

Century Lithium Corp.

Building on a Solid Foundation

Dec 12, 2023

Nat Resources

CYDVF

OTCQX

Rating

Outperform

Unchanged

Current Price

\$0.39

Target Price

\$2.95

Market Capitalization

57.66m

Shares Outstanding

147.84m

Float

142.62m

Institutional Holdings

0.01%

12-Month Low/High

\$0.38/\$1.11

Average 90-Day Volume

91220

Fiscal Year End

12/31/2023

Feasibility study expected in the first quarter of 2024. Throughout 2023, Century Lithium has focused on pilot plant operations and completing the Clayton Valley Lithium Project feasibility study which is expected in the first quarter of 2024. Target production for the study will be consistent with the earlier preliminary feasibility study although the company is currently examining the benefits of a phased approach to full scale production.

By-product sales of sodium hydroxide. Clayton Valley uses locally sourced sodium chloride brine which is treated by electrolysis in a chlor-alkali plant to produce the leaching and neutralization reagents needed for the process on-site. In the chlor-alkali plant, sodium hydroxide is produced as a by-product. Pilot plant testing has generated a significant surplus of sodium hydroxide which may be sold as a by-product. The western United States is largely dependent on imports of sodium hydroxide for water treatment and other industrial uses. A market study, to be incorporated in the feasibility study, will reflect the potential for revenue from sodium hydroxide sales.

Collaboration with Koch. Century's collaboration with Koch Technology Solutions (KTS) on the direct lithium extraction (DLE) section of the pilot plant continues to exceed expectations for both lithium extraction and rejection of impurities from leach solutions. With the mid-August addition of an osmotically assisted reverse osmosis unit downstream of the DLE area, Century has consistently achieved an increase in lithium grades in the intermediate solution produced at the pilot plant to above 14 grams per liter lithium from 7.5 grams per liter lithium, accompanied by reduced levels of impurities. Century anticipates KTS completing its commercial design of a DLE installation for the project in January 2024.

Rating is Outperform. Now that Century has demonstrated that it can produce battery grade lithium carbonate from pilot plant solutions treated at Saltworks Technologies, the company is now in the process of building on its strong foundation to optimize the project. Key catalysts for the stock include: 1) the feasibility study, 2) commencement of a Plan of Operations, 3) initiation of permitting, 4) production of lithium carbonate on-site at Clayton Valley, and 5) the pursuit of financing opportunities, including strategic partnerships and federal funding.

Revenues (\$ MIL)

Period	2021A	2022A	2023E
Q1	\$0.0A	\$0.0A	\$0.0A
Q2	\$0.0A	\$0.0A	\$0.0A
Q3	\$0.0A	\$0.0A	\$0.0A
Q4	\$0.0A	\$0.0A	\$0.0E
	\$0.0A	\$0.0A	\$0.0E

EPS (\$)

Period	2021A	2022A	2023E
Q1	\$(0.00)A	\$(0.01)A	\$(0.01)A
Q2	\$(0.00)A	\$(0.01)A	\$(0.01)A
Q3	\$(0.00)A	\$(0.00)A	\$(0.00)A
Q4	\$(0.01)A	\$(0.01)A	\$(0.01)E
	\$(0.02)A	\$(0.03)A	\$(0.03)E

Equity Research

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**Refer to the last two pages for
Analyst Certification & Disclosures**

Company Profile

Century Lithium Corp. is a Canadian-based advanced stage lithium exploration company, focused on advancing its 100%-owned Clayton Valley Lithium Project near Silver Peak, Nevada. The Clayton Valley Lithium Project is one of the largest lithium deposits in the United States. Century intends to mine Nevada claystone, produce a high-grade lithium concentrate solution using a chloride leach process, and apply a licensed direct lithium extraction process based on ion-exchange to produce lithium carbonate and/or lithium hydroxide suitable for tier one battery producers supplying the growing electric vehicle and battery storage market. The company's shares are traded on the TSX Venture Exchange in Canada under the symbol "LCE" and on the OTCQX market in the United States under the symbol "CYDVF."

Fundamental Analysis — 3.0/5.0 Checks

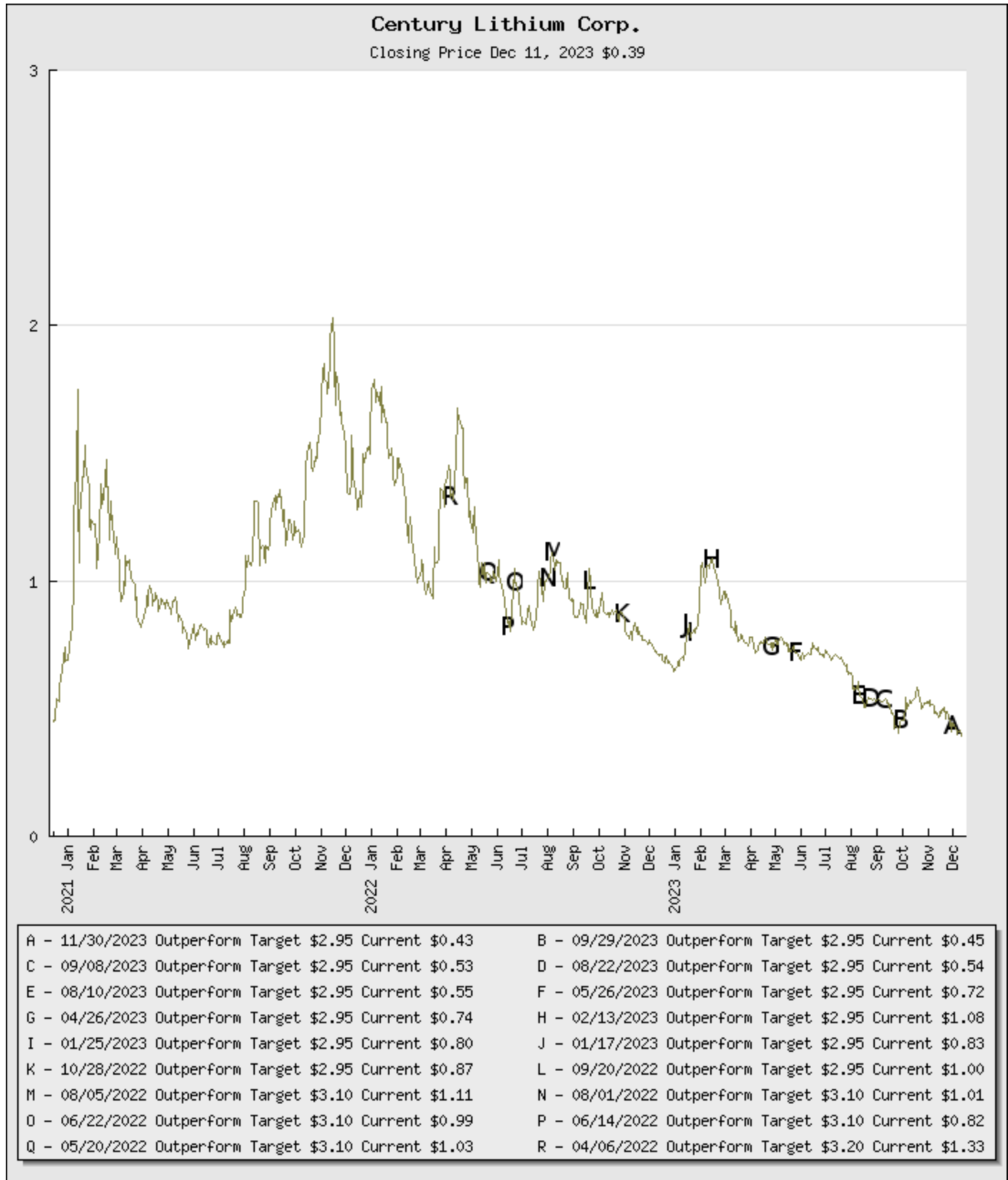
Our fundamental assessment rating, separate from our investment rating and valuation, is based on five attributes. Our fundamental rating is 3.0 checks out of 5.0 checks which falls within our "Average" rating. Century Lithium's six-member board of directors is comprised of five independent directors, including the Chairperson, and the Chief Executive Officer. Our rating reflects the fact that the company is not generating revenues or operating cash flow. The company has published a NI 43-101 preliminary feasibility study of its Clayton Valley lithium project that is in a favorable mining jurisdiction and benefits from well-developed infrastructure. While Century Lithium has no debt, it will need to secure funding to advance development of Clayton Valley.

Valuation Summary

We rate the shares of Century Lithium Corp. as Outperform with a price target of C\$3.95 or US\$2.95. Due to fluctuations in the exchange rate, we are employing a baseline exchange rate of US\$0.75 per C\$1.00. Our valuation is based on a discounted cash flow analysis. We have used a discount rate of 12% to reflect the need for a higher risk premium based on the company's small size, lack of revenue or operating income, and need for funding to advance its growth initiatives. Rather than adjusting our price target to reflect a multiple of net asset value, we have risk-adjusted our price target with our discount rate.

Investment Risks

Investment risks include but are not limited to: 1) Century Lithium's failure to commercialize economic mineral resources, 2) uncertainties associated with the availability and costs of future financing, 3) changes in capital market and macroeconomic environments, 4) fluctuations in exchange rates, 5) changes in supply and demand fundamentals for lithium, 6) delays in project development, 7) the potential for operating and financing costs to vary from management expectations, 8) the process for extracting lithium could prove unfeasible or uneconomic, and 9) regulatory and permitting risks.



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The fundamental assessment rating system is designed to provide insights on the company's fundamentals both on a macro level, which incorporates a company's market opportunity and competitive position, and on a micro/company specific level. The micro/company specific attributes include operating & financial leverage, and corporate governance/management. The number of check marks that a company receives is designed to provide a quick reference and easy determination of the company's fundamentals based upon the following five attributes of the company (weighting reflects the importance of each attribute in the overall scoring of company's fundamental analysis):

Attribute	Weighting
Corporate Governance/Management	20%
Market Opportunity Analysis	20%
Competitive Position	20%
Operating Leverage	20%
Financial Leverage	20%

For each attribute, the analysts score the company from a low of zero to a high of ten based upon the analysis described below. The final rating and resulting check marks is a result of dividing the overall score (out of 100%) by ten.

Rating	Score	Checks
Superior	9.1 to 10	Five Checks
Superior	8.1 to 9	Four & A Half Checks
Above Average	7.1 to 8	Four Checks
Above Average	6.1 to 7	Three & A Half Checks
Average	5.1 to 6	Three Checks
Average	4 to 5	Two & A Half Checks
Below Average	3 to 3.9	Two Checks
Below Average	2 to 2.9	One & A Half Checks
Low Quality	0 to 1.9	One Check

While these are the attributes currently used for the analyst's fundamental analysis, the attributes and weighting may be reviewed, updated with additional attributes, and/or changed in the future based on discussions with the analysts and recommendations from the Director of Research.

Following is the description of each attribute in the fundamental analysis.

Corporate Governance/Management

We believe that a review of corporate governance and assessment of the senior management are important tools to determine investment merit. Good corporate governance aligns management with the interests of stakeholders. As such, analysts are to rank the company on the basis of good corporate governance principles that may include rules and procedures, board composition and staggered term limits, rights and responsibilities, corporate objectives, monitoring of actions and policies, and accountability. In addition, analysts will assess issues with controlling shareholders and whether decisions have been made in the past that were in the interests of all shareholders. In addition, management will be assessed based on industry experience, expertise, and/or track record.

High ranking example: Board and management that is aligned with the interests of shareholders with incentives based on stock price appreciation and with an experienced management team known for exceptional shareholder returns.

Low ranking example: Concentrated ownership without independent directors that do not necessarily align with all shareholders' interests.

The Market Opportunity Analysis

In this review, the analyst assesses the company's macro environment as a measure of understanding the industry. Factors considered include the size and growth potential of the industry under various economic conditions, the emerging demands in the market, technological benefits/disruptions, competition, geographical opportunities, and customer demands/needs, and an assessment of supply and distribution channels. In addition, the analyst will review legal and regulatory trends, as well as potential shifts in consumer or social behavior and natural environment changes.

High rank example: A company in an industry that is growing revenues well above GDP rates (which are on average 2% plus) and/or may have unmet or underserved needs in a rapidly growing market opportunity.

Low rank example: A mature industry that is in secular decline and likely to grow below GDP rates.

Competitive Position

The evaluation of the company's competitive position is another macro environment attribute designed to measure the relevance, market share, position and value proposition, and sustainable differentiations of the company and its products/services within its industry. Ease of entry into the industry and the ability of other well-funded players to potentially enter the market would be determined. As such, the assessment would consider the company's strengths and advantages of its products/services against weaknesses and limitations. This may include the company's current brand awareness, pricing and cost structure, current market strategies and geographic penetration that may affect demand for its products/services. In addition, the company's competitors would be evaluated.

High rank example: An analyst would consider the company's product to be superior to its competitors and that should allow the company to gain market share.

Low rank example: A company with a "me-too" product that does not have any significant technology advantages in an industry that has low barriers to entry.

Operating Leverage

Simplistically, operating leverage is determined by the operating income relative to changes in revenue. The analyst will calculate the impact on sensitivity on gross margins and variable costs to determine operating leverage. The analyst will take into account the ability of the company to cut fixed and variable costs in a challenged revenue environment and technological changes that may impact operating expenses. In addition, the analyst is to assess corporate strategies that include capital investment, which may be required for sustainable revenue growth, marketing expenses, and the company's ability to attract and retain talent and/or employees. The analyst should focus on the revenue opportunity and determine the price elasticity of demand for the company's products or services. In other words, the analyst is to rank the company based on improved operating margins going forward on an absolute and relative basis.

High rank example: A company that has improving margins for the foreseeable future, with significant price elasticity.

Low rank example: A company that is in a challenged revenue environment with a fixed cost structure and limited ability to cut costs, indicating an outlook for declining margins.

Financial Leverage

A strict definition of financial leverage is total debt divided by total shareholder's equity. Financial leverage analysis is to determine the company's ability to improve shareholder value by means of utilizing its balance sheet to grow organically or to acquire assets. Analysts may look at the company's debt to cash flow leverage ratio, interest coverage ratios, or debt to equity ratios. In addition, the interest rate environment and the outlook for interest rates are a factor in determining the company's ability to manage financial leverage. Finally, the analyst is expected to determine the ability to service the debt given the industry and/or company profile, such as cyclical, barriers to entry, history of bankruptcy, consistency in revenue and profit growth, or predictability in sales and profits and large cash reserves. The analyst is expected to take into account capital intensity of the company and the anticipated of capital allocation decisions.

High rank example: A company with predictable and growing revenue and cash flow with modest debt levels. This may indicate that the company could improve shareholder value through growth investments, including acquisitions, using debt financing.

Low rank example: A company in a cyclical industry in a late stage economic cycle that has above average debt leverage and is in an industry that has a history of financial challenges, including bankruptcies.

ANALYST CREDENTIALS, PROFESSIONAL DESIGNATIONS, AND EXPERIENCE

Senior Equity Analyst focusing on Basic Materials & Mining. 20 years of experience in equity research. BA in Business Administration from Westminster College. MBA with a Finance concentration from the University of Missouri. MA in International Affairs from Washington University in St. Louis.

Named WSJ 'Best on the Street' Analyst and Forbes/StarMine's "Best Brokerage Analyst."

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NOBLE RATINGS DEFINITIONS	% OF SECURITIES COVERED	% IB CLIENTS
Outperform: potential return is >15% above the current price	93%	24%
Market Perform: potential return is -15% to 15% of the current price	8%	0%
Underperform: potential return is >15% below the current price	0%	0%

NOTE: On August 20, 2018, Noble Capital Markets, Inc. changed the terminology of its ratings (as shown above) from "Buy" to "Outperform", from "Hold" to "Market Perform" and from "Sell" to "Underperform." The percentage relationships, as compared to current price (definitions), have remained the same.

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Report ID: 26348