.01 Mt LCE Indicated and 3.39 Mt Inferred	1.35 Mt LCE Reserves / 3.39 Mt M&I	4.8 Mt M&I and 1.5 Mt Inferred	0.75 Mt Indicated and 0.43 Mt Inferred
Mine Life	20	25	20	40	46	35	40	25	40		
CAPEX ($M)	$297	$437	$564	$565	$1,059	$319	$448	$544	$493		
Annual Production (LCE, tonnes)	10,300	20,900	20,000	40,000	60,000	20,000	23,575	25,500	27,400		
AT-NPV 8%	$264	$989	$908	$1,781	$2,591	$1,144	$1,030	$748	$1,052		
AT-IRR	21%	36%	21%	32%	29%	50%	24%	22%	26%		
Lithium Price/Tonne	$12,683	$13,550	$17,280	$12,000	$12,000	$11,882	$13,050	$11,000	$9,500		
Cash Cost OPEX/Tonne	$3,652	$3,107	$3,772	$3,576	$2,570	$2,914	$3,377	$4,178	$3,329		
Payback	4.4	3	4.4	2.8	4.6	1.8	5.3	5			
EV (US$M)	$25	$77	$26	$550		$38	$67	$19	$23	$154	$5
Resources (100% M&I, 50% Inferred)	109,000	3,540,000	2,070,000	22,214,050	7,132,500	1,020,753	4,500,000	2,702,000	3,387,000	5,560,000	1,176,874
EV/Resources (US$)	$229.36	$21.75	$24.63	$18.74		$37.23	$14.89	$7.03	$6.64	$27.70	$4.63
Average	**$18.14**										

Source: FRC / Various Companies



Yellow – resource; Light Green – PFS; Green: FS

Source: Company

We will be initiating coverage on the company in the coming weeks. Noram's near-term plans are listed below:

- Continue exploration as over 2 sq. km of prospective ground on the property remains untested.
- Studies on extraction methods.
- Commence a preliminary economic assessment.

Risks

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

- The value of the company is dependent on lithium prices.

- The lithium market is expected to be in supply surplus in the short and mid-term.
- Access to capital and share dilution.
- The company has yet to complete an economic assessment on its projects.
- Development risks.

As with most junior resource companies, we rate Noram's shares a risk of 5 (Highly Speculative).

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%
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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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