Canadian Lithium Overview and Why Stria Lithium Might Be an Undervalued Investment Option

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Lithium potential in Canada

Based on a cursory examination of official information, at least five jurisdictions are seen to have lithium projects in Canada: Québec, Ontario, Manitoba, Alberta, and Saskatchewan. Globally, Canada appears in eighth position (together with DRC) in lithium resources and sixth place in lithium reserves. There is no doubt that the potential of lithium in Canada is great. However, it all indicates that we will still have to wait for a few years for its complete takeoff. In 2023, it ranked, together with Zimbabwe, in the sixth position in world lithium production. Nevertheless, this reflects an important improvement over the previous year when it only produced 520 metric tons of contained lithium.

Policy and regulatory framework

In 2022, the Canadian Critical Minerals Strategy was launched. Out of the 31 critical minerals that have been identified, six have been prioritized "for their distinct potential to spur Canadian economic growth and their necessity as inputs for priority supply chains." They are lithium, graphite, nickel, cobalt, cooper, and rare earth elements. Regarding the mining laws and regulatory framework in Canada, like in many federal states, mining projects may be impacted by certain federally regulated areas, such as indigenous people's rights, trade and commerce, railroads, nuclear energy, and environmental issues. Nonetheless, the majority of the areas that will have an impact on a mining project fall under the purview of the provincial governments. There is no special regulatory framework applied to lithium in Canada, other than the recent extension of the concept of mineral resources to lithium from brines despite these typically being found in bedded, sedimentary deposits.

The role of the Inflation Reduction Act (IRA)

At the center of this legal package is a general framework for US climate and industrial policy by offering financial incentives for the production and acquisition of domestic energy sources that emit little or no greenhouse gases (GHG), or "clean energy," as well as for the promotion of the use of clean energy. A key to reducing GHG emissions is electric vehicles (EVs). Given its proximity to the US market, this would put Canada in an expectable position as the main supplier of critical minerals for it. However, Canada is interested in taking many steps further in the development of the lithium/battery/EV value chain as one of the 20 countries with whom the US has a free-trade agreement to benefit from the IRA while contributing to the US to meet its IRA targets. The Bloomberg New Energy Finance (BNEF) Lithium-ion Battery Supply Chain Ranking for 2023 situated Canada in the first place in the world to accomplish this task (See Figure 3 below). The report ranks 30 leading countries' Li-.ion battery supply chain performance based on 45 metrics across 5 key themes: 1) Availability and supply of key raw materials; 2) manufacturing of battery cells and components; 3) Environment, Social, and Governance (ESG) approach; 4) infrastructure, innovation, and industry; and 5) local demand for EVs and energy storage. Canada is seen to have overtaken China as the "leader in forming the battery supply chains of the future." Significant integration of the country with the US automotive industry contributed to the accomplishment of the "friendshoring" ambitions of the IRA. So did Canada's policy pledge at the provincial and federal levels.

Main ongoing lithium projects in Canada

Only 14 companies with at least maiden mineral resource estimates and market capitalization were included in this analysis. For Joint Ventures, the area numbers as well as the mineral resource and reserve estimates

were recalculated following the different ownership interest percentages to individualize the participation of the distinct companies. This gave rise to 14 companies and 18 projects. The projects were broken down into 3 groups. Those with mineral resource and reserve estimates from standard feasibility studies; those with mineral resource estimates only from standard technical reports; and those with contained lithium carbonate equivalent (LCE) estimates only from standard technical reports. Note that the first two types of projects are hard-rock lithium projects while the third consists of brine lithium projects. The key findings here are:

i. The market capitalization ranges from US$5,201M to US$3M.

ii. Out of the 18 projects, 7 are JVs and 11 are standalone projects.

iii. The total area in the first type of projects was 30,236 ha, 186,174 ha in the second type of projects, and 1,910,069 ha in the third type of projects.

iv. Of the 18 projects, 12 are located in Québec, 4 in Ontario, and 2 in both Alberta and Saskatchewan.

v. The total resources amounted to 42.779Mt of contained LCE which can be translated into 8.04Mt Li content. This number would exceed by more than 5Mt the resource estimate for Canada by the USGS. However, excluding the contained LCE data corresponding to the two projects in Alberta and Saskatchewan we would end up with 3.71Mt Li content which is only 0.71Mt above the 3Mt Li content estimated by the USGS. This would also imply that the mineral resource estimates of E3 Lithium and LithiumBank would not have been yet homologated by the USGS. Interestingly enough, if the total resources number is confirmed through the ongoing feasibility studies by the different projects, Canada would become the sixth country with the most lithium resources on earth after surpassing Germany and China.

vi. The total reserves for the first group of projects reached 4.928Mt of contained LCE which translated into 0.926Mt Li content. This number can be compared to the USGS figure of 0.930Mt Li content for Canada. Similarly, if it is assumed that approximately 45% of those total resources will be converted into reserves after the feasibility studies, they would amount to 3.618Mt Li content, which would put Canada in third place in reserves in the world, after displacing the US, China, and Argentina, only behind Chile, and Australia. Note also that the 5 most advanced projects (i.e. with reserves from standard feasibility studies) are all located in Québec.

Comparative Analysis of Stria Lithium Inc. vis-à-vis other similar projects at different stages of development in Canada

In this section, a novel indicator of geological potential or exploration efficiency (i.e. Standard Estimate of Mineral Resources/ha) is utilized to show why Stria Lithium Inc. might be undervalued. This company was chosen because of its extremely low market capitalization despite some important milestones achieved over the last two years or so. The following procedure was followed.

First, the correlation coefficient between mineral resources per hectare (the indicator of geological potential or exploration efficiency) and market capitalization for the second group of lithium companies was calculated. The result of this exercise was 0.57, meaning that a strong relationship exists between those two variables. This was called the base case.

Second, it was found out whether the calculated correlation coefficient was statistically significant. Here a two-tailed t-statistic test of significance was performed resulting in a p-value of less than 10%. This confirmed the existence of a relatively robust association between the above-mentioned variables.

Third, it was investigated if any of the lithium projects with higher market capitalization than Stria Lithium Inc. had indicators of geological potential below that of Stria Lithium Inc. In this case, it was found that two projects met this criterion: Rock Tech Lithium Inc. and Green Technology Metals Inc. Therefore, this showed that at least in these two cases, Stria Lithium Inc. is undervalued because although this company has a higher geological potential than the other two projects, its market capitalization was found to be considerably smaller.

Fourth, three additional exercises were performed to further validate this result. One was to incorporate the two brine lithium projects of Group # 3 (E3 Lithium Ltd. Project and LithiumBank Resources Corp. Project) into the analysis, another was to include the last project of Group # 1 (Critical Elements Lithium Corp. Project), and the last was to add the three projects. In the two first cases (with correlation coefficients of 0.57, and 0.56, respectively), the outcome was essentially the same as in the base case, whereas in the third (with a correlation coefficient of 0.56) the two-tailed statistic test of significance resulted in a p-value of less than 5%, which validated the working hypothesis for those three added projects as well. This led the analysis to the interesting conclusion that the market capitalization of Stria Lithium Inc. would be undervalued for a total of 5 out of 18 lithium projects in Canada.

It was not possible to extend the reasoning to the rest of the projects because of the significantly distinct nature of the five most advanced lithium projects (James Bay, Nemaska, Piedmont-Sayona Mining, Sayona Mining-Investissement with indicators of geological potential on average between 25 and 82 times greater than those of the other two groups of projects, which remains a subject of further research.

Positioning of Stria Lithium Inc. as a strong lithium investment option in Canada

In what follows, a few points are underscored to position this company as a strong investment option in Canada.

To begin with, it is noteworthy that Stria Lithium Corp. has relatively tight float with only 25 million shares outstanding. This financial structure could be perceived as an advantageous setup for potential investors, reflecting a potentially higher value per share due to the limited supply. Considering Stria has 9.9 million shares of Cygnus and 1.2 million in bank plus only 28 million shares outstanding they are pretty well trading at close to cash amount.

Secondly, it is clear that Stria's partnership with Cygnus Metals in the Pontax Central project, in which, for the time being, it has an interest of 49%, seems to be moving forward well. In about a year from the start of the JV, Cygnus, acting as the operator of the project, already managed to obtain a maiden resource estimate that was just used to demonstrate that the company is undervalued. The JV stands out as a particularly promising endeavor. The operational prowess of Cygnus Gold combined with the leadership of David Southam (formerly of Mincor Resources), who brings a wealth of experience in bringing mines into production and securing offtake agreements, presents a compelling case for the JV's success. Furthermore, the founders' previous achievements with Bellevue Gold add an additional layer of credibility and potential to this venture. Lastly, a potential synergy may exist between Pontax Central and the James Bay and/or Nemaska projects. In the latter one, a lithium hydroxide is expected for 2025-26. How about joining forces with them to scale up production first at the concentrate level and then at the refining one?

Thirdly, at present, Stria continues to assess Pontax II viability. However, the company's potential in tantalum, which could be extracted as a byproduct of lithium, seems promising. It can be suggested that the average concentration of Ta2O5 in Pontax II would likely be higher than that found in Pontax Central (75 ppm Ta2O5). This is based on a visual observation of tantalum oxide grain counts in till samples on two maps provided by Stria, one of which can be found in its latest corporate presentation. If this information is confirmed, at least through a maiden mineral resource estimate, we could be in front of a tantalum deposit with an average concentration of about 100 ppm Ta2O5, which is the minimum grade required by current tantalum operators in different parts of the world. Tantalum is one of the most valuable minerals nowadays. According to the USGS, in 2023, the average price of tantalum was $190 per kilogram of Ta2O5 content. Following the previous scientific reference, Tantalum (Ta) is mainly used in electronics (which today accounts for approximately 50% of consumption) in which metal-grade Ta powder, capacitor-grade Ta powder, and Ta mill production are utilized in manufacturing sputtering targets and Ta capacitors. In addition, Ta is quite useful as an alloying element for high-temperature alloys (i.e. superalloys) utilized in aerospace engines. Likewise, Ta chemicals such as tantalum oxide, sodium tantalate, and lithium tantalate, among others, constitute the main inputs in optics, semiconductors, and catalysts. Lastly, Ta carbides are mostly used in cutting tools. Interestingly, Ta overall consumption was shown to have grown at 4-5% between 2016 and 2021 with superalloys exhibiting the highest rate of increase (7%), followed by chemicals (5%), sputtering targets (4.5%), and capacitors (1.5%). Note that the use of Ta in carbides was seen to decline by 1%. Here it is argued that the relatively low growth in the consumption of Ta in capacitors can be attributed to saturation of the market and miniaturization of capacitors. However, this could change significantly due to two new sources of demand: 5G telecommunications technologies and electric vehicles (EVs). As a recent piece shows, in cars, Ta is already utilized for infotainment, combi instrument, additional light brake lighting, rain sensors, and air quality sensors. These uses could be multiplied many times in the years to come with

the advent of EVs. A total of 5,950 tantalum oxide grains were observed, for an average of 156 grains per sample. As a comparative basis, a regional survey in the same area conducted by the Ministère de l'Énergie et des Ressources Naturelles du Québec, processed using the same technology, yielded an average count of 36 grains per sample, meaning the average sample from Pontax-II stands at the 97.6 centiles of the regional population. Samples from Pontax include tantalum oxide counts up to 797 grains, the highest count ever recorded by the laboratory.

Fourthly, Project Jeremiah stands out for its proximity to vital infrastructure, its location within a mining-supportive community, and the simplicity of its landholder arrangements. Importantly, the surface rights are held by private individuals and a municipality, mitigating the risk of complications often associated with indigenous land claims. This situation not only fosters a smoother path to obtaining necessary approvals but also highlights the project's alignment with the community's economic interests and its strategic position near essential utilities and transportation networks. The ease of access to highways and electricity, combined with its situation in a town with a strong mining heritage, underscores the project's low barrier to entry and its readiness for development. These factors collectively enhance Project Jeremiah's appeal as a strategically located and quickly actionable opportunity within the vibrant Québec lithium mining landscape. In a similar vein to Pontax Central, the fact that Project Jeremiah is in the vicinity of the North American Lithium project, the only lithium project in operation today, and relatively close to the Moblan Project, both of them with plans to go downstream as well, would open comparable opportunities.

The broader context in Québec, with its burgeoning lithium mining sector, plays to Stria's strategic advantage. The government's investment in lithium and the emerging ecosystem of smaller, quickly deployable projects align with our operational model. Stria Lithium with its strategic projects close to essential infrastructure, is well-positioned to capitalize on these regional advantages.

Fifthly, a $4.7 billion memorandum of agreement, which would enable transportation for the resource extraction sectors and support efforts to enhance the standard of living and safeguard the territory, was signed by the Quebec government and James Bay Cree on February 17, 2020. Also known as "La Grande Alliance", this three-phase deal, which is the result of consultations within the different communities of the Cree Nation and with the government of Quebec, aims at the creation of new employment opportunities, adding value to Quebec's natural resources, and establishing Quebec as a hub for the world's mining industry, particularly for lithium. Unlike in other parts of the planet where the relations between exploration companies and indigenous communities are characterized by conflict and confrontation, in Quebec, mining firms seem to have been working with Cree communities for years in a cooperative manner. At present, the development agreement appears to have completed the feasibility study of phase 1 and the pre-feasibility studies of phases 2 and 3 and is engaged in a communication, information, and validation campaign.

In conclusion, Stria's Lithium Inc.'s ventures, particularly the JV with Cygnus Metals and Project Jeremiah, stand out as strategically aligned with both the current market dynamics and regional governmental support for lithium mining in Québec. These factors, combined with the company's tight share, present a compelling value proposition to its stakeholders.

Last but not least, the discovery that Canada could have more lithium resources and reserves than China is of utmost importance. It provides further support to BNEF's contention that Canada is in effect the "leader in forming the battery supply chains of the future." In this context, the five themes included in the BNEF methodology to rank Canada in such a privileged position acquire the most relevance in Québec, where the most progress in all those areas has been made to date.

* This is a compressed version of the article entitled "Canadian Lithium Overview And Stria Lithium Might Be An Undervalued Investment Option" published on April 26, 2024, on Seeking Alpha. Interested readers can access the complete article including all the data, tables, graphs, references, and annex, using the following link after joining Seeking Alpha for free:

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