Lithium Royalty's Lithium-focused Royalty Portfolio of Sustainable and ESG "Friendly" Projects

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In late February, I opined that perhaps we had seen a near-term top for the price of lithium. Hindsight suggests that was a pretty good call. However, that was more of a short-term trading view on lithium as opposed to an overall investing view.

Generally speaking, I still believe that the overall lithium market is reasonably bullish over the next several years barring some sort of technological breakthrough that obsoletes the lithium battery.

In fact, if you believe what the IEA published on lithium (along with other critical minerals), you'd be very bullish based on the IEA view that the lithium market will see a 33% compound annual growth rate ("CAGR") for the next decade.

Another stat that puts future lithium demand into perspective is the fact that Tesla is targeting the manufacture of 20 million electric vehicles ("EVs") per year by 2030 and in order to produce that many vehicles in a year, Tesla would need more lithium than was produced in the world in 2021.

Assuming lithium prices have now stabilized or perhaps even bottomed before another move higher, the question becomes how best to play lithium going forward.

Lithium Royalty Corp. overview

One option to get more broad-based exposure to the market is the newly listed Lithium Royalty Corp. (TSX: LIRC).

Lithium Royalty is a lithium-focused royalty company with a globally diversified portfolio of 30 high-grade revenue royalties on mineral properties around the world that supply, or are expected to supply, raw materials to support the electrification of transportation and decarbonization of the global economy.

The Company's portfolio is focused on high-grade and low-cost mineral projects that are primarily located in Australia, Canada, South America, and the United States. Lithium Royalty is a signatory to the United Nations Principles for Responsible Investment.

There are two key takeaways from that corporate description.

- First off, they have focused on "friendly", stable jurisdictions with 46% (based on acquisition costs) of their projects in North America, 62% comprise OECD nations, and no Russian, Chinese, or African asset exposure. Their non-OECD assets are primarily in Brazil and Argentina, which are both stable enough at present.
- Secondly, the integration of ESG factors and sustainable mining are important considerations in Lithium Royalty's investment analysis and royalty acquisitions. This includes a focus on the use of renewable power in extraction and processing; infrastructure benefits to remote communities; environmental and economic impact on local communities; water use; surface disruption and remediation plans as well as tailings management.

I've noted as recently as last week that I strongly believe a premium will start to be placed on sustainable miners with responsibly sourced materials and a low-carbon footprint. Lithium Royalty definitely ticks that box.

Royalty portfolio and upside potential

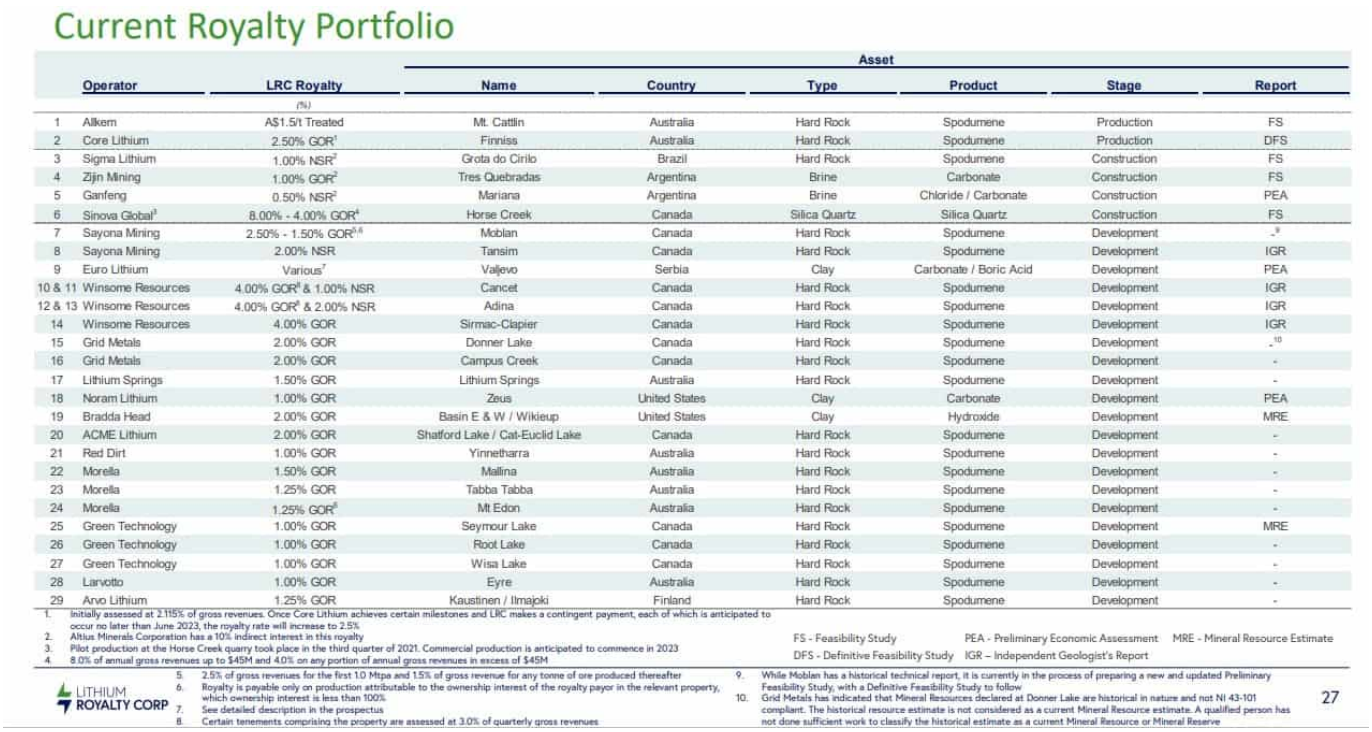
But ultimately it comes down to whether you can also make money while being responsible. The royalty that excites me the most at present in the Company's portfolio is one that has just transitioned from construction to production.

In all Lithium Royalty now has 3 producing royalties but their 90% interest in a 1.0% Net Smelter Royalty (NSR) in SIGMA Lithium Corporation's (NASDAQ: SGML | TSXV: SGML) Grota do Cirilo project is about to start generating returns with its inaugural shipment of approximately 15,000 tonnes of spodumene concentrate in May 2023. Sigma is now focused on ramping up to full production capacity for Phase 1 of the project, which is expected by July 2023.

Other assets currently generating income for the company are both in Australia, including Allkem Limited's (ASX: AKE | TSX: AKE) Mt. Cattlin project with a royalty of A$1.50 per tonne of ore mined and Core Lithium Limited's (ASX: CXO) Finniss mine where the Company expects to receive its first royalty payment for its 2.5% Gross Overriding Royalty (GOR) as a result of Q1/2023 sales.

In total, Lithium Royalty has 30 royalties in its portfolio, of which 29 are summarized in the slide below. Additionally, the acquisition pipeline currently has 10 additional royalty targets with the opportunity to deploy over US$130 million of new capital.

FIGURE 1: Lithium Royalty's Current Portfolio of Royalities



Current Royalty Portfolio

	Operator	LRC Royalty	Asset					
			Name	Country	Type	Product	Stage	Report
		(%)						
1	Allkem	A$1.5/t Treated	Mt. Cattlin	Australia	Hard Rock	Spodumene	Production	FS
2	Core Lithium	2.50% GOR[1]	Finniss	Australia	Hard Rock	Spodumene	Production	DFS
3	Sigma Lithium	1.00% NSR[2]	Grota do Cirilo	Brazil	Hard Rock	Spodumene	Construction	FS
4	Zijin Mining	1.00% GOR[2]	Tres Quebradas	Argentina	Brine	Carbonate	Construction	FS
5	Ganfeng	0.50% NSR[2]	Mariana	Argentina	Brine	Chloride / Carbonate	Construction	PEA
6	Sinova Global[3]	8.00% - 4.00% GOR[4]	Horse Creek	Canada	Silica Quartz	Silica Quartz	Construction	FS
7	Sayona Mining	2.50% - 1.50% GOR[5,6]	Moblan	Canada	Hard Rock	Spodumene	Development	-[9]
8	Sayona Mining	2.00% NSR	Tansim	Canada	Hard Rock	Spodumene	Development	IGR
9	Euro Lithium	Various[7]	Valjevo	Serbia	Clay	Carbonate / Boric Acid	Development	PEA
10 & 11	Winsome Resources	4.00% GOR[8] & 1.00% NSR	Cancet	Canada	Hard Rock	Spodumene	Development	IGR
12 & 13	Winsome Resources	4.00% GOR[8] & 2.00% NSR	Adina	Canada	Hard Rock	Spodumene	Development	IGR
14	Winsome Resources	4.00% GOR	Sirmac-Clapier	Canada	Hard Rock	Spodumene	Development	IGR
15	Grid Metals	2.00% GOR	Donner Lake	Canada	Hard Rock	Spodumene	Development	-[10]
16	Grid Metals	2.00% GOR	Campus Creek	Canada	Hard Rock	Spodumene	Development	-
17	Lithium Springs	1.50% GOR	Lithium Springs	Australia	Hard Rock	Spodumene	Development	-
18	Noram Lithium	1.00% GOR	Zeus	United States	Clay	Carbonate	Development	PEA
19	Bradda Head	2.00% GOR	Basin E & W / Wikieup	United States	Clay	Hydroxide	Development	MRE
20	ACME Lithium	2.00% GOR	Shatford Lake / Cat-Euclid Lake	Canada	Hard Rock	Spodumene	Development	-
21	Red Dirt	1.00% GOR	Yinnetharra	Australia	Hard Rock	Spodumene	Development	-
22	Morella	1.50% GOR	Mallina	Australia	Hard Rock	Spodumene	Development	-
23	Morella	1.25% GOR	Tabba Tabba	Australia	Hard Rock	Spodumene	Development	-
24	Morella	1.25% GOR[8]	Mt Edon	Australia	Hard Rock	Spodumene	Development	-
25	Green Technology	1.00% GOR	Seymour Lake	Canada	Hard Rock	Spodumene	Development	MRE
26	Green Technology	1.00% GOR	Root Lake	Canada	Hard Rock	Spodumene	Development	-
27	Green Technology	1.00% GOR	Wisa Lake	Canada	Hard Rock	Spodumene	Development	-
28	Larvotto	1.00% GOR	Eyre	Australia	Hard Rock	Spodumene	Development	-
29	Arvo Lithium	1.25% GOR	Kaustinen / Ilmajoki	Finland	Hard Rock	Spodumene	Development	-

1. Initially assessed at 2.115% of gross revenues. Once Core Lithium achieves certain milestones and LRC makes a contingent payment, each of which is anticipated to occur no later than June 2023, the royalty rate will increase to 2.5%
2. Altius Minerals Corporation has a 10% indirect interest in this royalty
3. Pilot production at the Horse Creek quarry took place in the third quarter of 2021. Commercial production is anticipated to commence in 2023
4. 8.0% of annual gross revenues up to $45M and 4.0% on any portion of annual gross revenues in excess of $45M
5. 2.5% of gross revenues for the first 1.0 Mtpa and 1.5% of gross revenue for any tonne of ore produced thereafter
6. Royalty is payable only on production attributable to the ownership interest of the royalty payor in the relevant property, which ownership interest is less than 100%
7. See detailed description in the prospectus
8. Certain tenements comprising the property are assessed at 3.0% of quarterly gross revenues
9. While Moblan has a historical technical report, it is currently in the process of preparing a new and updated Preliminary Feasibility Study, with a Definitive Feasibility Study to follow
10. Grid Metals has indicated that Mineral Resources declared at Donner Lake are historical in nature and not NI 43-101 compliant. The historical resource estimate is not considered as a current Mineral Resource estimate. A qualified person has not done sufficient work to classify the historical estimate as a current Mineral Resource or Mineral Reserve

FS - Feasibility Study PEA - Preliminary Economic Assessment MRE - Mineral Resource Estimate
DFS - Definitive Feasibility Study IGR – Independent Geologist's Report

Source: Lithium Royalty Corporate Presentation

Final thoughts

Given the Company just reorganized into the publicly traded entity we have today, my numbers could be a little off. My math suggests the Company finished 2022 with US$35 million in cash, raised a net amount of C$100 million as part of the go-public transaction, and acquired its 30th royalty position (not included in the above table) for US$1.8 million. Using today's exchange rate that puts cash available to pursue additional royalties at roughly US$108 million.

There are currently just over 55 million shares outstanding which puts Lithium Royalty's market cap at C$818 million (US$604 million).