

February 13, 2023

ATLX: For Those About Hard-Rock (Lithium); Initiating Coverage With a Buy Rating, \$12 Price Target

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 \$3B). 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.

Strong secular trends. As a critical enabling ingredient for electrification (batteries), the market opportunity for lithium is large and rapidly growing. A rising tide of demand is being led most notably by accelerating adoption of electric vehicles, with the IEA projecting supply scarcity as soon as 2025, absent massive investments in production. Raw material pricing has reflected this dynamic in recent times, with key stakeholders now seeking to secure long-term supplies. Atlas currently owns a large portfolio of hard-rock lithium mineral rights in Brazil and is in the early stages of planning for development of a 100% owned lithium concentration facility with targeted capacity of roughly 150,000 metric tons annually (quick math would suggest potential for future annual sales in the \$1B range based on current prices near \$8K/t). Here we highlight both encouraging early drilling results and robust existing infrastructure in the region.

Mitsui MOU. Following unsolicited advances from several entities, Atlas entered into a MoU with Mitsui & Co. on January 18. The agreement contemplates potential off-take funding of up to \$65M, in tranches and subject to achievement of milestones. In return for the funding, Mitsui would receive the right to buy up to 100% of production (based on prevailing prices, with modest discount to recoup investment over 10 years) from the planned lithium concentrate plant. Key deliverables for initial funding include a PEA/PFS (Preliminary Economic Assessment/Pre-Feasibility Study). More substantial funding (enabling start of construction) could come with a DFS (Definitive Feasibility Study), potentially early next year. Plant installation and start-up is targeted by 2H 2025, though we caution on timelines in this space.

Clean balance sheet and potential catalysts. The company has no formal debt or toxic instruments (only payables related to acquired mineral rights), having eliminated all variable-rate debt during 2021. Looking forward, we highlight clear potential for stock catalysts, including updates on ongoing exploration activity, EV/battery ecosystem partnerships (increasingly common throughout the industry – see recent GM investment in Lithium Americas, for example), and key studies for

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MARKET DATA

Rating	Buy
Price Target	\$12.00
Price	\$6.97
Average Daily Volume	38
52-Week Range	\$1.55-\$23.51
Market Cap (\$M)	\$41.0
Enterprise Value (\$M)	\$33.5
Dividend Yield	0.0%

ESTIMATES

	2022E	2023E	2024E
Revenue (\$M)	0.0	-	-
Non-GAAP			
Q1	0.0	-	-
Q2	0.0	-	-
Q3	0.0	-	-
Q4	0.0	-	-
FY	0.0	1.0	4.5
EV/Sales	4,141.5x	33.2x	7.4x
EPS GAAP			
Q1	(0.12)	-	-
Q2	(0.20)	-	-
Q3	(0.22)	-	-
Q4	(0.26)	-	-
FY	(0.82)	(0.67)	(0.63)
P/E	(8.5)x	(10.4)x	(11.1)x

One Year Performance Chart



Please see analyst certification and important disclosures on page 25 of this report.

the proposed lithium project (resource estimate, preliminary economic assessment, feasibility studies, etc.).

Upside optionality. Beyond the focus lithium project in Minas Gerais, Atlas has several other "shots on goal", including a number of other critical material mineral rights (nickel, cobalt, rare earths, titanium, graphite), as well as 28% ownership interest in Jupiter Gold (quartzite mining expected more near-term) and 45% of Apollo Resources (iron ore, key permits for potential mining recently secured with Brazilian government).

Valuation. Given the consistent history of operating losses (dating to 2013) and still early exploration stage (company transitioned to focus fully on strategic lithium mineral rights more recently), we apply a higher discount rate to potential future resources. We would expect valuation to increase with achievement of key milestones and de-risking of the strategy. Specifically, our \$12 price target is derived using a probability weighted analysis of potential lithium resources. Overview and comparative analysis follows immediately below.

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.

Valuation and investment conclusion

As an exploration stage mineral and mining resource company, Atlas Lithium is focused on developing a portfolio of properties with potentially valuable deposits of various materials. The company's current primary effort is development of its flagship hard-rock lithium project located in the Minas Gerais state in Brazil (still relative early stages, in our view), although the portfolio includes a variety of other assets as well, which we treat as potential upside in our framework. While we point to Sigma Lithium as an aspirational comp, we do highlight that Sigma is much further along in its development efforts. Specifically, Sigma began its exploratory work in 2012, has been producing battery-grade lithium concentrate at pilot scale 2018, and started commissioning of the first phase of its production in December 2022 (targeting initiation of commercial production in April of this year – direct offtake with LG). Other very relevant comps pursuing hard-rock lithium in the region include Lithium Ionic (LTH; not rated) and Latin Resources (LRS; not rated). The former (sporting a current enterprise value around \$200M, maiden resource estimate expected early this year) has a strong cash position (following a recent private placement) and is actively drilling in an area relatively close to Atlas. The latter is engaged in exploration slightly further away and has an enterprise value around \$180M (maiden resource at its flagship Colina deposit recently delivered at an estimated at 13.3M metric tons). Both names represent logical and potential “next-step” upside valuation levels for Atlas Lithium, in our view.

Given the still early stage and binary nature of ultimate production (with achievement of necessary milestones towards economic viability along the way), we view Atlas Lithium stock as much more akin to a biotech from a valuation perspective (significant outperformance if ultimately successful, but by no means assured). Here we utilize a very “crude” enterprise value to quantity of potential resources approach (EV/Resource) in relation to Sigma Lithium (the most relevant comparable assets, in our view), although we would expect NPV and P/NAV analysis to become more relevant with more detailed future economic assessment and project feasibility studies. Given the lack of quantifiable resources as of yet (“Technical Report Summary” on Das Neves project prepared by third-party SLR found evidence for potential tonnage of 1.6-2.2 Mt in a more limited area, with insufficient exploration activity completed to estimate mineral resource/reserve as of yet – related drilling currently underway), we thus apply a significant probability discount in our current analysis. That said, we note a number of future potential milestones that could drive a reduced discount (or a switch in valuation approach).

We highlight that nearby Sigma Lithium (the best-case theoretical comp, in our view) has proven and probable (“2p”) reserves of 54.8M tonnes and currently trades at an enterprise value of roughly \$2.96B (equating to approximately \$54 per metric ton of proven and probable reserves). The company is currently commissioning its phase 1 production of 270,000 tonnes/year (expected start early 2023), ramping to an expected 766,000 tonnes/year starting in early 2024 (with phases 2 and 3). This equates to

roughly \$3,860 per tonne of anticipated near-term production. Our analysis looked at both figures in relation to Atlas Lithium (both potential reserves and potential annual production), discounting back three years at 10% (utilizing a very rough stab at potential start-up date). To these theoretical numbers we assigned a probability of 15% to arrive at our current price target of \$12 (enterprise value of just over \$70M, assuming pro forma share count and cash position following recent moves). We highlight that the company could easily be valued at \$1B or more if ultimately successful (based on current comps and our NPV assumptions), demonstrating the binary nature of any future lithium concentrate production.

Figure 1 – Comparative valuation

USDS millions, except per share and as noted													
Comparables	Ticker	LAST	Market Cap	Enterprise Value	Insider Ownership	Institutional Ownership	SI as % float	CY 23 EV/S	P/E CY23	CY 23 EV/EBITDA	CY 24 EV/S	P/E CY24	CY 24 EV/EBITDA
Albemarle Corporation	ALB	\$262.99	\$31,325	\$33,677	0.2%	83.1%	3.4%	3.0x	9.1x	7.1x	3.0x	9.2x	7.3x
Frontier Lithium Inc.	TSXV:FL	\$2.15	\$490	\$480	16.6%	1.4%	0.3%	n/a	n/a	n/a	n/a	n/a	n/a
ioneer Ltd	ASX:INR	\$0.28	\$577	\$482	7.7%	15.5%	0.0%	n/a	n/a	n/a	n/a	n/a	n/a
Lake Resources NL	ASX:LKE	\$0.51	\$701	\$579	3.9%	26.0%	0.0%	n/a	n/a	n/a	10.5x	n/a	56.9x
Latin Resources Limited	ASX:LRS	\$0.09	\$199	\$176	15.8%	5.8%	0.0%	6913.2x	n/a	n/a	n/a	n/a	n/a
Lithium Americas Corp.	LAC	\$24.62	\$3,492	\$3,342	9.7%	24.5%	10.4%	9.7x	n/a	n/a	n/a	n/a	n/a
Lithium Ionic Corp.	TSXV:LTH	\$1.81	\$214	\$205	17.0%	2.5%	0.0%	n/a	n/a	n/a	n/a	n/a	n/a
Mineral Resources Limited	ASX:MIN	\$62.42	\$11,797	\$12,313	12.6%	39.8%	0.0%	2.4x	6.9x	4.6x	2.1x	6.9x	4.1x
Piedmont Lithium Inc.	PLL	\$0.67	\$1,209	\$1,083	9.2%	49.6%	0.0%	8.1x	n/a	8.0x	2.9x	n/a	3.8x
Pilbara Minerals Limited	ASX:PLS	\$3.33	\$9,977	\$9,769	0.5%	29.6%	0.0%	3.3x	6.0x	4.0x	4.3x	8.1x	5.5x
Rock Tech Lithium Inc.	TSXV:RCK	\$2.36	\$245	\$215	9.0%	1.4%	0.0%	n/a	n/a	n/a	3.9x	n/a	15.4x
Sayona Mining Limited	ASX:SYA	\$0.17	\$1,452	\$1,372	5.9%	17.2%	0.0%	n/a	n/a	n/a	n/a	n/a	n/a
Sigma Lithium Corporation	SGML	\$28.58	\$2,957	\$2,895	3.1%	17.9%	1.9%	5.6x	8.2x	6.8x	6.4x	23.1x	8.6x
Standard Lithium Ltd.	TSXV:SLI	\$4.41	\$772	\$692	5.8%	12.2%	6.2%	n/a	n/a	n/a	n/a	n/a	n/a
Median								5.6x	7.6x	6.8x	3.9x	8.6x	7.3x
Atlas Lithium Corporation	ATLX	\$6.93	\$46	\$47	9.8%	1.6%	1.3%	46.2x	n/a	n/a	10.3x	n/a	n/a
								46.2x	n/a	n/a	10.3x	n/a	n/a

EF Hutton

Source: EF Hutton and CapitalIQ Consensus, as of 2/10/23

Consequently, we derive a 12-month price target of \$12 for Atlas Lithium, initiating coverage with what would describe as a “speculative” Buy recommendation given the still exploratory stage (high risk, high reward). As discussed, we see solid comparative valuation support in both Latin Resources and Lithium Ionic (each with a current enterprise value in the range of more than 3x Atlas Lithium). We highlight additional potential value not factored in our price target (other mineral rights and interests in both Apollo Resources and Jupiter Gold), offering what we view as additional downside protection and upside optionality.

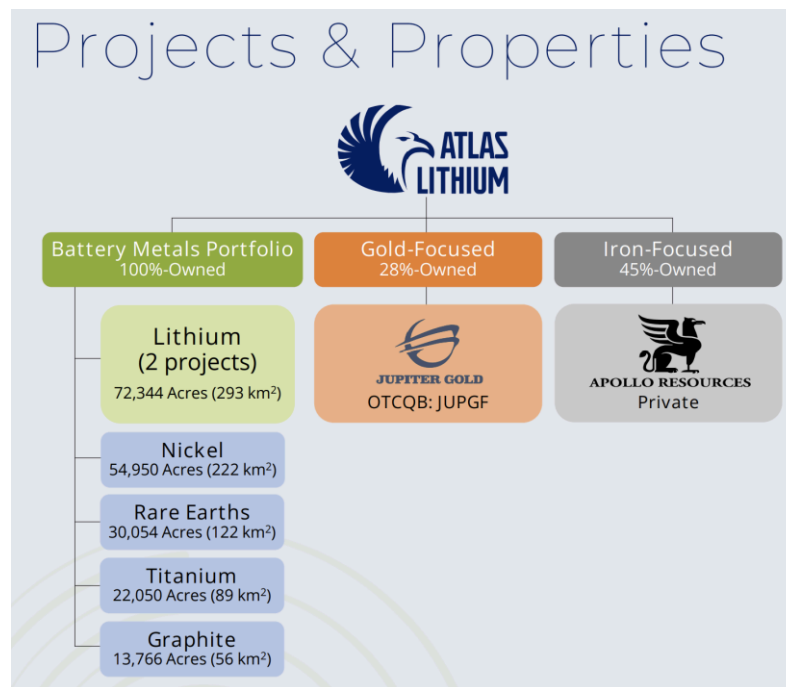
Atlas Lithium Overview

Company background and overview

Incorporated in the United States (CEO maintains an office in California) but operating in Brazil (headquarters in Belo Horizonte), Atlas Lithium Corp. is a mineral exploration company pursuing a variety of potential projects in the region. Most notably, Atlas is currently focused on developing its flagship hard-rock lithium project located in the well-established Minas Gerais pegmatitic district in Brazil (with mineral rights located near a project being developed by Sigma Lithium). Here, the company seeks to initiate production of lithium concentrate, an essential ingredient in the rapidly growing supply chain for lithium-ion batteries.

Atlas Lithium currently controls a mineral rights portfolio including roughly 72,344 acres for lithium (across 59 mineral rights), 54,950 acres for nickel (across 15 mineral rights), 30,054 acres for rare earths (across 7 mineral rights), 22,050 acres for titanium (across 7 mineral rights), and 13,766 acres for graphite (across 3 mineral rights). Atlas acquired an additional 5 lithium mineral rights in Minas Gerais on 1/19/23 (not reflected in chart below, bringing total hard-rock exploration acreage to roughly 75,040). Atlas also owns 45% of privately held Apollo Resources, a company that has recently secured permits to mine iron ore at its 100% owned project in Brazil (providing potential complementary and uncorrelated cash flow generation for the platform). Additionally, Atlas owns 28% of the gold and quartzite player Jupiter Gold (OTCQB: JUPGF).

Figure 2 – Atlas Lithium overview



Source: Company reports

The company itself went public via a reverse merger with Flux Technologies in December 2012 and was known as “Brazil Minerals” before changing its name to Atlas Lithium on September 26, 2022 (original target gold and diamond mineral rights came from the former Canadian listed company Vaaldiam). Atlas Lithium completed a reverse split (1-for-750) in December 2022 ahead of a successful up-list to NASDAQ in early January. As part of the up-listing process, Atlas raised gross proceeds of \$4.6575M by issuing 776,250 shares at \$6.00, including full exercise of the over-allotment option. We note a consistent history of net losses since inception – see look-back in financial analysis section further below

Company overview

As mentioned, Atlas Lithium is a development stage mineral exploration company with a number of key mineral rights located in Brazil, including the largest portfolio of hard-rock lithium assets in the country. Atlas Lithium also owns approximately 45% of privately held Apollo Resources (focused on iron ore, key permits recently secured with Brazilian government) and roughly 28% of publicly held Jupiter Gold (focused on gold and quartzite). We currently view these assets as representing potential upside to our price target, while also providing potential complementary cash flows over time.

Atlas is currently focused primarily on developing a hard-rock lithium project located in a well-established pegmatitic district in Brazil (nearby project being developed by public entity Sigma Lithium – current enterprise value roughly \$3B). Here, the company seeks to initiate production of lithium concentrate, an essential ingredient in the rapidly growing supply chain for lithium-ion batteries. The company also controls various other mineral exploration rights related to several critical battery materials (nickel, cobalt, graphite, titanium and rare earths).

Where exactly does lithium come from?

The majority of lithium used in Li-ion batteries today is produced either from brine or hard rock resources. The former includes deposits of metallic brine formed from accumulations of saline groundwater that get enriched in dissolved lithium (geothermal brine is being explored as another potential future source of lithium production). Here, the brine is typically pumped to the surface and evaporated in a succession of ponds where lithium salts ultimately get extracted (thus a process usually found in very arid regions). Once enough purity is obtained (via transfer to new ponds and evaporation), the material is processed at a chemical plant to produce the final product (lithium carbonate). This lithium carbonate can be further treated to create lithium hydroxide. The majority of lithium production from brines today is performed in Chile and Argentina (with some U.S. production in Nevada).

As the name suggests, “hard rock” lithium deposits are hosted within rock-like material (located in natural intrusions that are known as pegmatites). These pegmatites are formed when mineral-rich magma from magma chambers flows into the earth’s crust. Water and other minerals become concentrated as the magma cools, resulting in the rapid growth of large crystals that distinguish pegmatites from surrounding rocks. These pegmatites often form seams that intrude into other rocks in varying degrees of

thickness. Contained within these crystal-like pegmatites can be the key lithium-bearing mineral known as spodumene (which can have theoretical Li₂O content of 8.03%, or 3.73% lithium by weight). Spodumene concentrate 6 (about 6% lithium content) in particular is a high-purity ore that can serve as a key raw material in the production of Li-ion batteries. Pegmatites can also include the mineral petalite (up to 4.5% Li₂O content, or 2.09% lithium by weight), among others.

Pricing for lithium spodumene has historically not been disclosed (unlike for lithium carbonate and lithium hydroxide), although is now tracked by the reporting agency FastMarkets MB (given growing importance of hard-rock lithium concentrate as a feedstock for chemical conversion). We highlight more recent spot prices (as of 1/19/23) for Spodumene 6% Li₂O in the range of \$7,900-\$8,200 per tonne.

Figure 3 – Historical spodumene pricing (monthly average spot prices)

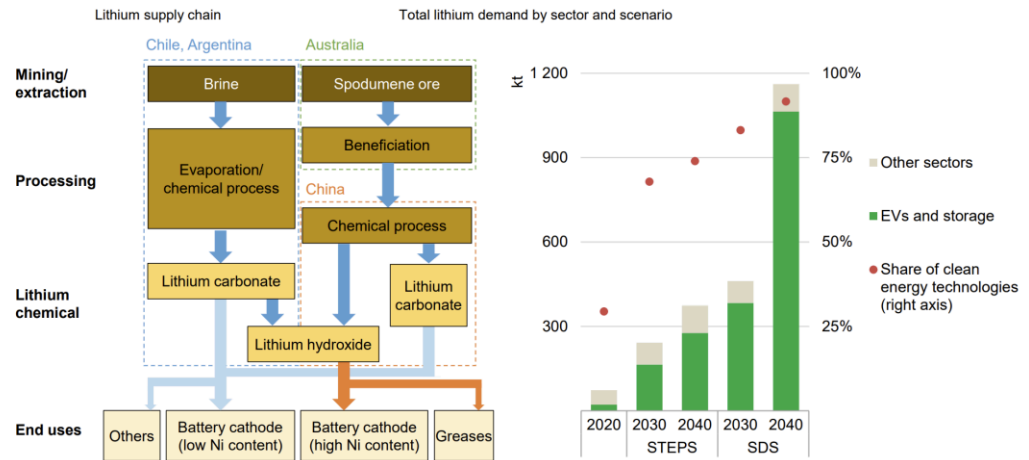
Brazil Minerals Inc. – Das Neves Lithium Project	
Month	US\$/t 6% Li ₂ O CIF China
Jul 2021	720
Aug 2021	915
Sep 2021	1,175
Oct 2021	2,250
Nov 2021	2,275
Dec 2021	2,300
Jan 2022	2,300
Feb 2022	2,563
Mar 2022	3,500
Apr 2022	4,792
May 2022	5,888

Source: FastMarkets via Atlas Lithium Technical Report Summary

Ore extraction at hard-rock mines is accomplished using conventional mining techniques, with concentration of the spodumene accomplished via crushing, dense media separation and various other methods (with the final product resembling a powder). We note that the lithium contained in spodumene can be processed into either lithium hydroxide or lithium carbonate (whereas brines require an additional processing step to convert lithium hydroxide into lithium carbonate). Lithium hydroxide offers several advantages that make it more attractive for use in battery manufacturing (performance, safety, sustainability, etc.). Most hard-rock mines ship their spodumene concentrate to lithium hydroxide or carbonate conversion plants (most located in China today, although we expect future plants to be built in the US and Europe – particularly given current policy tailwinds). According to analysis from S&P Global Market Intelligence, average total cash costs for hard-rock lithium mines were less than half of brine operations in 2019 (though margins were higher for brine producers given integrated conversion facilities).

Figure 4 – A look at the lithium supply chain

Lithium: From resource to consumer



Source: <https://iea.blob.core.windows.net/assets/ffd2a83b-8c30-4e9d-980a-52b6d9a86fdc/TheRoleofCriticalMineralsinCleanEnergyTransitions.pdf>

Mining in Brazil

The exploration and extraction of Brazilian mineral resources are defined and regulated by the 1967 Mining Code as administered by the country’s national mining agency (Agência Nacional de Mineração, or ANM). Here we note two primary frameworks under the code: authorization of exploration (Autorização de Pesquisa, or EA) and mining concession (Concessão de Lavra). Exploration is allowed for a maximum of three years (with potential maximum extension for an additional three years), with a final report of related work required (after which a request for concession may be requested). Absent a positive final report (and usage of the maximum extension period), the mineral rights will go to auction. The Brazilian Ministry of Mines and Energy ultimately grants mining concessions, which are valid until relevant mineral resources have been depleted (subject to annual production reports and royalty payments in the range of 1-3%). The table below outlines the mineral rights (and status) owned by Atlas in Minas Gerais (additional 5 rights recently acquired in the region not reflected below). We note that the Technical Summary report prepared by SLR found certain mineral rights that did not have lithium mineralization or lithium related materials listed as the primary mineral substance in the Brazilian ANM system (suggesting that Atlas make this change).

Figure 5 – Atlas Lithium Das Neves rights

Brazil Minerals Inc. – Das Neves Lithium Project

ANM Registry No.	Location	Licence Date	Area (ha)	Status	Expiry Date ¹
833.465/2004	ITINGA/MG	3/21/2005	271.44	Exploration Authorization	03/21/08
831.265/2021	CORONEL MURTA/MG VIRGEM DA LAPA/MG	11/5/2021	856.7	Exploration Authorization	11/05/24
831.260/2021	CORONEL MURTA/MG	11/5/2021	49.53	Exploration Authorization	11/05/24
831.255/2021	ARAÇUAÍ/MG	11/5/2021	240.36	Exploration Authorization	11/05/24
831.261/2021	CORONEL MURTA/MG VIRGEM DA LAPA/MG	11/5/2021	97.05	Exploration Authorization	11/05/24
831.341/2021	ITINGA/MG	11/29/2021	212.82	Exploration Authorization	11/29/24
831.340/2021	CORONEL MURTA/MG	12/16/2021	76.08	Exploration Authorization	12/16/24
831.342/2021	ARAÇUAÍ/MG	12/16/2021	146.46	Exploration Authorization	12/16/24
830.751/2022	ARAÇUAÍ/MG	4/18/2022	10.91	Exploration Authorization Application	—
833.631/2004	ARAÇUAÍ/MG	3/21/2005	236.5	Exploration Authorization	03/21/08
833.941/2006	CORONEL MURTA/MG	12/28/2006	342.65	Exploration Authorization	01/19/07
833.880/2008	CORONEL MURTA/MG	11/27/2009	718.52	Exploration Authorization	11/27/12
833.881/2008	CORONEL MURTA/MG VIRGEM DA LAPA/MG	11/27/2009	837.61	Exploration Authorization	11/27/12
830.162/2018	RUBELITA/MG	9/26/2018	116.58	Exploration Authorization	09/26/21
830.825/2019	VIRGEM DA LAPA/MG	2/11/2021	986.89	Exploration Authorization	02/11/24
830.826/2019	CORONEL MURTA/MG VIRGEM DA LAPA/MG	6/14/2021	48.49	Exploration Authorization	06/14/24
830.915/2019	CORONEL MURTA/MG RUBELITA/MG	2/11/2021	179.78	Exploration Authorization	02/11/24
830.917/2019	CORONEL MURTA/MG	2/11/2021	9.97	Exploration Authorization	02/11/21
830.918/2019	CORONEL MURTA/MG	12/10/2020	76.53	Exploration Authorization	12/10/23
830.919/2019	CORONEL MURTA/MG	12/10/2020	49.78	Exploration Authorization	12/10/23
830.824/2020	CORONEL MURTA/MG ARAÇUAÍ/MG	7/16/2019	847.67	Exploration Authorization	
831.449/2020	CORONEL MURTA/MG VIRGEM DA LAPA/MG	1/27/2021	1887.17	Exploration Authorization	01/27/24
831.450/2020	CORONEL MURTA/MG	4/6/2021	71.89	Exploration Authorization	04/06/24
831.451/2020	CORONEL MURTA/MG	4/6/2021	39.91	Exploration Authorization	04/06/24
831.452/2020	VIRGEM DA LAPA/MG	1/27/2021	257.8	Exploration Authorization	01/27/24
830.916/2019	CORONEL MURTA/MG	5/19/2021	1905.26	Exploration Authorization	05/19/24
830.127/2021	RUBELITA/MG	6/28/2021	1035.84	Exploration Authorization	06/28/24
830.128/2021	ARAÇUAÍ/MG ITINGA/MG	6/28/2021	654.78	Exploration Authorization	06/28/24
830.111/2021	CORONEL MURTA/MG VIRGEM DA LAPA/MG	9/14/2021	44.14	Exploration Authorization	09/14/24
831.258/2021	ARAÇUAÍ/MG NOVO CRUZEIRO/MG	11/5/2021	987.78	Exploration Authorization	11/05/24
830.203/2021	ITINGA/MG	2/4/2022	285.18	Exploration Authorization	02/04/25
830.206/2021	RUBELITA/MG	7/2/2021	94.95	Exploration Authorization	07/02/24
831.338/2021	ARAÇUAÍ/MG	12/16/2021	458.56	Exploration Authorization	12/16/24
831.339/2021	ARAÇUAÍ/MG	12/16/2021	338.16	Exploration Authorization	12/16/24
830.299/2021	CORONEL MURTA/MG VIRGEM DA LAPA/MG	7/1/2021	1966.15	Exploration Authorization	07/01/24
830.300/2021	CORONEL MURTA/MG VIRGEM DA LAPA/MG	7/2/2021	1988.88	Exploration Authorization	07/02/24
830.304/2021	SALINAS/MG TAIOBEIRAS/MG	2/4/2022	679.99	Exploration Authorization	02/04/25
830.920/2019	CORONEL MURTA/MG VIRGEM DA LAPA/MG	11/02/2021 24/12/2021	34.64	Exploration Authorization	11/02/2024 24/12/2024
831.360/2021	CORONEL MURTA/MG VIRGEM DA LAPA/MG	9/17/2021	163.73	Exploration Authorization	09/17/24
831.390/2021	CORONEL MURTA/MG	11/18/2021	14.86	Exploration Authorization	11/18/24
831.239/2021	CORONEL MURTA/MG	10/20/2021	75.24	Exploration Authorization	10/20/24
833.356/2007	ARAÇUAÍ/MG	03/18/2022	1,714.27	Exploration Authorization	03/18/2025
832.925/2008	ARAÇUAÍ/MG	04/18/2022	122.13	Exploration Authorization	04/18/2024
832.639/2003	ARAÇUAÍ/MG	08/12/2003	780	Exploration Authorization	08/12/2005
833.331/2006	ARAÇUAÍ/MG	10/14/2008	67.5	Exploration Authorization	10/14/2011

Notes:

1. Expiry date refers to the date when the mineral right owner must file a required document, which can include a technical report or any other document requested by the ANM. If the ANM does not approve, or rejects, the document, this date is not updated by the Brazilian agency.

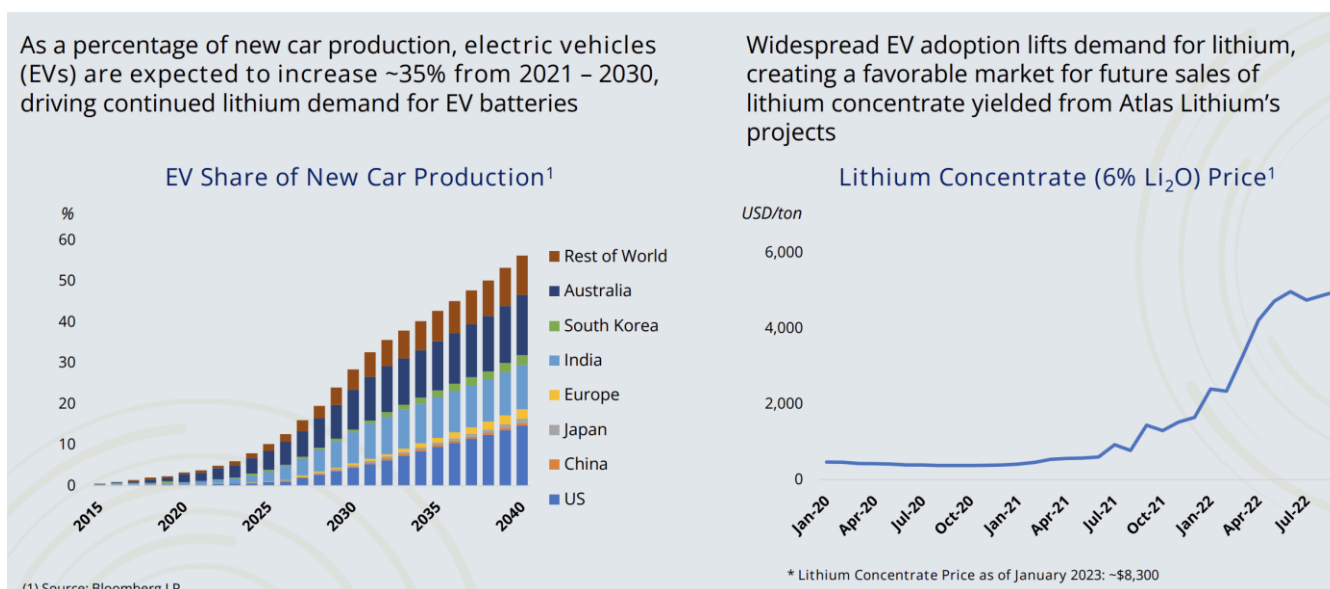
Source: Company reports (TRS Report prepared by SLR)

The Lithium Market Opportunity

Atlas Lithium competes in what we view as very large markets with long-term secular growth opportunities, including the rapidly growing need for battery materials and related supply chains. As a key component in Li-ion batteries (leading source of global demand, followed by ceramics, glass and grease), the market opportunity for lithium is large and rapidly growing. Lithium itself has unique properties given that it is lightest metal (atomic number 3), has high reactivity and excellent electrical conductivity. We note that production of lithium more than tripled during the decade ended in 2020 (reaching 82,500 tons from just 25,000 tons in 2010), with Australia and Latin America accounting for the majority of production (roughly 80%). Major players active in the market include fully integrated multinationals such as SQM (Sociedad Quimica y Minera de Chile), Livent, Albemarle, Tianqi Lithium and Jiangxi Ganfeng Lithium, among others.

According to analysis from IEA, reaching goals of the Paris Agreement (2°C global temp rise) would require roughly a quadrupling of related mineral requirements by 2040, while a move to net-zero globally by 2050 would result in roughly 6x the required mineral inputs in 2040 vs. today. Lithium in particular is expected to see the largest such growth, with demand forecast to grow by more than 40 times by 2040 (under the Paris Agreement scenario). Elsewhere, McKinsey projects that global demand for Li-ion batteries will increase from roughly 700 GWh in 2022 to 4.7 TWh (or 4,700 GWh) by 2030, with mobility applications driving the bulk of growth ([link](#)). Key drivers of this sizable projected growth (roughly 33% per year on average) include a wide variety of net-zero targets and associated initiatives/policies globally, as well as underlying economic benefits. We note that 13 of the top 15 automotive OEMs have already pledged to stop producing ICE vehicles in the future.

Figure 6 – Lithium market – volume (EV's) and price (lithium concentrate)



Source: Company reports

Per analysis contained in the 2022 Mineral Commodity Summary from the U.S. Geological Survey, total global production of lithium reached roughly 100,000 metric tons in 2021, up from 82,500 tons the year prior (while identified lithium resources were nearly 90 million tons).

Figure 7 – USGS lithium summary

World Mine Production and Reserves: Reserves for Argentina, Australia, and “Other countries” were revised based on new information from Government and industry sources.

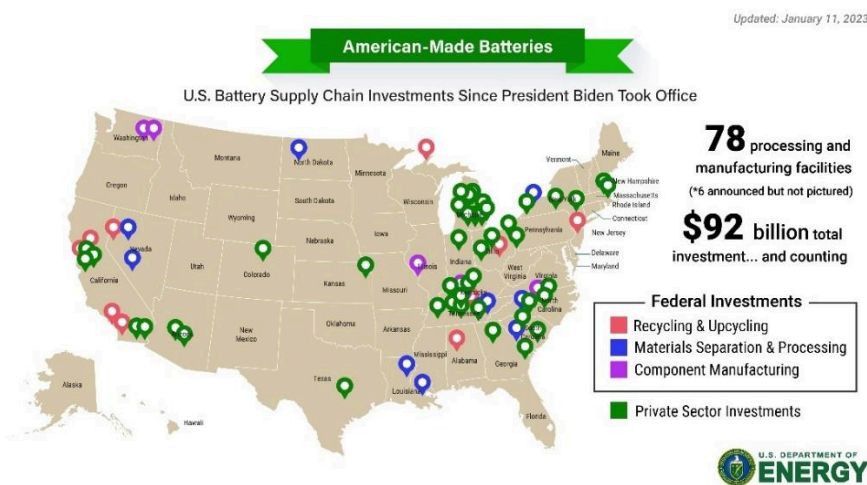
	Mine production		Reserves ⁶
	2020	2021 ⁶	
United States	W	W	750,000
Argentina	5,900	6,200	2,200,000
Australia	39,700	55,000	⁷ 5,700,000
Brazil	1,420	1,500	95,000
Chile	21,500	26,000	9,200,000
China	13,300	14,000	1,500,000
Portugal	348	900	60,000
Zimbabwe	417	1,200	220,000
Other countries ⁸	—	—	<u>2,700,000</u>
World total (rounded)	⁹ 82,500	⁹ 100,000	22,000,000

World Resources:⁶ Owing to continuing exploration, identified lithium resources have increased substantially worldwide and total about 89 million tons. Identified lithium resources in the United States—from continental brines, geothermal brines, hectorite, oilfield brines, pegmatites, and searlesite—are 9.1 million tons. Identified lithium resources in other countries have been revised to 80 million tons. Identified lithium resources are distributed as follows: Bolivia, 21 million tons; Argentina, 19 million tons; Chile, 9.8 million tons; Australia, 7.3 million tons; China, 5.1 million tons; Congo (Kinshasa), 3 million tons; Canada, 2.9 million tons; Germany, 2.7 million tons; Mexico, 1.7 million tons; Czechia, 1.3 million tons; Serbia, 1.2 million tons; Russia, 1 million tons; Peru, 880,000 tons; Mali, 700,000 tons; Zimbabwe, 500,000 tons; Brazil, 470,000 tons; Spain, 300,000 tons; Portugal, 270,000 tons; Ghana, 130,000 tons; Austria, 60,000 tons; and Finland, Kazakhstan, and Namibia, 50,000 tons each.

Source: <https://pubs.usgs.gov/periodicals/mcs2022/mcs2022-lithium.pdf>

Looking forward, we note a large number of planned expansions and new projects expected to add significantly to globally lithium supplies (that could potentially lead to a much more balanced market versus the current environment, with many forecasters projecting modest declines in pricing). That said, we point out that creating new supply is no easy task, requiring significant time and effort (and facing substantial risk of not coming to fruition). At the same time, we highlight roughly \$92B of announced investments in United States battery supply chain since the start of the new administration alone, as demand is likely to continue to accelerate, in our view. We note similar large investments planned in Europe and other regions (AKA the march of the “gigafactories”).

Figure 8 – US battery supply chain investments

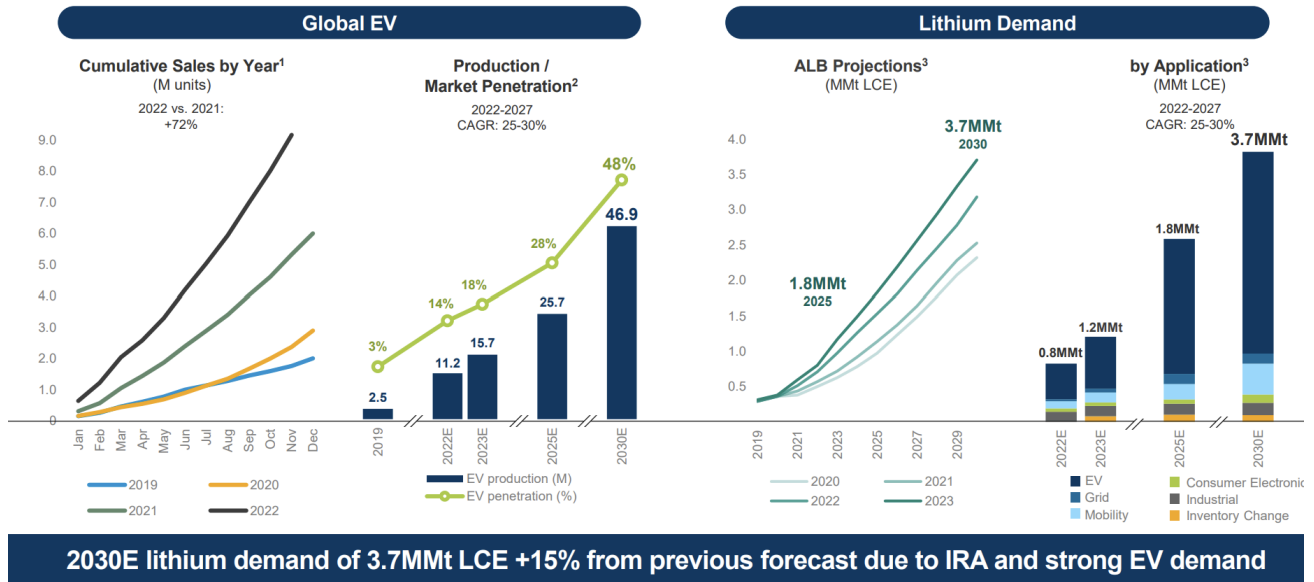


Source: DOE

As a result of expected demand, many forecasters (such as the widely used Benchmark Mineral Intelligence) anticipate future market supply/demand imbalances. Industry leader Albemarle (ALB; not rated), for example, recently increased its 2030 market demand estimates by 15% as a result of current funding initiatives and accelerating EV demand (anticipating roughly 5x growth by 2030).

Figure 9 – Albemarle’s view of the lithium market

Increasing Our Lithium Market Demand Outlook: 5x Growth by 2030



¹ Marklines data as of 01/03/2023, FY 2022 vehicle sales are preliminary and do not include December data
² S&P Global Mobility, Global Production based Alternative Propulsion Forecast, November 2022 ³ Albemarle analysis



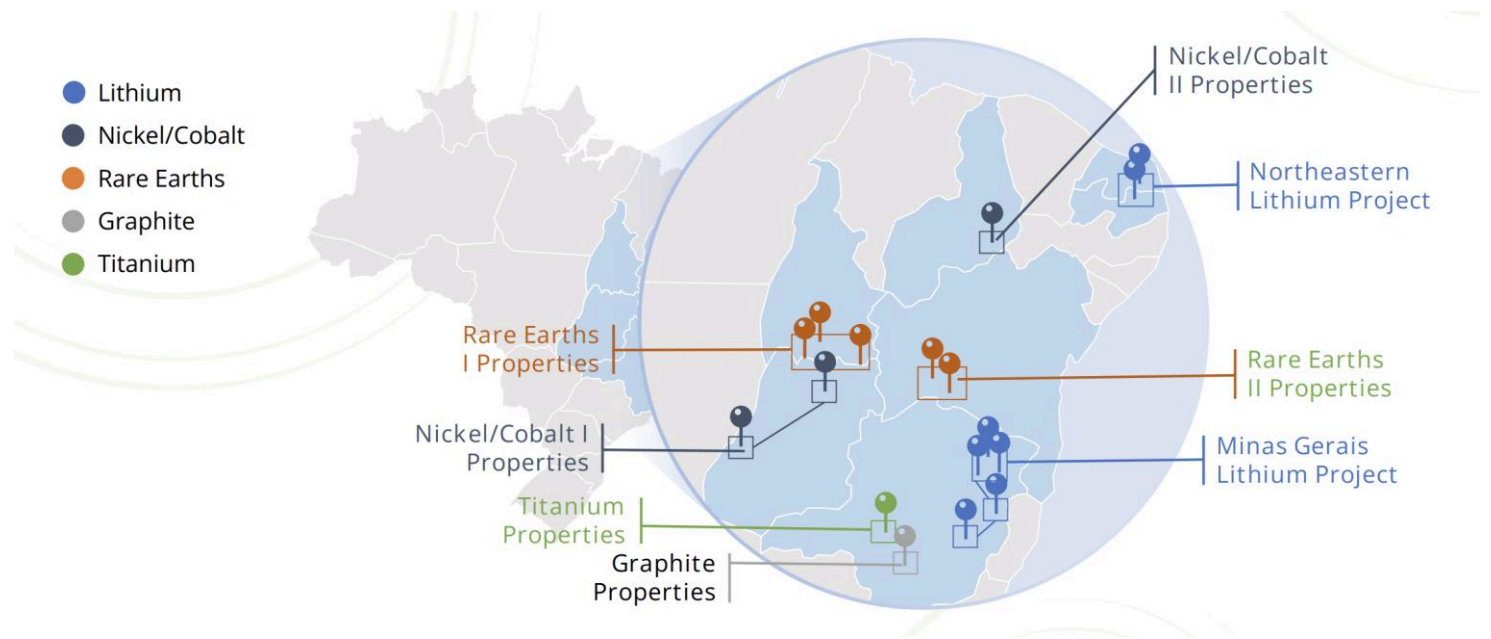
Source: Albemarle 2023 Strategic Update

Portfolio overview

As an exploration stage mineral and mining resource company, Atlas Lithium is seeking to develop a portfolio of assets and investments with potentially valuable deposits of various materials. The company’s current primary focus is on development of its flagship hard-rock lithium project located in the Minas Gerais state in Brazil, although the portfolio includes a variety of other assets as well. Atlas filed its initial exploration Technical Report Summary (in accordance with SEC’s Regulation SK-1300) on September 7, 2022. The report (authored in support of NASDAQ listing by independent consultancy SLR International Corporate) covered six mineral rights in three exploration areas located in the Das Neves, Tesouras and Santa Clara areas (effective date 8/10/22 and following site visit from 6/2-6/4/22). Key conclusions from the report included analysis of the Das Neves exploration work, including 18 drill holes completed between August 2021 and April 2022 (intersecting ~77 meters of spodumene pegmatite in seven holes). Here, information from surface mapping and the 18 drill holes suggested potential conceptual tonnage of 1.6-2.2 Mt at an average grade ranging from 0.21% to 0.22% Li₂O (although we note insufficient exploration to define a Mineral Resource as yet, per SLR).

The report found it reasonable that two phases of drilling in the Das Neves area could support a future Mineral Resource estimate.

Figure 10 – Atlas Lithium battery metals exploration portfolio (100% owned mineral rights)



Source: Company reports

Flagship Minas Gerais Lithium Project (“MGLP”)

The company’s flagship lithium project in Minas Gerais, Brazil, includes a total of 52 specific mineral rights spanning roughly 227 square kilometers in well-known districts for lithium resources (in and around the Aracuai and Itinga areas). More recently (1/19/23), the company acquired five more mineral rights in the region (expanding footprint to roughly 304 square kilometers). Atlas also controls another seven mineral rights in Northeastern Brazil (outside Minas Gerais) with potential economic deposits of spodumene. Located in the southeastern part of Brazil, we note that the expansive Minas Gerais (roughly translated as “General Mines”) region itself has long been a focus of mineral exploration efforts (including iron, gold and zinc among many resources). As mentioned, several of Atlas’ mineral rights are located adjacent or very close to rights belonging to Sigma Lithium Corporation (currently advancing a major large hard-rock lithium project). Atlas initiated exploration of the Minas Gerais project in early 2021, confirming the presence of hard-rock lithium-bearing pegmatites across a wide area. Atlas is now actively drilling and in the early stages of planning for development of a 100% owned lithium concentration facility with targeted nameplate capacity of roughly 150,000 tons annually.

Offtake financing potential

Notably, Atlas previously disclosed that it had been approached (unsolicited) by two large companies that are seeking to secure lithium supplies. One of these entities has recently offered Atlas a non-binding and preliminary written proposal that would provide potential capital for construction of a lithium concentration plant (in exchange

for the right to acquire planned production at a modest discount to prevailing market prices). Specifically, Atlas announced on January 18 that it has entered into a formal MoU with Mitsui & Co., with the agreement contemplating potential offtake funding of up to \$65M (in tranches and subject to achievement of milestones). In return for the funding, Mitsui would receive the right to buy up to 100% of production (at then prevailing prices, minus very small discount to recoup investment over a 10-year period) from the planned lithium concentrate plant. As part of this non-exclusive agreement (flexibility for Atlas), Mitsui will also seek to collaborate with Atlas in other strategic areas. Notably, Mitsui has been very active in the region, including via original plans to help finance Sigma Lithium Resources' processing plant in Minas Gerais (Grota do Cirilo). We also highlight that the company was an investor in the major mining company Vale S.A. (with Mitsui's Director and GM of its mineral and metallic resources division currently serving on Vale's board).

The specific current focus mineral rights owned by Atlas Lithium are located in northeastern Minas Gerais along the Eastern Brazilian Pegmatite (EBP) province extending more than 850 kilometers across what is a well-known mining region. Here the company owns 52 individual lithium mineral rights totaling 56,078 acres (~227 square kilometers) near the Aracuai mining district (home to all of Brazil's current commercial lithium production and known reserves). The mineral rights cover four primary prospect areas (Das Neves, Santa Clara, Salinas, and Tesouras) that have had limited exploration with modern methods. Notably, the Neves and Santa Clara rights are directly adjacent to and along trend of a large cluster of known lithium deposits (currently in process of being developed by Sigma Lithium). As mentioned, the company acquired an additional five mineral rights in January, bringing its total exploration footprint to roughly 75,040 acres (~304 square kilometers).

Importantly, we highlight very well-developed local infrastructure given lengthy mining history in the region, including power (hydroelectric), water, and transport (roads and port access). Ample semi-skilled labor and key suppliers are also readily available. Other relevant activity in the region includes the privately held Cachoeira underground lithium mine (producing), the Grota do Cirilo open pit mine (under development), as well as several earlier stage exploration projects (held by publicly traded companies).

Figure 11 – Atlas Lithium Minas Gerais mineral rights

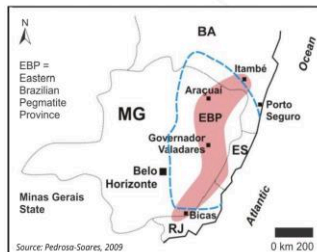
Geologic Address

Eastern Brasil Pegmatite Province – EBP

- 150,000 km² Aracuai orogenic belt of large granitic igneous intrusives and related pegmatite deposits
- Extends more than 850 km across eastern Minas Gerais state
- Host to at least 1,000 pegmatites mined since 1940's
- Multiple mineral commodities including Lithium, Tin, Tantalum-Niobium, industrial minerals, rare gemstones and dimension stone

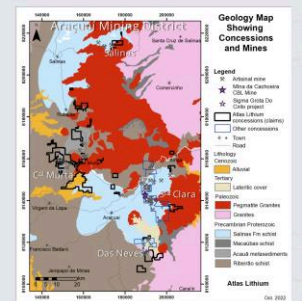
Aracuai Mining District

- Home to Brazil's only producing lithium mine and commercial reserves
- More than 300 productive pegmatites – published reports
- Well developed road system with direct routes to international seaports
- Ready access to water and local power grid
- Unique for its hard-rock lithium pegmatite deposits



Mineral Properties Minas Gerais Lithium Project

- 227 km² of 100% Atlas-owned mineral rights comprising largest lithium portfolio in Brazil
- Dominant property position in Aracuai mining district, covering multiple centers of prospective pegmatite mineralization
- Strategically located near operating CBL lithium mine and adjoining Sigma Lithium's development stage Grota do Cirilo project and Latin Resources' Salinas exploration project
- Untested by modern systematic exploration methods
- Current exploration focus is on our Neves target adjoining Sigma's São José property
- First pass field reconnaissance scheduled to commence over other district concession holdings in H1 2023



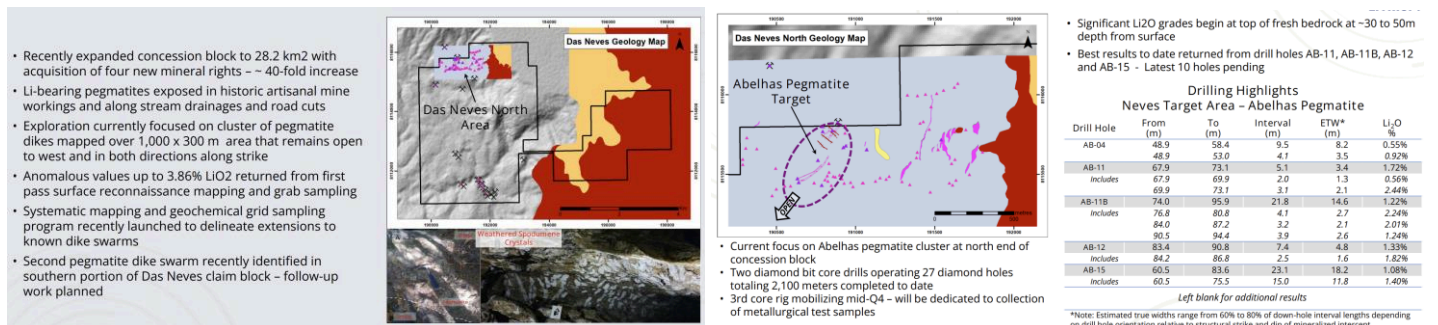
Source: Company reports

With encouraging drilling results already (suggesting potential high-quality deposits), Atlas is now using proceeds from its recent offering to accelerate related exploration efforts. Here, the company has engaged independent experts BNA Mining Solution and Geologia e Engenharia (GEO) to help supervise the program (including 3 lithium experts that meet the Qualified Person definition under Regulation S-K 1300). A preliminary exploration technical report from GEO has confirmed presence of the lithium-containing minerals spodumene and petalite (second phase of exploration work currently underway, including deeper drilling of specific targets).

Das Neves Area Project (Minas Gerais Lithium Project subset)

Atlas is actively drilling mineral rights in its roughly 28 square kilometer Das Neves Area (building on initial prospecting efforts and preliminary mapping completed in 2021), with 20 specific pegmatite outcrops discovered so far (yielding intersects of up to 3.26% lithium oxide). Further studies (SGS-Geosol laboratory) have demonstrated the ability to concentrate these samples to 6.78% lithium oxide (commercial grade industry standard is 6.0%). Specifically, Atlas completed 48 diamond drill holes (totaling 3,659 meters) at Neves from August of 2021 through the end of 2022. Management is currently focused on the Abelhas pegmatite cluster (mapped over an area roughly 1,000 by 400 meters), with four diamond drill core rigs in operation (fifth added in early January). The company released related assay results for the first 23 drill holes in November of last year (highlights shown on right below – best results in hole AB-11).

Figure 12 – Atlas Lithium Das Neves target overview and drilling highlights



Source: Company reports

Santa Clara Target (Minas Gerais Lithium Project subset)

The Santa Clara target has undergone less than exploration than Das Neves. Management highlights that preliminary reconnaissance mapping has identified potential lithium-containing pegmatites in an inactive artisanal mine and nearby outcrops exposed over an area roughly 100x30 meters. Three additional pegmatites identified in the area have been mapped over areas ranging from 150-240 meters in length and 10-15 meters in width (partially exposed at surface).

Salinas Target (Minas Gerais Lithium Project subset)

Preliminary field reconnaissance by Atlas has discovered several spodumene-bearing pegmatites at the Salinas target, with the exposed outcropping of one measuring

roughly 200 meters in length and 40 meters in width (roughly one kilometer from Lavra do Oscar artisanal mining site that previously produced spodumene).

Tesouras Target (Minas Gerais Lithium Project subset)

Atlas has performed less exploration (no drilling) at the Tesouras target (Coronel Murta area) than Das Neves, with reconnaissance field mapping and sampling returning multiples samples with anomalous lithium as part of exposed petalite mineralization.

Figure 13 – Atlas Lithium other targets

Other District Targets
All 100%-Owned

Santa Clara Area

- Adjoins Sigma Lithium's Grotta do Cirulo property, recently expanded with acquisition of 4 new concessions
- 14 prospective pegmatites mapped on original concession – field reconnaissance over new concessions pending
- Lithium-bearing minerals identified in outcrop and historic artisanal workings
- Field reconnaissance mapping/sampling scheduled to commence Q1 2023

Salinas Area

- Newly acquired concession block adjoining Latin Resources' resources Salinas exploration project
- Field reconnaissance mapping/sampling planned for Q1 2023

Coronel Murta Area

- Multiple concession blocks covering western Araçuaí district
- Large pegmatite field known for producing gem quality tourmalines
- Spodumene known to occur however no previous lithium exploration activity reported in the area

Pegmatite Outcrop – Santa Clara Target

Exploration Drilling – Das Neves Target

Source: Company reports

Other Mineral Properties

Atlas also maintains 100% ownership of a number of early-stage exploration projects of note for battery supply chains and energy transition, including 15 mineral rights for nickel (two of which are for both nickel and cobalt), 7 mineral rights for rare earths, 7 mineral rights for titanium, and 3 mineral rights for graphite. The company also has 100% ownership of several mining concessions for gold and diamonds.

As mentioned, Atlas also maintains strategic investments in privately held Apollo resources (45.11%) and OTCQB listed Jupiter Gold (28.72%). The former is seeking to develop its initial iron mine (Technical Report estimated iron ore resources of roughly 7.85 MT, operational start-up for Quadrangle project potentially in relative near-term), while the latter is developing gold and quartzite resources (operational permit recently secured to begin quartzite mining). Results for both are consolidated into the P&L under GAAP accounting rules.

Figure 14 – Atlas Lithium Das Neves target overview and drilling highlights

Project Name	Mineral	Location in Brazil (State)	Area (Acres)	Highlights
Rio Piracicaba	Iron Ore	Iron Quadrangle, Minas Gerais	641	In Operational Licensing: Premier location next to Vale's iron mine. Technical Report Summary presents an estimate of 7.85M tons of iron ore resources. Raw iron ore is able to be concentrated to 64.2% iron (a premium product) using standard crushing and magnetic separation. Potential to produce premium product is highly important
Barão de Cocais	Iron Ore	Iron Quadrangle, Minas Gerais	363	Exploration Stage: Geochemical surface sampling up to 62% of iron ore grade; excellent logistics; close to producing iron mines
Itabira	Iron Ore	Iron Quadrangle, Minas Gerais	3,792	Exploration Stage: Geochemical surface sampling up to 53% of iron ore grade; excellent logistics; close to producing iron mines
Alagoas	Iron Ore	Alagoas	31,173	Exploration Stage: Historical prospector records indicate 55% iron oxide concentration; some of our properties are next to areas purchased by mining fund Apian for US\$40M and developed into a large copper mine
Minas Norte	Iron Ore	Minas Gerais	16,727	Exploration Stage: Known iron deposits in nearby areas; our areas show promising geophysical anomaly
Mato Grosso do Sul	Iron Ore	Mato Grosso do Sul	4,969	Exploration Stage: Large area with potential for a large project; located in a well-known iron ore district, the third in total production in Brazil
Projects located in different iron ore provinces in Brazil, including three in the well-known "Iron Quadrangle"			57,665	One project de-risked and in operational licensing and strong pipeline of additional high-quality iron mineral rights

Project Name	Mineral	Location in Brazil (State)	Area (Acres)	Highlights
Alpha	Gold	Minas Gerais	28,167	Exploration Stage: Greenstone belt formation in an area known for artisanal gold. Gold mineralization reported by prior owner and verified by us in new trenching.
Alta Floresta	Gold	Mato Grosso	24,610	Exploration Stage: Premier new gold mining district of Alta Floresta. Our area is located adjacent to a producing gold mine
Quartzite	Quartzite	Minas Gerais	233	In Operational Licensing: Four quartzite deposits identified in 2021, followed by drilling campaign. Potential to produce high quality quartzite. Awaiting final permit to begin operations; expected start is Q1 2023 for open-pit quarry
Paracatu	Gold	Minas Gerais	733	Exploration Stage: Well-known gold district where Kinross Gold has its largest gold mine in Brazil
Apul	Gold	Amazonas	69,330	Exploration Stage: New gold frontier with large (> 1M oz) deposits
Crixás	Gold	Goiás	3,068	Exploration Stage: Indications of targets from artisanal mining
Cavalcante	Gold	Goiás, Tocantins	4,771	Exploration Stage: Indications of targets from artisanal mining
Brotas	Gold, Palladium, Platinum	Bahia	9,578	Exploration Stage: Indications of targets from artisanal mining
Projects located in several well-known gold jurisdictions in Brazil			140,490	Strong pipeline of gold projects and potential for revenues from quartzite mining

Source: Company reports

Competition

Atlas Lithium competes in what we view as very large markets with long-term secular growth opportunities, including the rapidly growing need for battery materials and related supply chains. As a mineral exploration company, Atlas faces inherent competition on the resources it seeks to develop (largely dictated by the forces of global supply and demand). In addition to current competing resources (most notably other brine and hard-rock projects for lithium, with significant projects anticipated to come online in the coming years), we highlight potential future new lithium supplies from a variety of new and emerging technologies, including direct brine extraction, geothermal brine extraction, seabed exploration, and battery recycling (Redwood Materials recently secured a \$2B DOE loan commitment towards construction of its battery materials campus in Nevada), among others. We also expect the company to compete on sustainability and ESG metrics, particularly as related initiatives become increasingly important/required by ultimate end-market users.

Notably, Benchmark Mineral Intelligence has forecast significant lithium supply to come online in late 2023 and early 2024 (although still anticipates supply shortages in 2024 and 2025, with potential stabilization in the '26 timeframe). Specifically, BMI expects annual lithium demand to reach roughly 1.5M metric tons by 2025 (lithium carbonate equivalent) and more than 3M tons by 2030 (with EVs accounting for more than 80% of demand).

Management

Marc Fogassa, Chairman and CEO

Marc Fogassa has served as Chairman and CEO of Atlas Lithium since 2012. He also serves as Chairman and CEO of Jupiter Gold Corporation and as Chairman and CEO of Apollo Resources Corporation. He has prior experience in venture capital (Atlas Venture from 1998-2000 and Axiom Ventures from 2000-2005) and has served on the boards of multiple private companies. He also worked as investment manager with Hedgefort Capital Management LLC from May 2005 to June 2012. Mr. Fogassa holds degrees from MIT, Harvard Medical School and Harvard Business School. He was born in Brazil and is fluent in Portuguese and English.

Gustavo Pereira de Aguiar, CFO and Treasurer

Gustavo Aguiar has served as CFO, Principal Accounting Officer, and Treasurer of Atlas Lithium since joining the company in 2022. Previously, he served as Controller of Brazilian gold producer Jaguar Mining (2016-2022) and as Controller for Grupo Orguel (2013-2016). Mr. Aguiar also worked at Mirabella Mineracao from 2010 to 2013 and as an auditor at Deloitte in Brazil (2006-2010).

Volodymyr Myadzel, PhD, SVP of Geology

Volodymyr Myadzel, PhD has served as Senior Vice President, Geology since 2022 and as a consultant to Atlas Lithium since 2021. He is a Qualified Person for lithium, iron, gold and other minerals under Regulation S-K 1300 and has more than 23 years of geology experience at mines and projects in Russia, Ukraine, Guinea, Uruguay, and Brazil.

Joel de Paiva Monteiro, Esq. Chief of ESG, VP Administration and Operations, and Secretary

Joel Monteiro has served as VP, Administrations and Operations at Atlas since 2020, as head of ESG initiatives since 2021, and as Secretary since 2022. Prior to joining the company he served as a partner at the Brazilian law firm PRA Advogados. He also serves as a director at both Jupiter Gold and Apollo Resources.

Raimundo Almeida, VP Lithium Processing

Raimundo Almeida joined Atlas as VP of Lithium Processing in January of 2023. He brings more than 20 years of experience and operations management in the mining sector, including time as a consultant on Sigma Lithium's project.

Brian W. Bernier, VP Corporate Development and Investor Relations

Brian Bernier has served as VP, Corporate Development and Investor Relations since joining the company in 2019. Previously, he worked at Noble Capital Markets (2017-2019) and at Four Spring Capital Trust (2010-2017).

Financial analysis and outlook

As mentioned, Atlas Lithium is a development stage mineral exploration company (no established reserves as defined by Regulation S-K 1300 as of yet) with a number of key mineral rights located in Brazil (including the largest portfolio of hard-rock lithium assets in the country). The company also owns approximately 45% of privately held Apollo Resources (iron ore, key permits for potential mining recently secured with Brazilian government) and roughly 28% of publicly held Jupiter Gold (expected to begin quartzite mining in the relative near-term). Importantly, we view these assets as representing potential upside to our current price target (that is based on a discounted enterprise value to potential lithium resources), while also providing potential complementary cash flows over time. We note that results for both Apollo Resources and Jupiter Gold are included in consolidated financial statements under U.S. GAAP.

In terms of simple lithium project economics (installation of plant with annual capacity of 150,000 tonnes is currently targeted in 2024 with start-up in 2025, although we

caution on potential timelines given numerous required steps), management has projected operating costs in the ballpark of \$600+/t based on current rough estimates (vs. current spot prices in the \$8,000 range/t). We expect capital expenditures for the plant itself to be in the range of \$40M, with an additional \$10-15M needed for the open-pit mine (all upfront funding by Mitsui or other potential off-takers). As shown in the chart below, project payback could be fast and returns could be substantial (assuming sufficient quality resources), even with more conservative estimates around spodumene pricing and other key variables. As part of our valuation analysis we assumed sufficient economic resources to produce for 10 years and a discount rate of 15%, arriving at a present value of more than \$1B (an upside scenario).

Figure 15 – Project

Annual Production (t)	150,000
Price lithium concentrate (\$/t)	\$5,500
Gross Revenue (\$)	\$825,000,000
Royalty	3.0%
Net Revenue (\$)	\$800,250,000
Mining Opex (\$/t)	\$700
Mining Opex (\$)	\$105,000,000
EBITDA	\$695,250,000
Tax Rate	34%
Fully taxed cash flow	\$458,865,000

Source: EF Hutton estimates

We acknowledge that Atlas Lithium (formerly Brazil Minerals) has generated consistent net losses since its inception (while also building its portfolio of mineral rights for exploration). Specifically, the company generated very modest revenue (\$792K) starting in 2013 (initial year of operations) from the sale rough diamonds and gold (net loss ~\$2.2M). Polished diamond sales were added in 2014, with total revenue of roughly \$419K (net loss ~\$3.4M). Revenue in 2015 came in at just ~\$64K, primarily from sand and industrialized mortar (as diamond and gold units focused on identification of mining location – permitting ultimately impacted by unrelated rupture of nearby dam). Net loss was ~\$1.8M in 2015. In 2016, total revenue was roughly just \$13K as the company awaited deployment of a new modular plant (net loss ~\$1.6M). The company also formed Jupiter Gold during 2016 as part of a plan to create mineral specific subsidiaries. Sales in F2017 were approximately \$43K (with mining limited by servicing of equipment), generating a net loss of ~\$1.7M. For F2018, Atlas recorded total revenue of roughly just \$20K with a net loss of approximately \$1.7M. Atlas generated revenue of ~\$15K in 2019, with a net loss of ~\$1.9M (while adding significantly to its portfolio of battery material mineral rights). Sales in 2020 were roughly \$23K (net loss ~\$1.1M), while the company transitioned fully to exploration of strategic mineral rights (from development of gold and diamond mining sites). Revenue declined to ~\$10K in 2021 (solely from sales of industrial sand at one site), with net loss coming at ~\$2.8M. Sales for the nine-month period (ending 9/30/22) were roughly \$6.1K (industrial sand), with net loss at ~\$2.4M.

Recent results

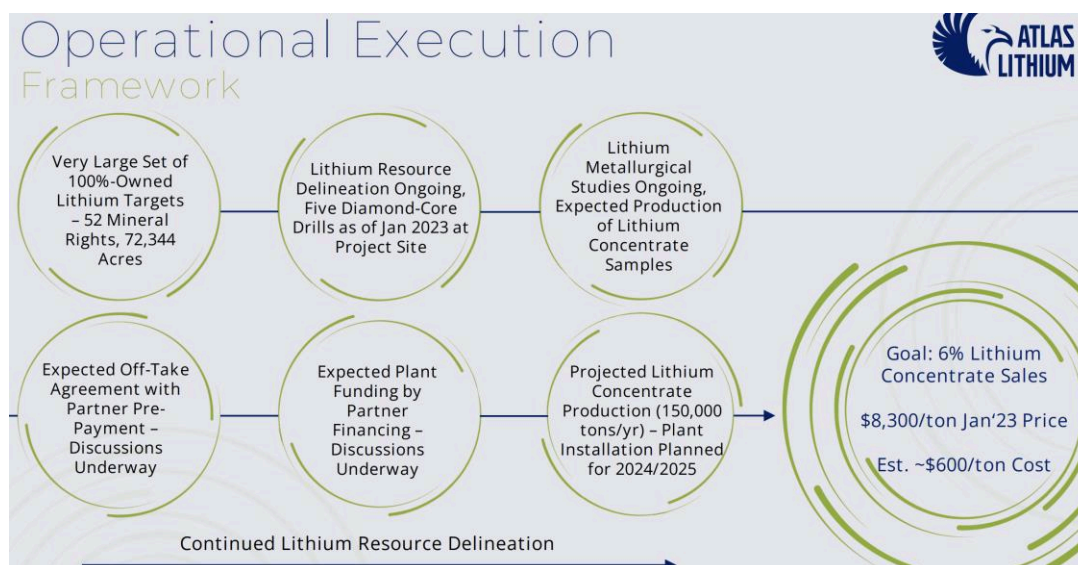
Atlas Lithium reported Q3 2022 (September) total revenue of just \$3,301, with these sales coming from the sale of industrial sand during the rainy season (core operational focus on lithium exploration). Operating costs of \$1.248M increased 76.4% y/y on increased G&A expense (public company costs) and increased compensation for officers and directors. Net loss was approximately \$1.03M.

From an operational perspective, the company focused on continued lithium exploration, most notably via drilling in its target Neves area mineral right. Other notable highlights included publication of an initial Technical Report Summary of the Neves area prepared by third-party evaluator SLR International Corporation (in accordance with Regulation S-K 1300), as well as work towards the NASDAQ up-listing completed post quarter. Atlas also announced that it had been approached in an unsolicited manner by two larger companies seeking to secure lithium supply (culminating in more recent Mitsui announcement discussed previously).

Milestones

Given the current exploratory stage management does not provide specific quarterly guidance, although we do highlight key potential milestones as outlined below. Key achievement goals include formal publication of a resource report, preliminary economic analysis report, pre-feasibility study, and feasibility study. We also expect full-year audited results to be reported sometime in March.

Figure 16 – Atlas Lithium operational milestone targets



Source: Company reports

Balance sheet and liquidity

Atlas Lithium had total unrestricted cash and equivalents of \$418,263 exiting Q3 2022 and a working capital deficit of roughly \$2.5M (with going concern doubts noted by auditor). Cash used in operating activities for the nine-month period through Q3 totaled \$258,293. Atlas received gross proceeds of roughly \$2.6M during the nine-month period ended 9/30/22 via sales of unregistered common shares to 13 investors and one director. We note that the company entered into a Common Stock Purchase Agreement with Triton Funds, LP in early 2021 for investment of up to \$5M.

As mentioned, the company successfully up-listed to the NASDAQ post quarter (early January). As part of the up-list process, Atlas raised gross proceeds of \$4.6575M by issuing 776,250 shares at \$6.00, including full exercise of the over-allotment option. The table included further below provides pro-forma estimates of the company's balance sheet post offering (not including exercised over-allotment). Intangible assets of roughly \$4.8M (as of 9/30/22) represent mining rights.

Atlas more recently (February 1) completed a private placement with two non-U.S. investors, generating gross proceeds of \$4M (640,000 shares at \$6.25). We note that Atlas also issued shares worth \$750,000 (~120,000) in conjunction with the recent acquisition of additional hard-rock lithium mineral rights in Minas Gerais. We estimate a current pro forma cash position of around \$9M and share count closer to 7M.

Figure 17 – Atlas Lithium other targets

	As of September 30, 2022 (unaudited)		
	Actual	Proforma (1) (unaudited)	Proforma, as adjusted(2)
Balance Sheet Data:			
Cash	\$ 418,263	1,527,173	5,043,673
Working capital	(2,475,660)	(1,479,250)	2,037,250
Total assets	5,558,374	6,667,284	10,183,784
Current liabilities	2,937,224	2,824,724	2,824,724
Other noncurrent liabilities	25,211	25,211	25,211
Additional paid-in capital	55,614,243	60,460,089	64,509,414
Accumulated other comprehensive loss	(687,951)	(687,951)	(687,951)
Accumulated deficit	(57,388,127)	(57,388,127)	(57,921,627)
Total stockholders' equity	1,192,904	2,389,314	5,905,814
Non-controlling interest	1,403,035	1,428,035	1,428,035
Total stockholders' equity	2,595,939	3,817,349	7,333,849
Total liabilities and stockholders' equity	5,558,374	6,667,284	10,183,784

(1) Pro forma basis giving effect to, as of the date of this prospectus, the Reverse Stock Split and:

(a) the sale of a total of 118,667 shares of our common stock to Triton Funds, LP ("Triton") after September 30, 2022 for total gross proceeds to us of \$896,410. Such shares were offered and sold to Triton pursuant to the Common Stock Purchase Agreement by and between the Company and Triton, dated February 26, 2021 (the "Triton Equity Line Agreement") and are registered pursuant to an effective Registration Statement on Form S-1 (File No. 333-256767), filed with the Securities and Exchange Commission ("SEC") on June 4, 2021, and declared effective on June 14, 2021;

(b) the sale of a total of 37,816 restricted shares of our common stock to three investors after September 30, 2022 for total gross proceeds to us of \$300,000. Such shares were offered and sold in reliance of an exemption from registration provided by Section 4(a)(2) under the Securities Act for transactions not involving a public offering; and

(c) the decrease of \$112,500 in current liabilities after September 30, 2022.

(2) Pro forma as adjusted balance sheet data reflects the pro forma items described immediately above plus our sale of 675,000 shares of common stock in this offering at an Underwritten Offering price of \$6.00 per share, after deducting underwriting discounts and commissions and offering expenses payable by us. These unaudited pro forma adjustments are based upon available information and certain assumptions we believe are reasonable under the circumstances.

Source: Company reports

Our projections

Given the current exploration stage and primary focus on developing the flagship Minas Gerais lithium project, we find near-term projections to be of limited value. We model very minor sales for the next several quarters, with modest ramping contribution from interests in both Apollo Resources (Rio Piracicaba iron mine recently secured its mining permit) and Jupiter Gold (operational permit for first quartzite mine secured late last year). Specifically, we assume that quartzite sales start contributing in H2 2023, followed by iron in Q2 2024. While we don't yet publish estimates for 2025, we look for first production of lithium concentrate to potentially begin sometime in the second half of the year (although we note that timelines could easily move – proving out economic viability of the mine much more important in the interim, in our opinion). Our model currently contemplates consistent foreign exchange rates (Brazilian Real to USD).

From an exploration perspective, we expect the company to deploy funds recently raised on related development efforts (and in support of a resource estimate), in-line with initiatives outlined on the Technical Summary report (two phases of drilling in the Das Neves area budgeted at ~\$2.4M and one phase each in the Tesouras and Santa Clara areas, budgeted at ~\$400K and ~\$700K respectively). Looking out further, we note that the company could look to expand targeted annual capacity in the future (representing further potential upside). Specifically, we forecast F2023 total net sales of ~\$1.01M, with GAAP LPS at \$(0.67). Looking to F2024, we forecast net sales of \$4.52M with GAAP LPS at \$(0.63). Full model included further below.

Investment Risks

Risk factors include Atlas Lithium 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.

Figure 16 – ATLX P&L

Atlas Lithium Corporation
(NASDAQ:ATLX)
Revenue & Earnings Model

	Fiscal Year 2021					Fiscal Year 2022E					FY 2022E	FY 2023E	FY 2024E	
	FY 2020	Q1 Mar	Q2 Jun	Q3 Sep	Q4 Dec	FY 2021	Q1 Mar	Q2 Jun	Q3 Sep	Q4E Dec				
(in mls \$USD)														
Total sales	\$ 0.0234	\$ 0.004	\$ 0.002	\$ 0.003	\$ 0.001	\$ 0.0102	\$ 0.000	\$ 0.002	\$ 0.003	\$ 0.002	\$ 0.0081	\$ 1.01	\$ 4.52	
% change (sequential)	na	274%	-63%	81%	-62%	na	-58%	396%	39%	-39%	na	na	na	
% change (year over year)	52%	70%	-82%	-72%	-4%	-56%	-89%	44%	11%	75%	-20%	12312%	347%	
Total cost of sales	0.13	0.023	0.024	0.027	0.171	0.25	0.010	0.026	0.028	0.030	0.09	0.91	3.48	
% of net sales	554%	516%	1465%	918%	14977%	2402%	2066%	1113%	834%	1500%	1151%	90%	77%	
Gross profit	\$ (0.11)	(0.02)	(0.02)	(0.02)	(0.17)	(0.24)	(0.01)	(0.02)	(0.02)	(0.03)	(0.09)	0.10	1.04	
Gross margin %	-454%	-416%	-1365%	-818%	-14877%	-2302%	-1966%	-1013%	-734%	-1400%	-1051%	10%	23%	
Professional fees	0.17	0.08	0.02	0.15	0.01	0.26	0.12	0.02	0.05	0.10	0.29	0.40	0.65	
% of total revenue	725%	1846%	1186%	5044%	633%	2537%	25124%	1022%	1393%	5000%	3560%	40%	14%	
G&A	0.55	0.27	0.26	0.32	0.26	1.11	0.22	0.40	0.48	0.75	1.85	2.40	2.80	
% of total revenue	2353%	6124%	15812%	10669%	22949%	10888%	46429%	16938%	14508%	37500%	22729%	237%	62%	
Compensation and related costs	0.33	0.05	0.13	0.05	0.21	0.44	0.10	0.29	0.17	0.20	0.76	1.00	1.40	
% of total revenue	1403%	1021%	8204%	1584%	18253%	4267%	20543%	12193%	5233%	10000%	9323%	99%	31%	
Stock based compensation	0.12	0.71	0.33	0.19	0.24	1.47	0.39	0.26	0.39	0.50	1.53	2.00	2.00	
% of total revenue	530%	15955%	19816%	6407%	21132%	14370%	81346%	10780%	11702%	25000%	18778%	198%	44%	
Other	-	-	-	-	-	-	-	0.02	0.16	-	0.18	-	-	
% of total revenue	0%	0%	0%	0%	0%	0%	0%	863%	4962%	0%	2262%	0%	0%	
Operating income	(1.28)	(1.13)	(0.76)	(0.73)	(0.89)	(3.52)	(0.84)	(1.01)	(1.27)	(1.58)	(4.70)	(5.70)	(5.81)	
Operating margin %	-5466%	-25361%	-46383%	-24522%	-77844%	-34364%	-175408%	-42808%	-38532%	-78900%	-57703%	-564%	-128%	
Interest on promissory notes	(0.18)	(0.06)	(0.10)	(0.08)	(0.08)	(0.32)	(0.32)	(0.32)	(0.32)	(0.32)	(0.32)	(0.32)	(0.32)	
Amortization of debt discounts and other fees	(0.25)	(0.00)	(0.00)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	
Debt extinguishment	-	(0.22)	0.00	0.00	(0.22)	(0.22)	(0.22)	(0.22)	(0.22)	(0.22)	(0.22)	(0.22)	(0.22)	
Other income (expense)	0.16	0.00	0.00	0.00	(0.03)	(0.03)	0.00	0.00	0.00	0.00	0.00	(0.00)	(0.00)	
Pretax income	(1.55)	(1.195)	(1.086)	(0.82059)	(1.003)	(4.11)	(0.835)	(1.013)	(1.270)	(1.578)	(4.70)	(5.70)	(5.81)	
Pretax margin %	-6594%	-26808%	-66026%	-27500%	-87708%	-40124%	-174999%	-42808%	-38473%	-78900%	-57655%	-564%	-128%	
Income taxes/(benefit)	-	-	-	-	-	-	-	-	-	-	-	-	-	
Effective rate	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	
Net income (loss)	(1.55)	(1.20)	(1.09)	(0.82)	(1.00)	(4.11)	(0.83)	(1.01)	(1.27)	(1.58)	(4.70)	(5.70)	(5.81)	
Net margin %	-6594%	-26808%	-66026%	-27500%	-87708%	-40124%	-174999%	-42808%	-38473%	-78900%	-57655%	-564%	-128%	
Net income (loss) attributable to non-controlling inter	(0.40)	(0.48)	(0.26)	(0.20)	(0.31)	(1.25)	(0.30)	(0.14)	(0.24)	(0.25)	(0.94)	(1.00)	(1.00)	
Net income (loss) to Atlas Lithium shareholders	(1.14)	(0.716)	(0.827)	(0.619)	(0.69)	(2.85)	(0.531)	(0.871)	(1.028)	(1.33)	(3.76)	(4.70)	(4.81)	
GAAP EPS	\$ (0.67)	\$ (0.24)	\$ (0.25)	\$ (0.16)	\$ (0.17)	\$ (0.77)	\$ (0.12)	\$ (0.20)	\$ (0.22)	\$ (0.26)	\$ (0.82)	\$ (0.67)	\$ (0.63)	
% change (year over year)	-61%	-36%	+17%	+775%	+16539%	+15%	-47%	-20%	+42%	+56%	+6%	-19%	-5%	
Diluted shares	1.7	3.0	3.4	3.9	4.2	3.7	4.3	4.4	4.6	5.12	4.6	7.1	7.6	

Gross margin	-454.2%	-415.6%	-1365.3%	-817.6%	-14876.7%	-2302.4%	-1966.0%	-1012.9%	-734.1%	-1400.0%	-1050.8%	10.0%	23.1%
Operating margin	-5466.0%	-25360.5%	-46383.0%	-24521.9%	-77843.8%	-34363.7%	-175407.8%	-42808.2%	-38531.6%	-78900.0%	-57702.8%	-563.7%	-128.5%

Balance sheet as of 9/30/22

Cash/investments	\$0.42	Accounts payable	\$2.92
Accounts receivable	0.00	Other current liabilities	0.01
Other current assets	0.04	Long-term liabilities	0.03
PP&E	0.12	Total liabilities	2.96
Other long-term assets	\$ 4.98	Stockholders' equity	\$ 2.60

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EF Hutton

Source: Company reports, EF Hutton estimates

2/9/2023

Source: EF Hutton and Company reports

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