

Resources: Metals & Mining
Company Update
Surge Battery Metals Inc. | NILI.V-C\$0.35-TSXV | Buy
Stock Data

52-Week Low - High	C\$0.29-C\$1.48
Shares Out. (mil)	164.52
Mkt. Cap.(mil)	C\$57.58
3-Mo. Avg. Vol.	260,093
12-Mo.Price Target	C\$1.50
Cash (mil)	C\$4.8
Tot. Debt (mil)	\$0.0

Cash (mil):Cash includes short-term investments.

Rev (\$M)

Yr Dec	— 2023—	— 2024E—	— 2025E—
		Curr	Curr
1Q	0.0A	0.0A	0.0E
2Q	0.0A	0.0A	0.0E
3Q	0.0A	0.0E	0.0E
4Q	0.0A	0.0E	0.0E
YEAR	0.0A	0.0E	0.0E

EPS C\$

Yr Dec	— 2023—	— 2024E—	— 2025E—
		Curr	Curr
1Q	(0.01)A	(0.01)A	(0.01)E
2Q	(0.01)A	(0.01)A	(0.01)E
3Q	(0.02)A	(0.01)E	(0.01)E
4Q	(0.02)A	(0.01)E	(0.01)E
YEAR	(0.07)A	(0.04)E	(0.04)E

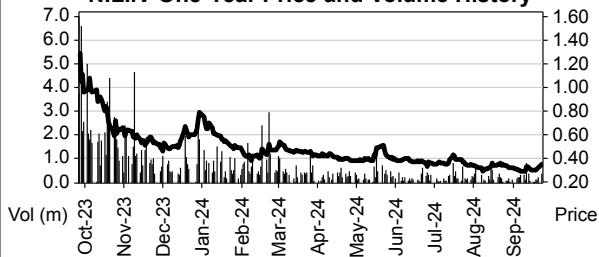
NILI.V: Surge Announces Significant Resource Increase

On September 24, 2024, NILI.V announced an updated mineral resource estimate for the Nevada North Lithium Project. The updated resource showed an increase of 113% compared to the prior resource estimate. However, we believe the benefit of the increased resource has been offset by weaker market conditions. As such, we are maintaining our Buy rating and C\$1.50 price target.

Surge announces significant resource increase. On September 24, 2024, Surge Battery Metals announced an updated resource for the Nevada North Lithium Project. The updated resource included 11.24 MT LCE an increase of 113% compared to the prior resource estimate. Of the 11.24 MT LCE, 8.65 MT LCE is attributable to Surge at an average grade of 2,955 ppm Li making it the highest-grade clay resource in the U.S., to our knowledge.

PEA anticipated in Q1 2025. With the updated resource complete, Surge is focused on delivering a PEA by Q1 2025. We believe the PEA should be a significant catalyst as it should outline the economic potential of the project and allow investors to determine a fair value in the current lithium price environment.

Maintaining rating and target. While the resource increase is encouraging, pricing has eroded further since we last wrote on Surge. As such, we elected not to increase our price target and instead are maintaining our C\$1.50 price target and Buy rating.

NILI.V One-Year Price and Volume History


VALUATION

We base our valuation of Surge on an in-situ value basis. Based on the updated attributable resource of 8.7 million tonnes LCE and the current market price of lithium of \$10,650 per tonne, we arrive at a value of US \$230.3 million (0.25% of in-situ value). After adjusting for the current CAD:USD exchange rate of 1.34:1 and C\$4.8 million in cash as of Q2 2024, we arrive at a value of C\$313.4 million or C\$1.45 per fully diluted share. We round this up to reach our C\$1.50 price target, and we are maintaining our Buy rating.

Factors that could impede Surge from reaching our price target include, but are not limited to: unanticipated capital raises, poor exploration results, unfavorable regulatory decisions, permitting delays, unfavorable resource estimates compared to our expectations, and other unforeseeable events.

RISKS

Political risk. Natural resource companies are subject to significant political risk. Although most mining jurisdictions have known laws, potential exists for these laws to change. Surge has similar political risk to other Nevada-based exploration companies.

Commodity price risk. All natural resource companies have some form of commodity price risk. This risk is not only related to final products, but can also be in regard to input costs and substitute goods. Surge's biggest commodity risk is to the price of lithium.

Operational and technical risk. Natural resources companies have significant operational and technical risks. Despite completing NI 43-101 compliant (or similar) resource estimates, deposits can still vary significantly compared to expectations. Additionally, numerous unforeseeable issues can occur with operations and exploration activities. Surge has similar operational and technical risk to other early-stage exploration companies.

Pre-revenue risk. Surge is a pre-revenue company. As such, it is likely it will need to raise additional capital to continue to support operations. Additionally, no guarantee can be made that the company will ever generate revenue or that doing so will generate positive cash flow.

Market risk. Although most natural resource companies are more closely tied to individual commodity price performance, large business cycle forces or economic crises can impact a company's valuation significantly. Surge has similar market risk to other lithium exploration companies.

Cautionary note to U.S. Investors: Surge does not have any resources currently, but would likely report resources under NI 43-101 if/when it establishes one.

COMPANY DESCRIPTION

Surge Battery Metals Inc. is a Canada-based mineral exploration company. The company is engaged in the acquisition, exploration and development of mineral properties. The company is focused on exploration for battery metals that will advance the adoption of electric vehicles (EVs). The company owns a 100% interest in approximately 243 mineral claims located in Elko County, Nevada. The Nevada North Lithium Project is in the Granite Range approximately 40 kilometers (kms) southeast of Jackpot, and approximately 73 kms north-northeast of Wells, Nevada. The Surge Nickel Project consists of two non-contiguous mineral claims groups consisting of approximately six mineral claims in the Mount Sidney Williams area covering approximately 1863 hectares and the Mitchell Range area covering approximately 8659 hectares. Its San Emidio Desert Lithium Project is located approximately 60 km Northeast of Reno in the San Emidio Desert, Washoe County, Nevada that covers over 5,525 acres. Refinitiv Eikon as of 10/19/2023

NILI.V Key Estimates

Amounts in CAD\$ million	1Q 23A	2Q 23A	3Q 23A	4Q 23A	2023A	1Q 24A	2Q 24A	3Q 24E	4Q 24E	2024E	1Q 25E	2Q 25E	3Q 25E	4Q 25E	2025E
Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Operating Expenses	1.3	1.6	3.4	2.8	9.1	2.2	1.9	1.5	1.5	7.0	1.5	1.5	1.5	1.5	6.0
Operating Income	(1.3)	(1.6)	(3.4)	(2.8)	(9.1)	(2.2)	(1.9)	(1.5)	(1.5)	(7.0)	(1.5)	(1.5)	(1.5)	(1.5)	(6.0)
Other Expenses	0.0	0.0	(0.1)	(0.1)	(0.2)	0.0	(0.0)	-	-	0.0	-	-	-	-	-
Pretax Income	(1.3)	(1.6)	(3.3)	(2.7)	(8.9)	(2.2)	(1.9)	(1.5)	(1.5)	(7.0)	(1.5)	(1.5)	(1.5)	(1.5)	(6.0)
Taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Income	(1.3)	(1.6)	(3.3)	(2.7)	(8.9)	(2.2)	(1.9)	(1.5)	(1.5)	(7.0)	(1.5)	(1.5)	(1.5)	(1.5)	(6.0)
Basic Shares	105.9	121.7	148.4	149.8	131.4	160.5	163.3	164.0	164.0	163.0	164.0	164.0	164.0	164.0	164.0
FD Shares	105.9	121.7	148.4	149.8	131.4	160.5	163.3	216.0	216.0	189.0	216.0	216.0	216.0	216.0	216.0
Basic EPS	(\$0.01)	(\$0.01)	(\$0.02)	(\$0.02)	(\$0.07)	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.04)	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.04)
FD EPS	(\$0.01)	(\$0.01)	(\$0.02)	(\$0.02)	(\$0.07)	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.04)	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.04)

Source: SEDAR Filings, ROTH MKM estimates

Note: NILI.V reports under IFRS

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Disclosures:

Shares of Surge Battery Metals Inc. may be subject to the Securities and Exchange Commission's Penny Stock Rules, which may set forth sales practice requirements for certain low-priced securities.



Each box on the Rating and Price Target History chart above represents a date on which an analyst made a change to a rating or price target, except for the first box, which may only represent the first note written during the past three years. **Distribution Ratings/IB Services** shows the number of companies in each rating category from which Roth or an affiliate received compensation for investment banking services in the past 12 month.

Distribution of IB Services Firmwide

Rating	Count	Percent	IB Serv./Past 12 Mos. as of 09/24/2024	
			Count	Percent
Buy [B]	360	74.23	106	29.44
Neutral [N]	75	15.46	6	8.00
Sell [S]	2	0.41	0	0
Under Review [UR]	48	9.90	0	0

Our rating system attempts to incorporate industry, company and/or overall market risk and volatility. Consequently, at any given point in time, our investment rating on a stock and its implied price movement may not correspond to the stated 12-month price target.

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Buy: A rating, which at the time it is instituted and or reiterated, that indicates an expectation of a total return of at least 10% over the next 12 months.

Neutral: A rating, which at the time it is instituted and or reiterated, that indicates an expectation of a total return between negative 10% and 10% over the next 12 months.

Sell: A rating, which at the time it is instituted and or reiterated, that indicates an expectation that the price will depreciate by more than 10% over the next 12 months.

Under Review [UR]: A rating, which at the time it is instituted and or reiterated, indicates the temporary removal of the prior rating, price target and estimates for the security. Prior rating, price target and estimates should no longer be relied upon for UR-rated securities.

Not Covered [NC]: ROTH Capital does not publish research or have an opinion about this security.

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