

Grid Battery Metals Inc.
(TSXV: CELL / OTCQB: EVKRF / FRA: W47)

BUY

Current Price: C\$0.035

Fair Value: C\$0.19

Risk: 5

A Deep Value Play with a Promising Early-Stage Lithium & Copper Portfolio

Sector: Junior Resource

[Click here for more research on the company](#)

Highlights

- We believe CELL is **highly undervalued**, with a MCAP of \$6.5M, almost matching its cash balance of \$4.5M, indicating that the market assigns little value to its projects.
- Since our initiating report in May 2024, CELL has entered into **an agreement to acquire a copper project** in the Omineca copper district of north-central B.C., an area renowned for its porphyry copper-gold mines/deposits. We view this transaction as **a strategic move by CELL**, offering commodity diversification, especially given that the company's portfolio is focused on lithium projects.
- The mineralization of CELL's lithium projects (Texas Spring, Clayton Valley, and Volt Canyon) is **similar to that of advanced stage projects** in Nevada, such as Lithium America's (TSX: LAC/MCAP: \$1.07B) Thacker Pass project, and projects held by Ioneer (ASX: INR/ MCAP: \$359M), American Lithium (TSXV: LI/MCAP: \$142M), and Surge Battery Metals (TSXV: NIL/ MCAP: \$64M). Based on the projects' similarities and proximity, **we see opportunities for M&A/consolidation in the region**. General Motors (NYSE: GM) recently acquired a 38% interest in Thacker Pass for US\$625M.
- CELL recently completed a five-hole drill program at its Clayton Valley project, located adjacent to Albemarle's (NYSE: ALB) Silver Peak mine, the only lithium-producing mine in North America. **Assay results are pending**.
- We believe the company should be able to complete maiden resource estimates for its Texas Spring and Clayton Valley projects within the next 12-18 months. The company is also planning **preliminary exploration at the copper project**, followed by a drill program in late 2025.
- With copper trading near record highs, we expect **increased M&A activity** over the next 12 months, as larger companies target juniors to expand their portfolios. Lithium prices have dropped 22% YoY to US\$10,300/tonne, down from record highs exceeding US\$78,000/tonne in 2022. This decline is attributed to a persistent supply surplus, and slower growth in global electric vehicle (EV) sales. We believe that current lithium prices are nearing the break-even point for most large-scale development projects, raising concerns about their economic viability. We believe **prices need to be at least US\$15,000 /tonne** to incentivize developers and financiers to advance projects. We **maintain a positive outlook on juniors focused on EV metals**, as battery and EV manufacturers and miners continue to seek stable, long-term supply sources. Last month, Lithium Chile (TSXV: LITH) attracted a large, Asian diversified enterprise to acquire its lithium project in Argentina for \$250M.
- CELL is **well-capitalized for 2025**. Upcoming catalysts include drill results, the closing of the copper project acquisition, and increased market recognition of the company's strong cash position relative to its MCAP.

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Price Performance (1-year)



	YTD	12M
CELL	40%	-56%
TSXV	2%	10%

Company Data

52 Week Range	\$0.02 – \$0.08
Shares O/S	188M
Market Cap.	\$7M
Yield (forward)	N/A
P/E (forward)	N/A
P/B	0.9x

Key Financial Data (FYE - June 30)

(C\$)	FY2024	Q1-FY2025
Cash	\$6,067,899	\$5,201,493
Working Capital	\$6,053,336	\$5,095,158
Mineral Assets	\$2,116,523	\$2,425,689
Total Assets	\$8,321,308	\$7,669,637
Net Income (Loss)	-\$1,365,818	-\$720,444
EPS	-\$0.01	-\$0.00

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

Portfolio Summary

Three early-stage lithium projects in Nevada, and one copper project in B.C.

Two flagship assets: Texas Spring and Clayton Valley in Nevada

Nevada is well-known for its claystone lithium deposits

Located in the Omineca mining district in B.C., an area renowned for its porphyry copper-gold deposits

Grid Battery's Portfolio

Project	Commodity	Location
Texas Spring	Lithium	Nevada, U.S.
Clayton Valley	Lithium	Nevada, U.S.
Volt Canyon	Lithium	Nevada, U.S.
B.C. Copper	Copper	B.C., Canada

Lithium Projects Map



Source: Company

British Columbia Copper Project

CELL can acquire this 27,525-hectare property for \$48k in cash, and 5M shares, from AC/DC Battery Metals (TSXV: ACDC). The project is near NorthWest Copper Corp.'s (TSXV: NWST/MCAP: \$72M) Kwanika-Stardust project, which hosts three porphyry deposits with 1.75 Blbs of CuEq in resources.

The region hosts numerous copper-gold mines/deposits

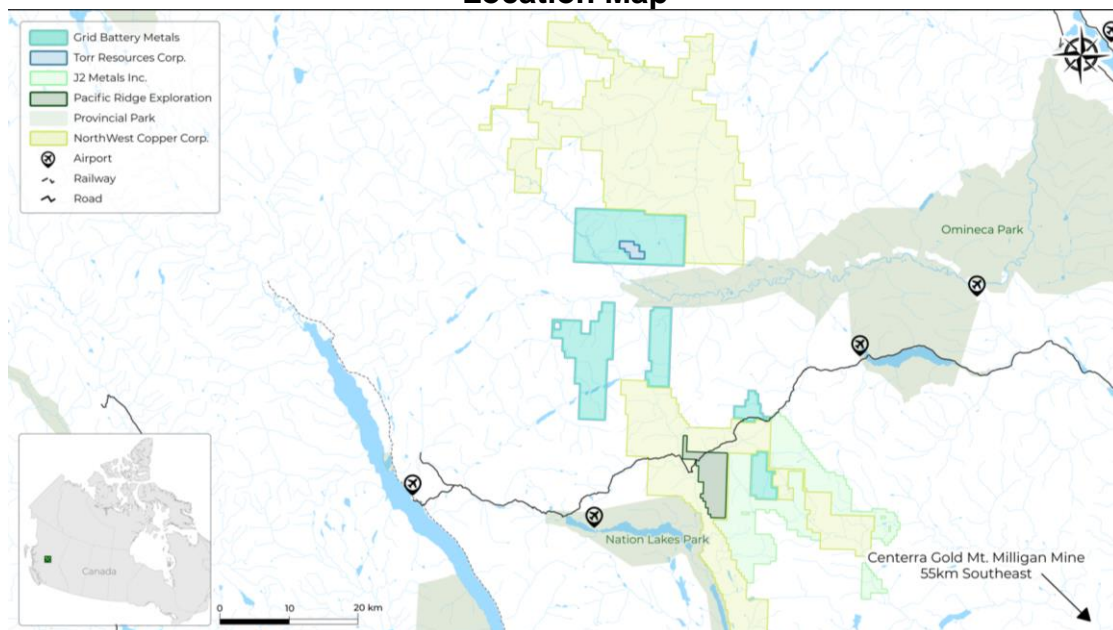
The project can be accessed through paved and gravel roads

55 km northwest of Centerra Gold's (TSX: CG) operating Mt. Milligan mine

Minimal exploration to date; stream sediment sampling returned anomalous gold values, warranting further evaluation

Potential to host both lithium brine and clay deposits

Location Map



Source: Company

Mineralization

The property lies within the northern Quesnel Trough, which hosts numerous copper-gold mines, including Hudbay Minerals' (TSX: HBM) Copper Mountain mine, Centerra Gold's Mt. Milligan mine, New Gold's (NYSE: NGD) New Afton mine, and Teck Resources' (NYSE: TECK) Highland Valley mine.

Management plans to initiate a small exploration program, followed by geophysics, sampling, trenching, and geochemistry, **leading up to a 6-12 hole drill program in late 2025.**

Clayton Valley Lithium Project (100% owned)

CELL's Clayton Valley project borders Albemarle's Silver Peak mine, which has been producing lithium since the 1960s. It is also near Century Lithium's advanced-staged lithium project.

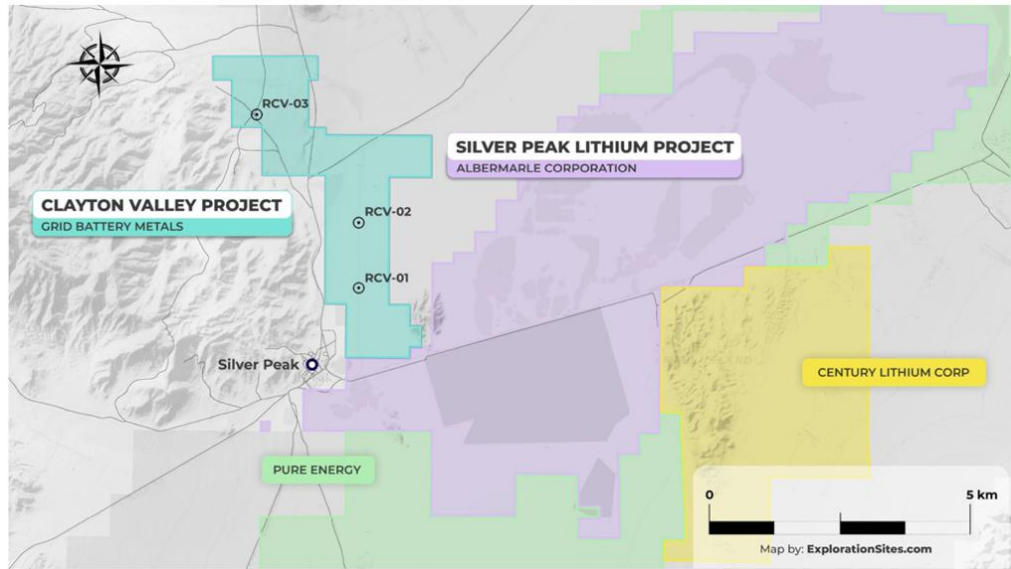
The Clayton Valley region hosts America's lone lithium mine, and several advanced stage lithium projects

Located approximately 273 km southeast of Reno, and 315 km from Tesla's (NASDAQ: TSLA) Gigafactory

Drilling was designed to test the depth and extent of lithium-bearing brine and claystone

Assay results pending

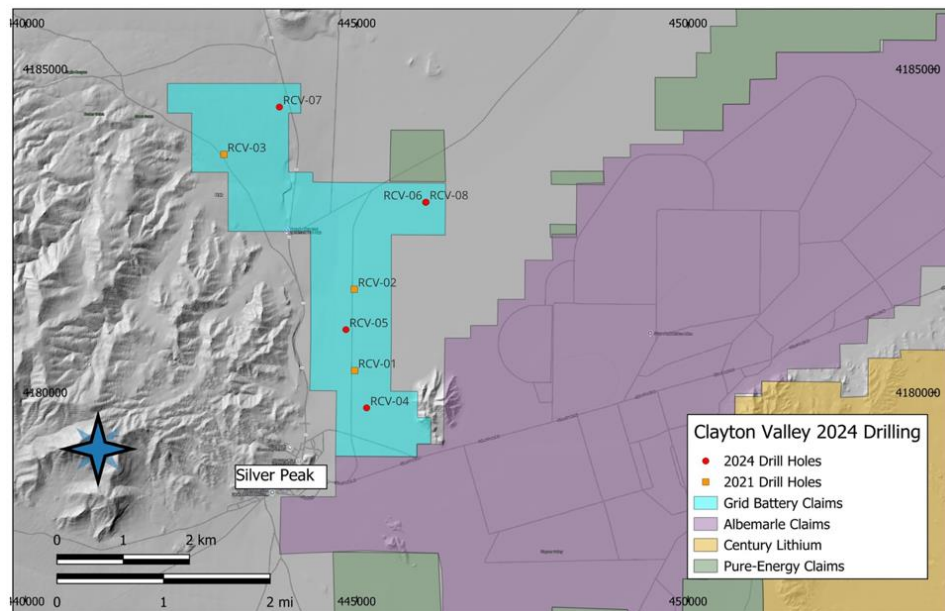
Project Location



Source: Company

CELL recently completed a **reverse circulation (RC) drill program** consisting of five holes, totaling 4,730 feet. The majority of these holes intersected hot spring-style alteration within travertine and tufa rocks, which **suggest the presence of geothermal waters that could potentially mobilize lithium** from deeper layers.

2024 Drill Map



Source: Company

We believe the company will be in a position to complete a **maiden resource estimate within the next 12 months.**

Financials & Valuation

\$5.1M in working capital at the end of September 20224

None of the outstanding options/warrants are in-the-money

We continue to value the company based on our preliminary speculative estimate of 0.7 Mt LCE on Texas Spring

CELL is trading at just \$3/t LCE (previously \$4/t)vs the sector average of \$46/t (previously \$51/t), making it the most undervalued junior on our list

By applying \$46/t to CELL's resources, we arrived at a comparables valuation of \$0.19/share (previously \$0.22/share)

(C\$) (FYE - June 30)	FY2024	Q1-FY2025
Cash	\$6,067,899	\$5,201,493
Working Capital	\$6,053,336	\$5,095,158
Current Ratio	45.1	38.1
Monthly Burn Rate (G&A)	-\$286,750	-\$256,497
Cash from Financing Activities	\$753,000	-
Cash Spent on Properties	-\$663,504	-\$309,197

	# of Options	Exercise Price	\$ Raised
Total	14,000,000	\$0.05	\$700,000
In-the-Money	-	-	-

	# of Warrants	Exercise Price	\$ Raised
Total	93,506,000	\$0.06	\$5,850,870
In-the-Money	-	-	-

Source: FRC/Company

Lithium Juniors	EV (C\$M)	EV/LCE Tonnes
Lithium Argentina	\$972	\$67
Lithium Americas	\$581	\$34
Standard Lithium	\$418	\$114
Latin Resources	\$383	\$172
loneer	\$309	\$102
Lithium Chile	\$155	\$59
American Lithium	\$134	\$8
Surge	\$60	\$26
E3 Lithium	\$57	\$3
Lake Resources	\$48	\$5
Century Lithium	\$41	\$7
Noram	\$9	\$2
Pure Energy	\$9	\$82
Spearmint	\$7	\$4
Grid Battery	\$2	\$3
Average (excl. outliers)	\$110	\$46
Min	\$7	\$2
Max	\$972	\$172

Source: FRC / Various

We are reiterating our BUY rating, and adjusting our fair value estimate from \$0.22 to \$0.19/share. Note that this valuation is solely based on our preliminary speculative resource estimate on Texas Spring, with no value applied to other projects for conservatism. The absence of an NI 43-101 compliant resource estimate may deter some investors. However, we believe our preliminary estimate on Texas Spring provides the market with an indication of its potential. The company should be able to complete a maiden resource estimate for Texas Spring and Clayton Valley within the next 12-18 months. Positive results from preliminary exploration on its new copper project would be an added bonus, as our valuation does not factor in this upside.

Risks

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

*We are maintaining
our risk rating of 5
(Highly Speculative)*

- The value of the company is **dependent on lithium and copper prices**
- Access to capital and share dilution
- No NI 43-101 compliant resource estimate
- **Exploration and development**
- No assurance that the company will be able to advance all of its projects simultaneously

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%

Sell – Annual expected rate of return is below 5% or the expected return is not commensurate with risk

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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