

## Argentina Lithium & Energy Corp. (TSXV: LIT / OTC: PNXLF / FSE: OAY3)

### On The Cusp of a Potential Discovery in Argentina – Initiating Coverage

**BUY**

Current Price: \$0.24

Fair Value: C\$0.52

Risk: 5

#### Sector / Industry: Junior Resource

[Click here for more research on the company and to share your views](#)

#### Highlights

- Argentina Lithium holds a portfolio of four early-stage/underexplored lithium assets, covering 69k hectares (“ha”), across four salars (salt lakes) in Argentina.
- Argentina, Chile, and Bolivia make up the “Lithium Triangle”, which hosts 60% of global lithium reserves. **Argentina is the fourth largest lithium producer in the world** (behind Australia, Chile, and China), and holds the third largest reserve-base (behind Chile and Australia).
- LIT is a part of the Grosso group, which has a **long history of operations in Argentina, including four major mineral discoveries.**
- Three out of LIT’s four projects are in **Salta province**. In 2021, the Fraser Institute Survey of Mining Companies ranked Salta as the **second-best province in Argentina for mining.**
- As LIT’s projects are close to well-known projects held by majors, the company can be subject to M&A events if it is able to delineate a resource in one or more of its assets.
- The first hole of an ongoing five-hole drill program at one of its key projects (Rincon West) **returned promising values (225 to 380 mg/L).** The company is planning to conduct electromagnetic surveys on two other projects this year (Antofalla North and Incahuasi). We are expecting a maiden resource estimate next year. Note that delineating a lithium resource is a faster and cheaper process vs mainstream metals such as gold/copper.
- Lithium prices are up 340% YoY on **stronger demand, inflation, and supply disruptions.** However, we expect prices to ease in the latter half of the year as supply chain bottlenecks ease in China, and production ramps up in South America.
- LIT is **trading at just \$215/hectare** vs the average of \$524/ha for pre-resource stage juniors. The sector had **several M&A transactions in the past year**, and we believe that miners and battery manufacturers are constantly seeking attractive lithium projects for acquisition to secure long-term/stable supply.

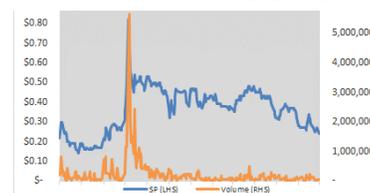
#### Risks

- The value of the company is dependent on lithium prices.
- Exploration and development risks
- Access to capital and potential for share dilution
- **None of its properties have a NI 43-101 compliant resource estimate.**

**Sid Rajeev, B.Tech, CFA, MBA**  
Head of Research

**Nina Rose Coderis, BSc (Geology)**  
Equity Analyst

#### Price Performance (1-year)



	YTD	12M
LIT	-47%	9%
TSXV	-37%	-37%

#### Company Data

52 Week Range	\$0.14 - \$0.96
Shares O/S	74M
Market Cap.	C\$18M
Yield (forward)	N/A
P/E (forward)	N/A
P/B	2.5x

Key Financial Data (FYE - Dec 31)		
(\$)	2021	Q1-2022
Cash	\$6,430,771	\$5,442,988
Working Capital	\$5,523,364	\$4,224,173
Mineral Assets	\$2,061,822	\$2,975,098
Total Assets	\$8,561,683	\$8,522,695
Net Income (Loss)	-\$1,999,691	-\$665,595
EPS	-\$0.02	-\$0.01

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

## Portfolio Summary

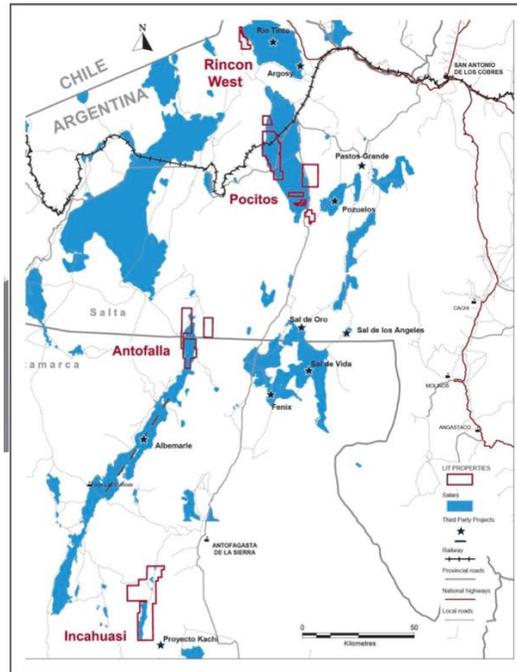
Four exploration-stage lithium properties, covering 69,000 hectares, in Argentina

Rincon West and Pocitos are located in Salta province

Incahuasi is in Catamarca province

Antofalla North lies along the border of both provinces

### LIT's Portfolio



Source: Company

## South America's Lithium Triangle

Chile, Argentina, and Bolivia, together referred to as the “Lithium Triangle”, have more than 60% of global lithium reserves. The triangle covers areas of northern Chile, northwestern Argentina, and southwestern Bolivia, which includes the Atacama, Olaroz, and Uyuni salt flats.

Argentina is the fourth largest lithium producer in the world

Argentina has the third largest reserve-base



Source: Company

There are two primary sources of lithium – hard rock (spodumene), and lithium brines, formed in desert climates where there is slow inflow of lithium and other metals, but no outflow. Gradual evaporation over thousands of years raises lithium grades to economic levels. **Lithium production in the Lithium Triangle is from brines. Exploration costs for brine are typically lower.**

### Rincon West Project, Salta

LIT has an option to earn a 100% interest in this project. The property, covering 2,470 ha, is located on the western side of the Rincon salar. The project has seen **limited exploration**. A Vertical Electrical Soundings (VES) survey identified a broad conductive unit at <100 m depth. In April 2022, the company completed a Transient Electromagnetic (TEM) survey, which delineated potential brine aquifers over 64% of the property area. **A five-hole drill program is ongoing.**

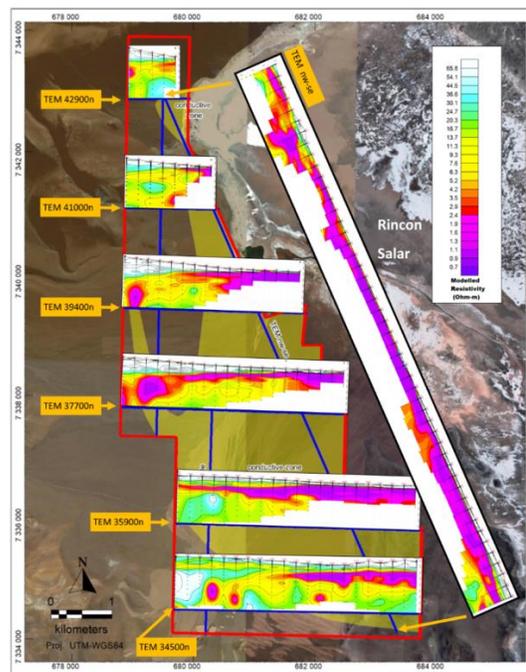
*Adjacent to projects with lithium reserves, held by Rio Tinto (NYSE: RIO) and Argosy Minerals (ASX: AGY)*

*Rio Tinto acquired its project in the region, from a private equity group, for US\$825M earlier this year*

*A TEM survey delineated potential brine aquifers (red-to-purple shades)*

*Commenced a five-hole/2,000 m drill program in May 2022; samples from a 70 m thick interval, from the first hole, returned attractive lithium grades of 225 to 380 mg/L*

**Rincon West TEM Sections**



Source: Company

## Antofalla North Project, Catamarca-Salta

*Close to majors*

LIT controls 14,987 ha of mining leases (100% ownership in 9,080 ha, and 6,000 ha under option) in the Salar de Antofalla, situated along the border of Salta and Catamarca. The project is 25 km west of Argentina's largest lithium producing operation at Salar de Hombre Muerto, and 500 m north of a property held by Albemarle (NYSE: ALB) - one of the largest lithium producers in the world.

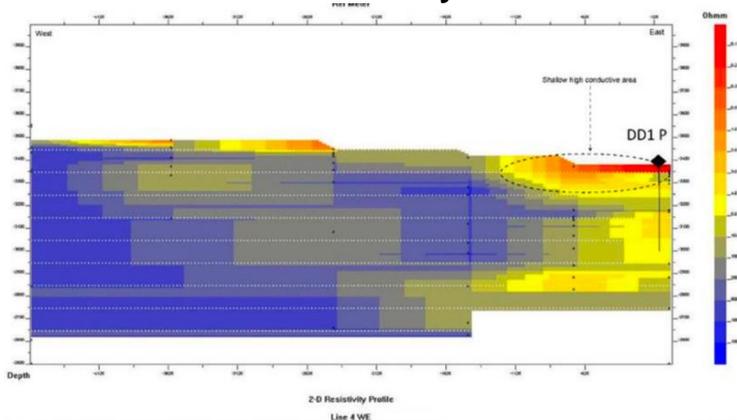
In 2018, a CSAMT geophysical survey conducted in the northern part of the project area **identified high-conductivity targets in the upper 100 m (highly prospective for lithium)**, and moderate conductivity targets up to 500 m.

*CSAMT survey identified high-conductivity targets (in red)*

*Follow up geophysics (TEM survey) planned to delineate brine aquifers, and generate drill targets*

*A six-hole drill program is planned in 2023*

### CSAMT Resistivity Section



(CSAMT: Controlled Source Audio-frequency Magnetotellurics)



Source: Company

## Pocitos Project, Salta

*38 km from Rincon West*

LIT has an option to earn a 100% interest of this project, which covers 26,221 ha of the Pocitos salar. The project is 38 km from LIT's Rincon West project. Prior exploration included geophysics, surface sampling, and limited drilling. Management **plans to conduct a TEM survey in 2023**, followed by a drill program.

Located north of Lake Resources' (ASX: LKE) advanced stage Kachi lithium brine project

All four holes intersected lithium-bearing brines

Management intends to conduct a TEM survey this year

TEM surveys and drilling planned in 2022-2023

Management and board own 8%

## Incahuasi Project, Catamarca

LIT has a 100% interest in this project, which covers over 25,000 ha of the Salar de Incahuasi. A four-hole drill program, completed in 2018, returned low-medium values. Near-surface sampling returned higher-grades of up to 409 mg/L.

### 2018 Incahuasi Average Drill Results

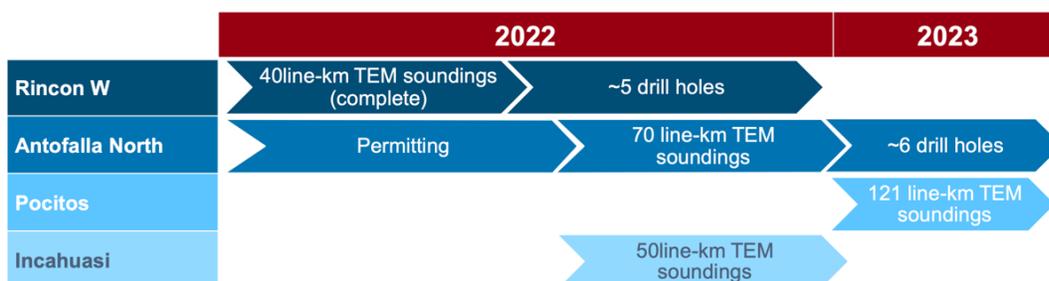
	LITHIUM (MG/L)	POTASSIUM (MG/L)	MAGNESIUM (MG/L)
Maximum	141	9,169	18,927
Minimum	10	562	1,280
Average	109	6,718	13,689

Source: Company

## Upcoming Plans / Catalysts



### Road Map to Discovery



Source: Company

## Management and Directors

Management and Board	Shares	% of Total
Nikolaos Cacos, CEO, President, and Director	1,325,200	1.79%
Miles Rideout, VP Exploration		-
Darren C. Urquhart, CFO	125,000	0.17%
Connie Norman, Corporate Secretary	252,500	0.34%
Joseph Grosso, Chairman	3,968,150	5.35%
John Gammon, Independent Director	200,500	0.27%
<b>Total</b>	<b>5,871,350</b>	<b>7.92%</b>

Source: Management Information Circular / Company

Brief biographies of the management team and board members, as provided by the company, follow:

**Nikolaos Cacos – President, Chief Executive Officer, Director**

Mr. Cacos brings 30+ years of executive level management and advisory expertise in the mineral exploration industry. He has worked with Grosso Group since inception and serves as a senior level executive for all the member companies. Mr. Cacos' career includes administration, structuring and strategic planning for public companies. He currently serves as an officer and director of a number of TSX Venture Exchange listed companies. He holds a Master of International Management degree from Heidelberg, Germany and a Bachelor of Science degree from the University of British Columbia.

**Joseph Grosso – Chairman of the Board**

Mr. Grosso became one of the early pioneers of the mining sector in Argentina in 1993 when mining was opened to foreign investment, and was named Argentina's 'Mining Man of The Year' in 2005. His knowledge of Argentina was instrumental in attracting a premier team which led to the acquisition of key properties in Golden Arrow's portfolio. He has successfully formed strategic alliances and negotiated with mining industry majors such as Barrick, Teck, Newmont, Viceroy (now Yamana Gold) and Vale S.A., and government officials at all levels. Mr. Grosso's specialty is financing, negotiations, corporate and marketing strategy, and he was an early and passionate adopter of best practices in environmental protection and socio-economic development through mineral exploration. He is the founder and president of Grosso Group Management Ltd.

**John Gammon – Director**

Dr. Gammon has 40 years of experience in mineral exploration and management, including international positions with Falconbridge, Assistant Deputy Minister Mines and Minerals with the Government of Ontario and, since his retirement, as ADM as a consultant working with industry, governments and universities. In addition to Dr. Gammon's mineral exploration experience he has also spent a significant amount of time on aboriginal community and environmental issues. His knowledge of the Spanish language and South American culture and societies brings a depth, in addition to his industry experience, that can assist the Company with the advancement of its projects in Argentina.

**Darren C. Urquhart – Chief Financial Officer**

Mr. Urquhart is a chartered professional accountant with twenty years of experience working in public practice and industry. He has also served as director for some of his corporate clients. Mr. Urquhart began his career working as an audit accountant with Grant Thornton LLP, then later worked as a senior tax accountant with Lohn Caulder Chartered Accountants. Mr. Urquhart obtained his chartered accountant designation in 2001 and is a member of the Chartered Professional Accountants of British Columbia. In 1995, Mr. Urquhart graduated from the

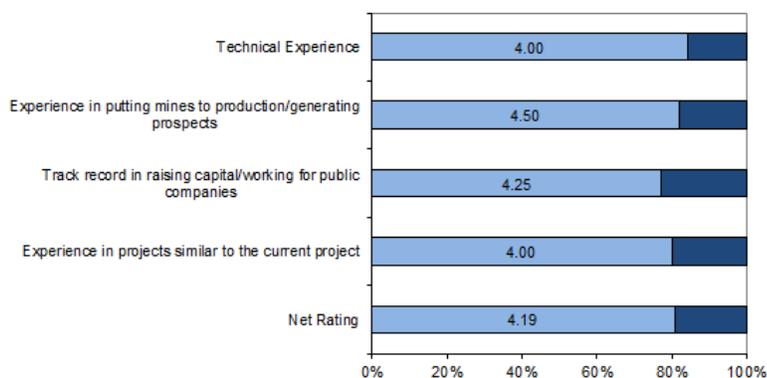
University of British Columbia with a Bachelor degree of Applied Science in Electrical Engineering.

**Miles Rideout – Vice President for Exploration**

Mr. Rideout has 34 years of experience in advanced exploration practice, responsible business management, scientific team building, and mining integration with local communities and indigenous peoples. In recent positions, Mr. Rideout has directly managed the acquisition and exploration of dozens of lithium properties in northern Argentina. Previously he served 5 years as CEO of Latin American Minerals, advancing gold and diamond projects in Paraguay, and 23 years with Quantec Geoscience, Inc., where he initiated operations in South America and managed subsidiaries in several countries. He participated in the discovery of several world-class deposits including the Collahuasi and Ujina copper-porphyry deposits, Veladero epithermal gold deposit, and Navidad VMS/epithermal silver deposit. Mr. Rideout holds a B.Sc. with Honors Certificate in Geophysics, from the University of Western Ontario (1987).

*Our rating on the company's management team is 4.2 out of 5.0*

Management Rating



**Strength of Board**

	Poor	Average	Good
Two out of three directors are independent		X	
Directors' share ownership			X
The Audit committee is composed of two board members, of which one is independent	X		
The Management compensation committee is composed of two board members, of which one is independent.	X		

Source: FRC

*Two out of three directors are independent*

## Financials

Strong balance sheet

(in \$)	2021	Q1-2022
Cash	\$6,430,771	\$5,442,988
Working Capital	\$5,523,364	\$4,224,173
Current Ratio	6.66	4.12
Monthly Burn Rate (G&A)	-\$159,474	-\$122,073
Exploration and Development	-\$462,915	-\$191,624
Cash from Financing Activities	\$8,332,298	\$40,000

Source: FRC / Company

Can raise up to \$1.44M

**Stock Options and Warrants:** 3.87M options (weighted average exercise price of \$0.66) and 19.59M warrants (weighted average exercise price of \$0.54) outstanding. 2.88M options and 5.77M warrants are in the money, implying a potential to raise \$1.44M.

## Valuation

As LIT's projects are in pre-resource stages, we have compared LIT to other juniors based on their land packages.

LIT is trading at \$215/ha vs the average of \$524/ha for early-stage juniors (pre-resource)

Company	Status	Location	EV / Area (\$/ha)
1 Cypress Development	PFS	USA	\$53,287
2 Noram Lithium	PEA	USA	\$29,126
3 Standard Lithium	PEA	USA	\$25,545
4 Neo Lithium (acquired)	PFS	Argentina	\$27,429
5 Lithium Power	FS	Chile	\$25,441
6 Millennial Lithium (acquired)	FS	Argentina	\$20,717
7 Bearing Lithium	FS	Chile	\$13,029
8 RIO / Rincon (private)		Argentina	\$12,623
9 Enertopia Corp	Pre-Resource	USA	\$5,618
10 Lake Resources	PFS	Argentina	\$3,695
11 Pure Energy	PEA	USA	\$2,222
12 Ultra Lithium	Pre-Resource	Argentina/North America	\$1,966
13 Wealth Minerals	Pre-Resource	Chile	\$1,580
14 Lithium Chile	Resource	Chile	\$906
15 HeliosX	Pre-Resource	Argentina/USA	\$345
16 Argentina Lithium & Energy Corp.	Pre-Resource	Argentina	\$215
17 E3 Lithium	PEA	Canada	\$213
18 Lithium Energi Exploration	Pre-Resource	Argentina	\$104
19 ION Energy	Pre-Resource	Mongolia	\$67
<b>Average (excl. outliers)</b>			<b>\$4,521</b>
<b>Advanced Stage (average)</b>			<b>\$12,494</b>
<b>Pre-Resource (average)</b>			<b>\$524</b>
Fair Value of LIT's Assets @ \$524/ha			\$36,033,303
Working Capital			\$3,666,331
<b>Fair Value of LIT</b>			<b>\$39,699,634</b>
No. of Shares (treasury stock method)			76,821,919
<b>Value per Share</b>			<b>\$0.52</b>

Source: FRC / Various Companies / S&P Capital IQ

Applying \$524/ha to LIT's land package, we arrived at a fair value estimate of \$0.52 per share. **We are initiating coverage with a BUY rating.** Upcoming catalysts include drill results from Rincon West, and robust investor appetite for EV metals.

## Risks

We believe the company is exposed to the following key risks:

- The value of the company is dependent on lithium prices.
- Exploration and development risks
- Access to capital and potential for share dilution
- **None of its properties have a NI 43-101 compliant resource estimate.**

*We are assigning a  
risk rating 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%

**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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The distribution of FRC's ratings are as follows: BUY (65%), HOLD (7%), SELL / SUSPEND (28%).

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