

South Star Battery Metals Corp. (TSXV:STS)

**Becoming a Multi-Asset Graphite Company with Ceylon Earn-in**

**Corporate Update**

November 4, 2021

(Currency is CAD\$ unless noted otherwise)

Closing Price (C\$/sh)	\$0.25	
Rating	NA	
Target (C\$/sh)	NA	
Return to Target	NA	
52 Week Low / High (C\$/sh)	\$0.04 / \$0.31	
<b>CAPITALIZATION</b>	<b>Basic</b>	<b>Diluted</b>
Shares Outstanding (M)	99.5	156.5
Market Capitalization (C\$M)	\$24.9	
Enterprise Value (C\$M)	\$20.0	
Cash and Cash Equivalents (C\$M)	\$4.8	
Total Debt (C\$M)	\$0.0	

**STOCK CHART**



**MAJOR SHAREHOLDERS**

Management (14.39%), Green Bow Capital LLC (4.51%)

**DISCLOSURE CODE:**

(Please refer to the disclosures listed on the back page)

Source: RCS, Company Information, S&P Capital IQ

**Company Description**

South Star Battery Metals Corp. engages in the exploration and development of mineral properties in Brazil. It is developing the Santa-Cruz graphite project which covers an area of approximately 13,000 hectares and is located in Bahia State, Brazil. The company was formerly known as South Star Mining Corp. and changed its name to South Star Battery Metals Corp. in May 2021. South Star Battery Metals Corp. was incorporated in 1984 and is headquartered in Vancouver, Canada.

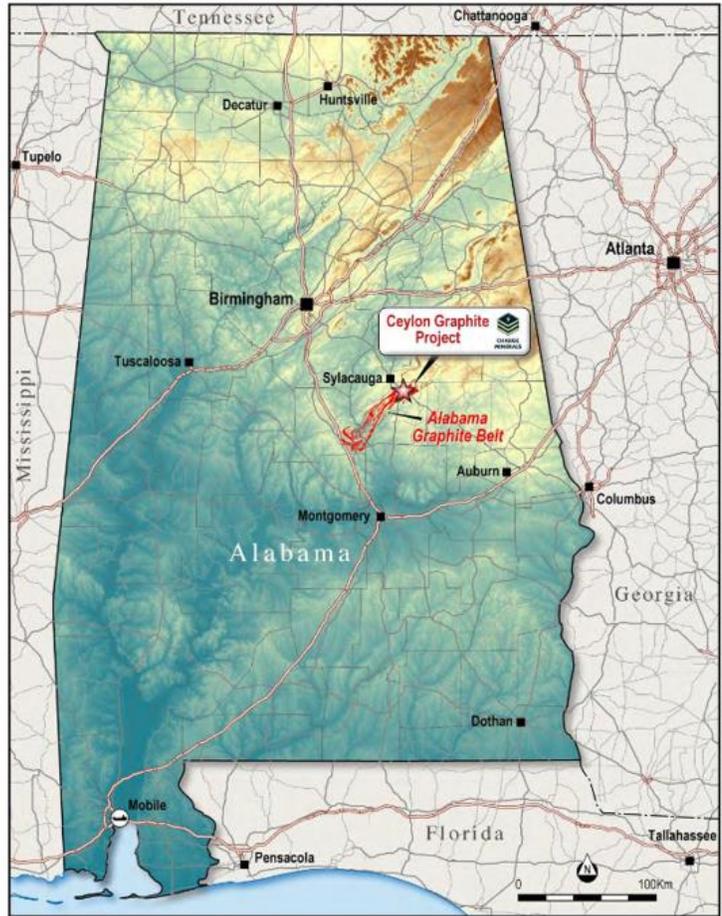
**Impact: Positive**

South Star Battery Metals announced it has entered into a proposal with Hexagon Energy Materials (ASX:HVG, Not Rated) and US Critical Materials (Private, Not Rated) to earn up to a 75% interest in the Ceylon graphite project in Alabama, USA. **We view the proposal positively, as it represents a major step towards becoming a multi-asset, diversified battery metals company, with exposure to another key asset in a strategic location.**

- A promising asset with plenty of upside.** Ceylon is a 500-acre brownfields site situated at the NE end of the Alabama Graphite Belt, that saw historical graphite (Cg) production at grades of 3-5% Cg during World War I and II. Prior development targeted friable outcropping graphite at surface, which was mined using shovels and excavators with no drilling or blasting required. The area benefits from excellent infrastructure, with great access, cheap power, and a nearby port. Further, it is located in an emerging EV hub in southeastern USA. We expect the near-surface and free-digging nature of the deposit, coupled with the favourable location and infrastructure, to translate to a lower cost mining scenario. The fact that the property is on entirely private land could also provide a fast-tracked timeline to production.
- Considerable preliminary work already completed.** Hexagon has completed extensive mapping and sampling work, with 29 trenches dug and 765 samples collected. Bulk samples totaling 100t were collected, and a bench-scale process circuit using ten representative samples was tested, comprised of traditional crushing, grinding, and flotation. It achieved a concentration of 96-97% pure Cg with 86% recoveries. About 75-80% of concentrate is -80 mesh (fine / medium) with the balance being +80 mesh material (large / jumbo). Larger flakes typically demand higher prices (as we expect from Santa Cruz).
- Favourable earn-in terms.** Under the proposal, STS would be required to drill the project, provide a resource update and deliver a PEA within three years upon signing the finalized agreement, with C\$250k in annual spending and a duty to keep the claims in good standing. After which, STS would have the right to earn a 75% interest, at which time a JV would be formed. Hexagon and US Critical would have the right to sell the remaining 25% interest to STS for C\$250k. After achieving commercial production, STS would issue up to C\$250k in shares as a bonus payment.
- Still focused on its flagship Santa Cruz Cg project in Brazil.** In our view, the smaller flake sizes at Ceylon are complimentary to the larger flake sizes at Santa Cruz, where the company recently provided encouraging anode test results ([read more](#)).

**We have not yet valued South Star (no rating or target).** With two key Cg projects to advance in geographically diverse locations, we believe the company could attract a wide variety of customers across several sectors. **Upcoming catalysts:** 1) Santa Cruz project financing (ongoing), 2) Santa Cruz plant construction (H2/21), 3) Santa Cruz production (H2/22), and 4) Finalized agreement for Ceylon earn-in (near-term).

Figure 1: Ceylon graphite project location



Source: Company Reports

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Disclosure Statement  
 Updated November 3, 2021

Recommendation / Target Change			Red Cloud Securities has this percentage of its universe assigned as the following:	
Date	Rating	Target C\$/sh	Status	%
2021-04-29	NA	NA	BUY	71%
2021-07-15	NA	NA	BUY (S)	25%
2021-08-31	NA	NA	HOLD	0%
2021-10-13	NA	NA	SELL / Tender	0%
			NA	3%
			Under Review	1%

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Company Name	Ticker Symbol	Disclosures
South Star Battery Metals Corp.	TSXV:STS	

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