


Resources: Metals & Mining
Company Update

Estimates Changed

Graphite One Inc. | GPH.V - C\$1.57 - NASDAQ | Buy

Stock Data				
52-Week Low - High	C\$0.93 - C\$1.97			
Shares Out. (mil)	125.42			
Mkt. Cap.(mil)	C\$196.90			
3-Mo. Avg. Vol.	44,582			
12-Mo.Price Target	C\$2.50			
Cash (mil)	\$1.2			
Tot. Debt (mil)	\$0.1			
Cash (mil): Cash is as of last reported quarter.				
Tot. Debt (mil): Debt includes leases.				
Rev (\$M)				
Yr Dec	—2022—	—2023E—		—2024E—
		Curr	Prev	Curr
1Q	0.0A	0.0A	-	-
2Q	0.0A	0.0E	-	-
3Q	0.0A	0.0E	-	-
4Q	0.0A	0.0E	-	-
YEAR	0.0A	0.0E	-	0.0E
EPS \$				
Yr Dec	—2022—	—2023E—		—2024E—
		Curr	Prev	Curr
1Q	(0.01)A	(0.02)A	(0.01)E	-
2Q	(0.01)A	(0.01)E	0.00 E	-
3Q	(0.02)A	(0.01)E	0.00 E	-
4Q	(0.02)A	(0.01)E	0.00 E	-
YEAR	(0.06)A	(0.04)E	(0.02)E	(0.03)E
P/E	NM	NM	NM	NM



GPH.V: Announces USD\$37.5 Million Government Grant

On July 17, 2023, GPH.V announced it was awarded a USD\$37.5 million grant to advance the Graphite Creek project through a FS. We see this as a significant positive development for the company. As such, we are reiterating our Buy rating and C\$2.50 price target.

Graphite Creek awarded USD\$37.5 million grant. On July 17, 2023, Graphite One announced that it had been awarded a USD\$37.5 million grant from the U.S. Department of Defense to complete a feasibility study for the Graphite Creek project in Alaska. We believe this as a significant positive development for GPH as it covers up to 50% of the cost of completing FS work on the project. Additionally, we view this as a positive endorsement of the project by the U.S. government.

Matching funding on deck. With the U.S. government grant for 50% of the FS work at Graphite Creek announced, we believe GPH is poised to raise additional capital to fund its share of the work. For modeling purposes, we assume the company completes an equity raise in H2 2023 consisting of 27.6 million common shares at a price of C\$1.45 per share. We note that this represents a significant discount to the company's current share price and as such, is likely to prove conservative. Additionally, we believe there is potential for the company to seek alternative sources of funding to advance the project that would be less dilutive to shareholders.

Reiterating rating and target. We updated our model to reflect recent financial results and other minor news events. Additionally, we updated for our assumptions around funding GPH's share of the FS and we also included the value of the DOD grant. These factors were roughly offsetting in our model. As such, we are reiterating our C\$2.50 price target and Buy rating.

VALUATION

We base our valuation of GPH.V on a percentage of NPV metric. We assign a value of C\$448.8 million to the company's Graphite Creek project (25% of PFS NPV and 1.32 CAD to USD ratio). We then adjust for C\$1.1 million in net cash and add C\$49.5 million for the DOD grant to reach a valuation of C\$449.9 million or C\$2.45 per future estimated fully diluted share (183.3 million). We round this up to reach our C\$2.50 price target, and we are reiterating our Buy rating.

Factors that could impede GPH from reaching our price target include, but are not limited to: unanticipated dilutive transactions, permitting delays, capital overruns, unfavorable regulatory decisions, disappointing financial studies, 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. GPH has similar political risk to other U.S. based exploration and development 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 with regard to input costs and substitute goods. GPH's biggest commodity price risk is to spherical coated graphite, but the company also has risks to other commodities and in particular the price of oil as electric vehicles are a substitute for combustion engine vehicles.

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. GPH has similar operational and technical risk to other development-stage companies.

Pre-revenue risk. Currently, GPH has no significant sources of revenue. As such, it is likely the company will need to raise additional capital to fund ongoing operations. Additionally, no guarantee can be made that the company will ever generate revenue or that once it does it will become cash flow positive.

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. GPH has similar market risk to other exploration and development companies.

Cautionary Note to U.S. Investors: GPH.V reports under Ni 43-101 standards.

COMPANY DESCRIPTION

Graphite One Inc. is a Canada-based company, which is focused on producing anode material for the lithium-ion electric vehicle battery market and energy storage systems, with additional production for a range of graphite applications. The Company, through its subsidiary, Graphite One (Alaska) Inc., is evaluating the graphite resources on its Graphite Creek Property (Property) near Nome, Alaska. It is also evaluating the establishment of a graphite product manufacturing facility to produce graphite products using graphite from the Property. The Property is located on the Seward Peninsula approximately 60 kilometers north of Nome, Alaska. The Property consists of 176 mining claims covering approximately 9,583 hectares (23,680 acres). The Graphite Creek Project is envisioned as a vertically integrated enterprise to mine, process and manufacture Coated Spherical Graphite (CSG) primarily for the electric vehicle lithium-ion battery market. *Source: Refinitiv as of 5/19/2022*

GPH.V Key Estimates

Amounts in USD million	1Q 2022A	2Q 2022A	3Q 2022A	4Q 2022A	2022A	1Q 2023A	2Q 2023E	3Q 2023E	4Q 2023E	2023E	2024E
Revenue	-	-	-	-	-	-	-	-	-	-	-
Operating Expenses	0.7	0.7	0.7	2.0	4.0	2.0	1.1	1.1	1.1	5.3	4.4
Operating Income	(0.7)	(0.7)	(0.7)	(2.0)	(4.0)	(2.0)	(1.1)	(1.1)	(1.1)	(5.3)	(4.4)
Other Expenses	0.1	0.3	1.5	(0.2)	1.7	0.0	-	-	-	0.0	-
Pretax Income	(0.8)	(1.0)	(2.1)	(1.8)	(5.7)	(2.0)	(1.1)	(1.1)	(1.1)	(5.3)	(4.4)
Taxes	-	-	-	-	-	-	-	-	-	-	-
Net Income	(0.8)	(1.0)	(2.1)	(1.8)	(5.7)	(2.0)	(1.1)	(1.1)	(1.1)	(5.3)	(4.4)
Basic Shares	70.4	87.2	97.5	117.2	93.1	116.0	122.0	149.6	149.6	134.3	149.6
FD Shares	70.4	87.2	97.5	117.2	93.1	116.0	155.7	183.3	183.3	159.6	183.3
Basic EPS	(\$0.01)	(\$0.01)	(\$0.02)	(\$0.02)	(\$0.06)	(\$0.02)	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.04)	(\$0.03)
FD EPS	(\$0.01)	(\$0.01)	(\$0.02)	(\$0.02)	(\$0.06)	(\$0.02)	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.04)	(\$0.03)

Source: GPH.V company reports on SEDAR and ROTH MKM estimates

Note: Company reports under IFRS.

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Disclosures:

Shares of Graphite One 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 07/17/23	
			Count	Percent
Buy [B]	380	76.31	225	59.21
Neutral [N]	96	19.28	32	33.33
Sell [S]	3	0.60	0	0
Under Review [UR]	19	3.82	4	21.05

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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.

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