

Bradda Head Lithium Ltd. (TSXV:BHLI, AIM:BHL)

Development Update

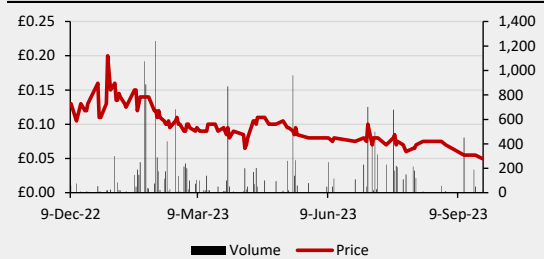
**MRE at Basin Grows to 1Mt LCE; Additional Upside Present**

September 28, 2023

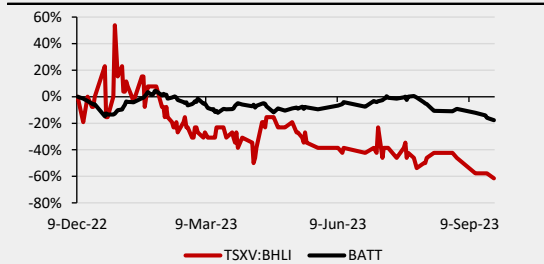
(Currency is C\$ unless noted otherwise)

Closing Price (C\$/sh)	\$0.05	
Rating	BUY	
Target (C\$/sh)	\$0.40	
Return to Target	700%	
52 Week Low / High (C\$/sh)	£0.05 / £0.20	
<b>CAPITALIZATION</b>	<b>Basic</b>	<b>Diluted</b>
Shares Outstanding (M)	390.6	436.9
Market Capitalization (C\$M)	\$19.5	
Enterprise Value (C\$M)	\$18.1	
Cash (C\$M)	\$1.5	
Total Debt (C\$M)	\$0.0	

**STOCK CHART**



**RELATIVE PERFORMANCE**



RELATIVE VALUATION	US\$EV/t LCE	P/NAV
Bradda Head Lithium Limited	\$20	0.13x
Peer Group Average*	\$126	0.25x

\*S&P Capital IQ

**MAJOR SHAREHOLDERS**

Board and Management (20.0%), Zenith Minerals (11.3%), Electrification & Decarbonization AIE LP (7.3%), RBC Trust Corp. (5.2%), Lithium Royalty Corp. (5.0%)

**DISCLOSURE CODE:**

(Please refer to the disclosures listed on the back page)

Source: RCS, Company Information, S&P Capital IQ

**Company Description**

Bradda Head Lithium Limited engages in the exploration and development of lithium mining projects in the United States. Its projects include the Basin and Wikieup projects in central Arizona, which together, cover ~47km<sup>2</sup> of Li-sedimentary ground; the Wilson Salt Flat project, a Li-brine project located in Nye County, Nevada; the Eureka Li-brine project, which is located in Lander County, Nevada; and the San Domingo project, a Li-pegmatite project that is located in the Maricopa and Yavapai counties, Arizona.

**Impact: Positive**

Bradda Head provided an updated mineral resource estimate (MRE) for its 100%-owned Basin Li clay project located in Arizona. Total I&L resources have increased from 0.371Mt LCE to ~1.085Mt LCE with just ~2,300m of additional drilling. Cut-off grades used in this MRE were also higher at 550ppm Li (from 300ppm Li) bolstering the robustness of the estimate. With this 1Mt LCE MRE Bradda is now eligible to receive US\$2.5M from Lithium Royalty Corp. (TSXV:LIRC, Not Rated), strengthening its treasury for ongoing and future exploration programs. **We view this update positively as management continues to advance its projects as promised and achieves set milestones. Given the increased geologic understanding of the deposit, with successive drilling Basin could reach the 2.5Mt LCE milestone as early as 2024.** We also believe the market remains focused on the pending drill results from its San Domingo pegmatite project, where previous drill results have returned high grades and demonstrated district scale potential ([read note](#)).

- **Contained LCE increases by 192% (Figure 1).** The project now hosts 227Mt of I&L resources at average grades of 903ppm Li and 2.8% K. The increase in cut-off grades did result in a decrease in tonnage in the indicated category (from 21.2Mt to 17.0Mt) however this should be viewed positively as the company is including higher-grade material (940ppm Li vs. 891ppm Li previously) in the estimate.
  - **Exploration target decreases to ~4Mt LCE.** Given the focus on higher-grade material, the exploration target outlined by SRK has also decreased. The company now estimates that it has 250 to 830Mt of additional material grading between 750ppm and 900ppm Li (was 300 to 1,300Mt grading between 600ppm and 850ppm Li) resulting in a range of 1Mt to 4Mt LCE.
  - **Only 14% of the 41 sq. km land package has been drilled to date.** Based on assays received to date along with sampling and survey results, mineralization remains open to the N as well as to the W. Importantly the higher-grade, upper clay unit also thickens to the N. We note that reaching the 2.5Mt LCE mark triggers the final US\$3M payment from LRC ([read more](#)).
  - **Adjusting our target price to C\$0.40/sh.** We have adjusted our Upper-case scenario to reflect the higher end range of the exploration target (4Mt LCE) but continue to keep the probability weights for each scenario the same. We have also adjusted our in-situ valuation metric from US\$100/t to US\$50/t, which is in line with where its sedimentary peers are currently trading. While Bradda holds the full spectrum of lithium deposits, we are currently only providing value for its sedimentary projects with its hard rock and brine projects representing free upside.
- We maintain our BUY rating and reduce our target price to C\$0.40/sh (was £0.40/sh).** The current share price performance, in our view, is disconnected from the value being unlocked at San Domingo and Basin and represents an attractive entry point for investors. **Catalysts:** 1) San Domingo Phase 3 drill results (Q4/23), 2) Basin Li-clay drill plans (2024) and 3) Brine projects (Eureka and Wilson) update (2024).

**Figure 1: 2023 MRE vs. 2022 MRE at the Basin project in Arizona**

Year	Category	Cut-off (ppm Li)	Tonnes (Mt)	Grades		Contained Metal	
				Li (ppm)	K (%)	LCE (kt)	K (Mt)
Oct-22	Indicated	300	21.2	891	3.5	100	0.7
Oct-22	Inferred	300	73.3	694	3.2	271	2.4
<b>Total 2022</b>	<b>Ind+Inf</b>	<b>300</b>	<b>94.5</b>	<b>738</b>	<b>3.3</b>	<b>371</b>	<b>3.1</b>
Sep-23	Indicated	550	17.0	940	3.4	85	0.6
Sep-23	Inferred	550	210	900	2.8	1,000	5.8
<b>Total 2023</b>	<b>Ind+Inf</b>	<b>550</b>	<b>227.0</b>	<b>903</b>	<b>2.8</b>	<b>1,085</b>	<b>6.4</b>
<b>Total % Change</b>		<b>83%</b>	<b>140%</b>	<b>22%</b>	<b>-13%</b>	<b>192%</b>	<b>105%</b>

Source: Company Reports

**Figure 2: RCS probability-based valuation model**

Scenario	Description	Potential Value (C\$M)	Cost to Achieve (C\$M)	Shares to be issued to achieve this case	Est. Share Count When Achieved	Per Share Value (C\$)	Time to Achieve (Years)	Time Adjusted Per Share Value (C\$)	Probability
<b>Lower Case</b>	~1 Mt LCE (US\$50/t)	\$66.7	\$0.0	0.0	390.6	\$0.17	0.00	\$0.17	10%
<b>Base Case</b>	~3 Mt LCE (US\$50/t)	\$166.7	\$1.3	0.0	390.6	\$0.43	1.50	\$0.38	70%
<b>Upper Case</b>	~4 Mt LCE (US\$50/t)	\$266.7	\$6.7	12.5	403.1	\$0.66	5.00	\$0.45	20%
<b>Probability Weighted Valuation Estimate</b>								<b>\$0.37</b>	

**Notes:**

Discount rate of 8%, FX of 0.75 USD/CAD  
 To achieve downside case, shares issued at current share price  
 Medium case shares issued in 3 tranches at an average price of C\$0.1  
 Upside case shares issued in 3 tranches at an average price of C\$0.43  
 Capital to be raised in subsequent cases, reduced by prior case  
 Assumed that any in the money warrants/options would reduce the required capital to be raised and would have a roughly neutral impact

Source: RCS Estimates and Company Reports

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Disclosure Statement

Updated September 28, 2023

Recommendation / Target Change			Red Cloud Securities has this percentage of its universe assigned as the following:	
Date	Rating	Target	Status	%
2021-10-20	NA	NA	BUY	70%
2021-11-16	NA	NA	BUY (S)	26%
2022-01-13	NA	NA	HOLD	1%
2022-03-03	NA	NA	TENDER	0%
2022-03-29	BUY	0.45	NA	2%
2022-04-26	RESTRICTED	RESTRICTED	UNDER REVIEW	1%
2022-07-04	BUY	0.45		
2022-10-19	BUY	0.45		
2022-11-22	BUY	0.45		
2023-01-17	BUY	0.40		
2023-02-07	BUY	0.40		
2023-03-06	BUY	0.40		
2023-03-20	BUY	0.40		
2023-03-20	BUY	0.40		
2023-05-10	BUY	0.40		
2023-07-26	BUY	0.40		
2023-08-24	BUY	0.40		

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Company Name	Ticker Symbol	Disclosures
Bradda Head Lithium Ltd.	TSXV:BHLI	

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8. Red Cloud Securities Inc. is a market maker in the equity of the issuer.
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- HOLD – expected to perform with its peer group
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- Not Rated or NA – currently restricted from publishing, or we do not yet have a rating
- Under Review – our rating and target are under review pending, prior estimates and rating should be disregarded.

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