

March 20, 2023

ATLX: Moving Toward Milestones; Maintain Buy, Target to \$18

Atlas Lithium is an exploration-stage mineral and mining company focused primarily on a portfolio of battery metals, including potentially valuable deposits of hard-rock lithium in Brazil. Specifically, the company is currently seeking to develop lithium assets that are located in a well-established region in Minas Gerais, located nearby resources being developed by Sigma Lithium (SGML; not rated; enterprise value about \$3.4B). We view Atlas Lithium as positioned to potentially capitalize on projected growing demand for lithium concentrate, driven primarily by accelerating adoption of electric vehicles globally. While much more speculative given the still early development stage, we favor risk/reward here (very binary), including future paths for non-dilutive financing and numerous other potential catalysts.

Key takeaways. Atlas Lithium announced last week that leading independent metallurgical testing group SGS Canada ([SGS link](#)) has successfully processed its lithium ore concentrate samples into commercial grade lithium concentrate. Specifically, SGS produced more than 10kg of concentrate from roughly 117 kg of ore drilled at the company's Das Neves project. We view these results as very encouraging (achieved using standard processes with a high recovery rate and no major problematic contaminants), increasing our confidence in potential commercial viability of the site. We thus increase our price target accordingly given updated probabilistic assumptions as outlined in our recent initiation.

The finalized testing report is anticipated to be released by SGS in the coming weeks, potentially paving the way for a PEA (preliminary economic analysis) as soon as mid-year (followed by critical maiden resource report). This key project component could potentially unlock first partner funding (recall that Mitsui has entered into an MOU for potential offtake funding of up to \$65M to support plant construction – in tranches and subject to achievement of key milestones). At the same time, we find industry interest throughout the broader EV and battery ecosystem only growing (with potential for diverse partnerships and other catalysts to emerge).

Valuation. Our \$18 price target (from \$12) is derived using a probability weighted analysis of potential lithium resources (as we reduce our associated discount rate for recent progress). While still highly speculative (and binary), we see good potential for additional catalysts to come. We continue to like risk/reward, noting that our updated target still represents a discount versus other exploration stage lithium peers in the region.

Investment Risks. Risks include it being an exploration stage company with no operating history or established reserves, future project development, permitting, financing, and execution, foreign operations (Brazil), FX translation, underlying commodity prices and associated supply and demand drivers, regulatory, voting control, potential conflicts of interest with Apollo resources and Jupiter Gold, future financing needs, and extensive history of prior losses. In addition, we strongly encourage investors to review regulatory filings for additional risk factors.

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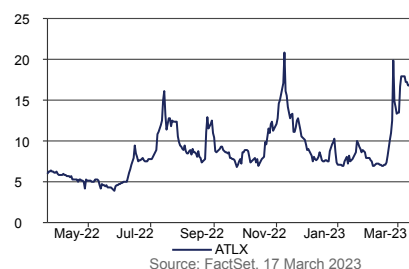
MARKET DATA

Rating	Buy
Price Target	\$18.00
Price	\$13.65
Average Daily Volume	142
52-Week Range	\$1.55-\$23.51
Market Cap (\$M)	\$79.0
Enterprise Value (\$M)	\$63.5
Dividend Yield	0.0%

ESTIMATES

		2022E	2023E	2024E
Revenue (\$M)	Q1	0.0	-	-
Non-GAAP				
	Q2	0.0	-	-
	Q3	0.0	-	-
	Q4	0.0	-	-
	FY	0.0	1.0	4.5
EV/Sales		7,839.2x	62.9x	14.0x
EPS GAAP	Q1	(0.12)	-	-
	Q2	(0.20)	-	-
	Q3	(0.22)	-	-
	Q4	(0.26)	-	-
	FY	(0.82)	(0.67)	(0.63)
P/E		(16.6)x	(20.4)x	(21.7)x

One Year Performance Chart



Please see analyst certification and important disclosures on page 2 of this report.

Important Disclosures

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