

### Canada Lithium Corp.

CLQ : TSX-V : C\$0.49

**SPECULATIVE BUY**

**Target: C\$1.00 ↑**

**Eric Zaunscherb, CFA** 1.604.699.0829  
eric.zaunscherb@canaccord.com  
**Gabriel Gonzalez** 604.643.7529  
gabriel.gonzalez@canaccord.com

#### COMPANY STATISTICS:

Shares Out (M) fd:	175.5
Shares Out (M) basic:	147.5
Market Cap (M):	C\$72.3
52-week Range:	C\$0.13-0.89
Avg. Daily Vol. (000s):	448
12-month Total Return:	104%
Working Capital (M):	C\$14.0

#### SHARE PRICE PERFORMANCE:



#### COMPANY SUMMARY:

Canada Lithium Corp. is a Toronto-based exploration company acquiring and testing the economics of several spodumene bearing pegmatite bodies in Quebec. A prefeasibility study for the Quebec Lithium operation is ongoing with expected completion in Q2/10. A 2,900 t/d open pit operation is being studied with the potential to yield 18,000 to 20,000 t/a of lithium carbonate.

All amounts in C\$ unless otherwise noted.

#### Metals and Mining -- Exploration and Development

## JUMP IN RESOURCE PROMPTS RISE IN TARGET TO C\$1.00; SPECULATIVE BUY RATING MAINTAINED

#### Event

Canada Lithium has announced a significant increase in resources for the wholly owned Quebec Lithium project near Val d'Or, Quebec. The historic (non-compliant) resource of 15 million tonnes grading 1.14% Li<sub>2</sub>O has been upgraded through extensive drilling to include 31.6 million tonnes measured and indicated grading 1.11% Li<sub>2</sub>O plus 38.9 million tonnes inferred grading 1.12% Li<sub>2</sub>O.

#### Impact – positive

At this time we continue to value Canada Lithium on the basis of enterprise value per in situ pound Li<sub>2</sub>O. With the sizeable increase in resource comes an attendant increase in valuation that positively impacts our target price. A prefeasibility study is expected by month-end examining an open-pit mining operation with a processing and conversion plant delivering lithium carbonate.

#### Valuation and action

We value the Quebec Lithium project on the basis of the compliant global resource of 71 million tonnes grading 1.11% Li<sub>2</sub>O and the peer EV mean (less outlier) of C\$0.11/lb. With the new resource, our project NAV estimate rises to C\$190 million, or C\$1.29 per share, from C\$119 million, or C\$0.82 per share. We apply a 0.7x target project multiple to generate a price target of C\$1.00, increased from C\$0.70. The 104% projected return continues to justify a SPECULATIVE BUY rating. Canada Lithium is trading at 0.3x project and corporate NAV. The prefeasibility study, expected at the end of March, should be an important price catalyst.

Canaccord Adams is the global capital markets group of Canaccord Financial Inc. (CF : TSX | CF. : AIM)

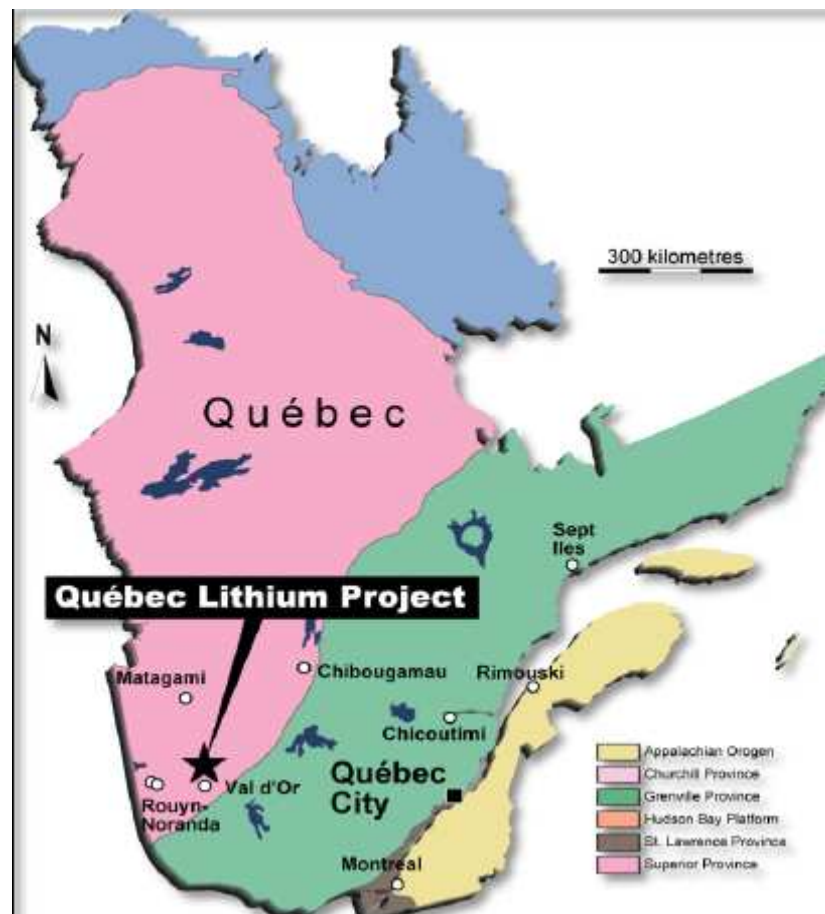
The recommendations and opinions expressed in this Investment Research accurately reflect the Investment Analyst's personal, independent and objective views about any and all the Designated Investments and Relevant Issuers discussed herein. For important information, please see the Important Disclosures section in the appendix of this document or visit <http://www.canaccordadams.com/research/Disclosure.htm>.

## VAL D'LI?

Canada Lithium has announced a significant increase in resources for the wholly owned Quebec Lithium project near Val d'or, Quebec (Figure 1). The project had hosted an historic (non-compliant) resource of 15 million tonnes grading 1.14% Li<sub>2</sub>O, and management had published a conceptual target of 29-20 million tonnes, grading 1.1 to 1.2% Li<sub>2</sub>O. Based on 39 modern holes and 467 surface and underground historic drill holes, Caracle Creek International Consulting Inc. has generated an independent compliant resource estimate. The resource estimate, detailed in Figure 2, amounts to 31.6 million tonnes measured and indicated grading 1.11% Li<sub>2</sub>O plus 38.9 million tonnes inferred grading 1.12% Li<sub>2</sub>O.

The Quebec Lithium resource consists of a series of parallel, steeply dipping spodumene-bearing pegmatite dykes, where spodumene is a lithium-bearing mineral. Mineralization is shown in plan and longitudinal view in Figures 3 and 4, respectively. Mineralization continues to depth beyond 430 metres and along strike beyond 1 kilometre.

**Figure 1: Quebec Lithium project location**



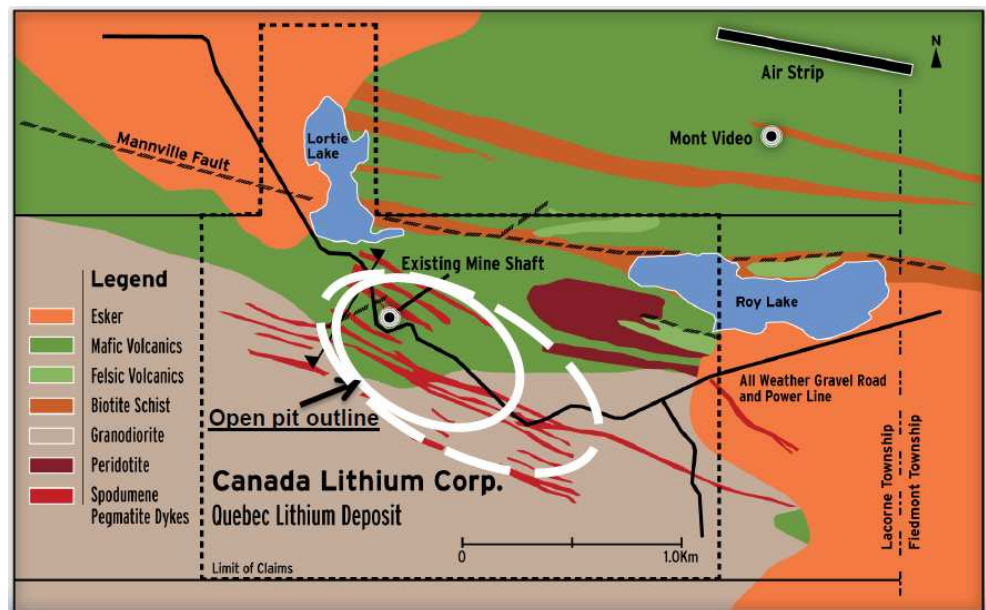
Source: Canada Lithium Corp. presentation, February 2010

**Figure 2: Quebec Lithium resource estimate**

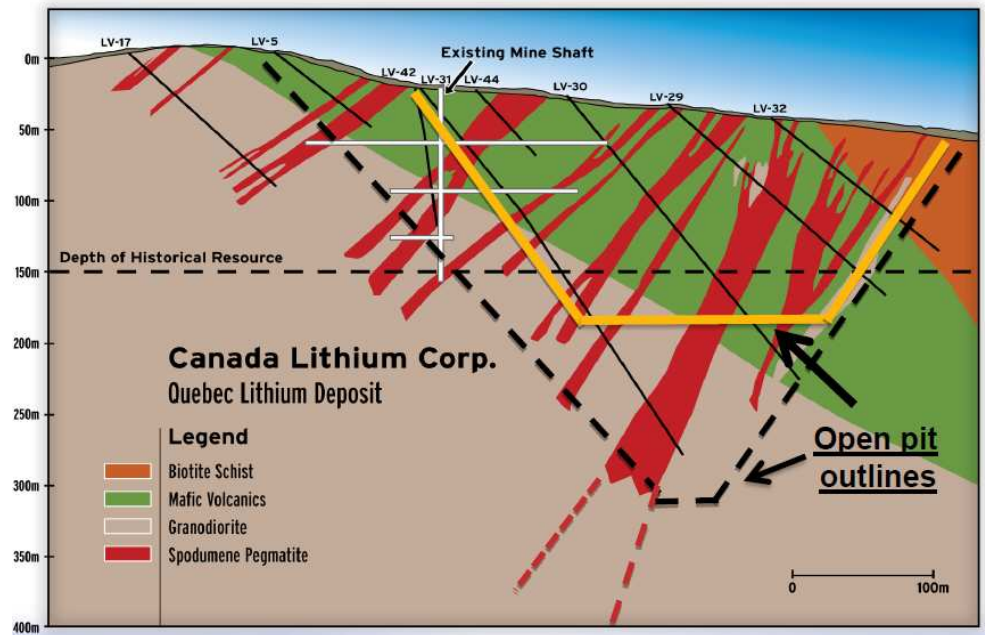
	Mass (Mt)	Grade Li2O	Contained (Mlb)
<u>Quebec Lithium</u>			
(NI 32-101 Compliant, March 2010)			
Measured	6.9	1.10%	167
Indicated	24.7	1.11%	605
Measured + Indicated	31.6	1.11%	773
Inferred	38.9	1.12%	961
Global	70.6	1.11%	1,734

Source: Canada Lithium Corp. news release March 5, 2010, Canaccord Adams

**Figure 3: Quebec Lithium project map**



Source: Canada Lithium Corp. presentation, February 2010

**Figure 4: Quebec Lithium longitudinal section**

Source: Canada Lithium Corp. presentation, February 2010

A prefeasibility study is expected by the end of March examining a 2,900 t/d open-pit mining operation with a processing and conversion plant delivering 18,000-20,000 t/a lithium carbonate. A 20 tonne bulk sample derived from drill core and from surface has been sent for pilot plant test work at SGS Lakefield. The test work will follow up bench scale work that successfully produced battery-grade lithium carbonate from spodumene concentrate. Results will be incorporated into a bankable feasibility study planned for completion by the end of Q1/11. The lithium carbonate produced will also be used by Mitsui & Co. for marketing purposes. Mitsui has been granted exclusive marketing rights to lithium produced from the Quebec Lithium mine for China, South Korea and Japan until April 2010 and retains an option to extend the agreement annually for six subsequent years.

**Figure 5: Lithium in situ comparison**

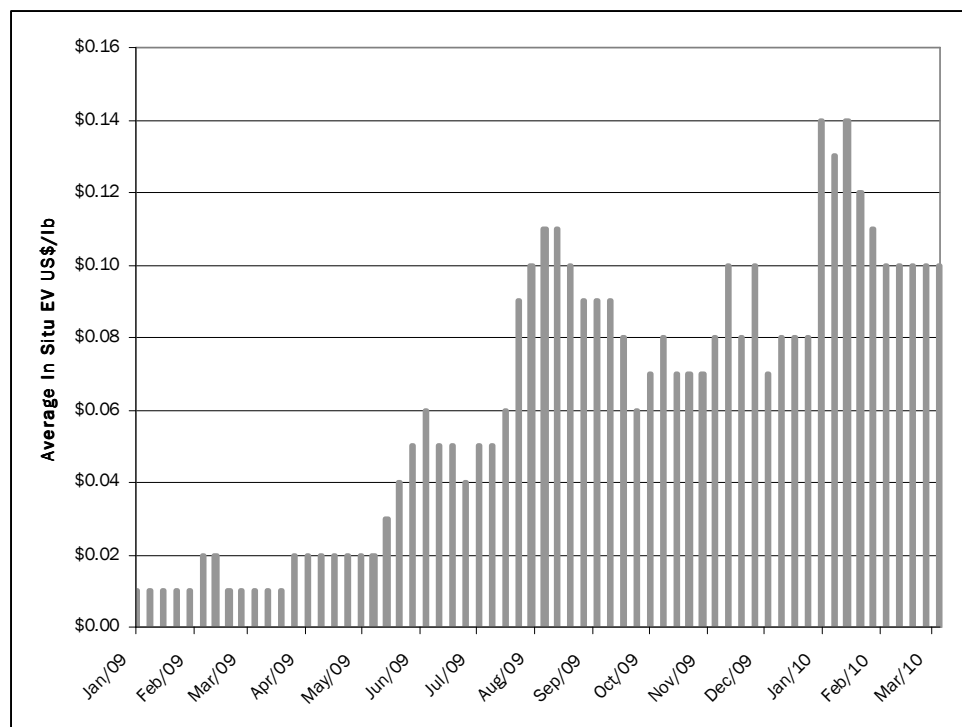
Company	Ticker	Price (1)	Shares				Project Location(s)	Global Resource (5) (Mlb)	EV/lb Li2O		Implied (6) (Mlb)	Market D (7)
			(Basic) (M)	MC (C\$M)	(2) (C\$M)	WC (3) (C\$M)			EV (4) (C\$M)	M+I		
Canada Lithium	CLQ : TSXV	\$0.48	147.5	\$70.8	\$17.0	\$53.9	Quebec, Nevada	1,734.1	\$0.07	\$0.03	496.3	-71%
First Lithium	MCI : TSXV	\$0.11	59.6	\$6.6	\$1.8	\$4.8	Alberta, Manitoba	121.9		\$0.04	43.8	-64%
Galaxy Resources	GXY : ASX	\$1.16	151.2	\$175.3	\$2.4	\$173.0	Western Australia	342.9	\$0.75	\$0.50	1,593.9	365%
GlobeStar Mining	GMI : TSXV	\$1.02	105.3	\$107.4	-\$3.7	\$13.9	Quebec	105.9		\$0.13	128.0	21%
Lithium One	LI : TSXV	\$1.04	60.8	\$63.3	\$4.7	\$43.6	Quebec, Argentina	396.8		\$0.11	401.7	1%
Orocobre	ORE : ASX	\$1.95	99.9	\$194.8	\$6.3	\$188.5	Argentina	1,337.2		\$0.14	1,736.9	30%
Western Lithium	WLC : TSXV	\$1.44	101.9	\$146.7	\$5.9	\$140.8	Nevada	1,158.5	\$0.23	\$0.12	1,297.5	12%
Mean (C\$)									\$0.35	\$0.15		
Mean (US\$)									\$0.34	\$0.15		
Mean (C\$, less outliers)									\$0.23	\$0.11		
<b>Mean (US\$, less outliers)</b>		\$CADUSD	\$1.03						\$0.22	\$0.11		

**Notes:**

1. Priced in Canadian dollars.
2. Market Capitalization.
3. Working Capital.
4. Enterprise Value = MC + LT Debt - WC, adjusted for recent financings, other significant unrelated assets, etc.
5. Global resource includes 43-101 compliant measured, indicated and inferred resources as well as historical resources in Li2O.
6. Implied resource is a conceptual resource indicated by the company's EV at the mean peer EV/lb multiple.
7. The percentage difference between the implied resource and the global resource.

Source: Capital IQ, company news releases, Canaccord Adams

**Figure 6: Lithium EV/lb in situ metric over the past year**



Source: Capital IQ, company news releases, Canaccord Adams

## VALUATION AND RECOMMENDATION

We value the Quebec Lithium project on the basis of the global resource of 71 million tonnes grading 1.11% Li<sub>2</sub>O and the peer EV mean (less outliers) of C\$0.11/lb in Figure 5. As seen in Figure 6, the peer multiple has been rising with increased market interest over the past year. We look forward to incorporating parameters from the upcoming preliminary economic assessment to generate a valuation based on discounted cash flow analysis rather than peer in situ metrics. Using peer metrics, however, our project NAV estimate (Figure 7) rises to C\$190 million, or C\$1.29 per share, from C\$119 million, or C\$0.82 per share. We apply a 0.7x target project multiple to generate a price target of C\$1.00, increased from C\$0.70. The 104% projected return continues to justify a SPECULATIVE BUY rating. Canada Lithium is trading at 0.3x project and corporate NAV. The prefeasibility study, expected at the end of March, should be an important price catalyst.

**Figure 7: NAV and target generation**

<b>NAV &amp; TARGET GENERATION</b>		<b>Base (C\$)</b>
Quebec Lithium	(@ \$0.11/lb)	<b>\$188.2</b>
Tully Gold	(@\$7/oz)	<b>\$1.7</b>
<b>Project NAV</b>		<b>\$189.9</b>
<b>Project NAVPS</b>		<b>\$1.29</b>
<b>Current project P/NAV</b>		<b>0.3x</b>
Working capital		<b>\$14.0</b>
Dilutive capital		<b>\$1.7</b>
Assumed financing		<b>\$20.0</b>
Corporate G&A		<b>-\$4.0</b>
LT debt		<b>\$0.0</b>
<b>Corporate NAV</b>		<b>\$221.5</b>
<b>Corporate NAVPS</b>		<b>\$1.42</b>
<b>Current corporate P/NAV</b>		<b>0.3x</b>
Target project P/NAV		<b>0.7x</b>
<b>Target</b>		<b>\$1.00</b>

Source: Canaccord Adams

### Investment risks

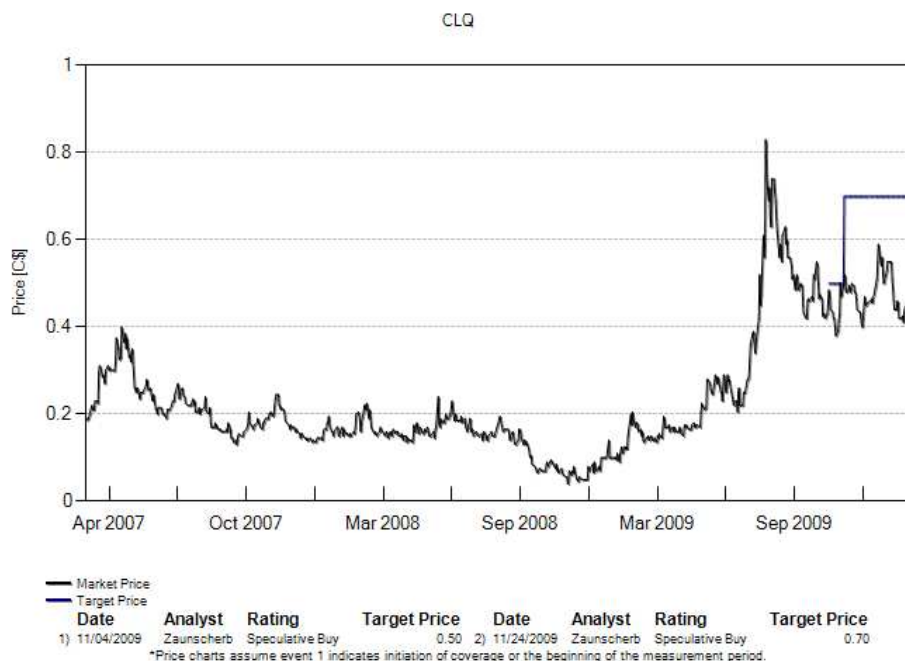
The case for interest in additional lithium capacity is predicated upon increased market penetration by pure electric and hybrid electric vehicles, and the inability of the existing dominant lithium producers to meet that demand. The commercialization risks associated with mineral exploration and development are high; thus, investment in the shares of Canada Lithium Corp. is for risk accounts only.

**APPENDIX: IMPORTANT DISCLOSURES****Analyst Certification:**

Each authoring analyst of Canaccord Adams whose name appears on the front page of this investment research hereby certifies that (i) the recommendations and opinions expressed in this investment research accurately reflect the authoring analyst's personal, independent and objective views about any and all of the designated investments or relevant issuers discussed herein that are within such authoring analyst's coverage universe and (ii) no part of the authoring analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by the authoring analyst in the investment research.

**Site Visit:**

An analyst has not visited the properties held by Canada Lithium Corp.

**Price Chart:\*****Distribution of Ratings:**

Global Stock Ratings  
(as of 1 March 2010)

Rating	Coverage Universe		IB Clients	
	#	%	#	%
Buy	398	60.5%	29.6%	
Speculative Buy	84	12.8%	59.5%	
Hold	161	24.5%	18.6%	
Sell	15	2.3%	0.0%	
	658	100.0%		

**Canaccord Ratings System:**

**BUY:** The stock is expected to generate risk-adjusted returns of over 10% during the next 12 months.

**HOLD:** The stock is expected to generate risk-adjusted returns of 0-10% during the next 12 months.

**SELL:** The stock is expected to generate negative risk-adjusted returns during the next 12 months.

**NOT RATED:** Canaccord Adams does not provide research coverage of the relevant issuer.

"Risk-adjusted return" refers to the expected return in relation to the amount of risk associated with the designated investment or the relevant issuer.

**Risk Qualifier:**

**SPECULATIVE:** Stocks bear significantly higher risk that typically cannot be valued by normal fundamental criteria. Investments in the stock may result in material loss.

**Canaccord Adams Research Disclosures as of 8 March 2010**

Company	Disclosure
Canada Lithium Corp.	1A, 2, 7

<b>1</b>	The relevant issuer currently is, or in the past 12 months was, a client of Canaccord Adams or its affiliated companies. During this period, Canaccord Adams or its affiliated companies provided the following services to the relevant issuer: A. investment banking services. B. non-investment banking securities-related services. C. non-securities related services.
<b>2</b>	In the past 12 months, Canaccord Adams or its affiliated companies have received compensation for Corporate Finance/Investment Banking services from the relevant issuer.
<b>3</b>	In the past 12 months, Canaccord Adams or any of its affiliated companies have been lead manager, co-lead manager or co-manager of a public offering of securities of the relevant issuer or any publicly disclosed offer of securities of the relevant issuer or in any related derivatives.
<b>4</b>	Canaccord Adams acts as corporate broker for the relevant issuer and/or Canaccord Adams or any of its affiliated companies may have an agreement with the relevant issuer relating to the provision of Corporate Finance/Investment Banking services.
<b>5</b>	Canaccord Adams or any of its affiliated companies is a market maker or liquidity provider in the securities of the relevant issuer or in any related derivatives.
<b>6</b>	In the past 12 months, Canaccord Adams, its partners, affiliated companies, officers or directors, or any authoring analyst involved in the preparation of this investment research has provided services to the relevant issuer for remuneration, other than normal course investment advisory or trade execution services.
<b>7</b>	Canaccord Adams intends to seek or expects to receive compensation for Corporate Finance/Investment Banking services from the relevant issuer in the next six months.
<b>8</b>	The authoring analyst, a member of the authoring analyst's household, or any individual directly involved in the preparation of this investment research, has a long position in the shares or derivatives, or has any other financial interest in the relevant issuer, the value of which increases as the value of the underlying equity increases.
<b>9</b>	The authoring analyst, a member of the authoring analyst's household, or any individual directly involved in the preparation of this investment research, has a short position in the shares or derivatives, or has any other financial interest in the relevant issuer, the value of which increases as the value of the underlying equity decreases.
<b>10</b>	Those persons identified as the author(s) of this investment research, or any individual involved in the preparation of this investment research, have purchased/received shares in the relevant issuer prior to a public offering of those shares, and such person's name and details are disclosed above.
<b>11</b>	A partner, director, officer, employee or agent of Canaccord Adams and its affiliated companies, or a member of his/her household, is an officer, or director, or serves as an advisor or board member of the relevant issuer and/or one of its subsidiaries, and such person's name is disclosed above.
<b>12</b>	As of the month end immediately preceding the date of publication of this investment research, or the prior month end if publication is within 10 days following a month end, Canaccord Adams or its affiliate companies, in the aggregate, beneficially owned 1% or more of any class of the total issued share capital or other common equity securities of the relevant issuer or held any other financial interests in the relevant issuer which are significant in relation to the investment research (as disclosed above).
<b>13</b>	As of the month end immediately preceding the date of publication of this investment research, or the prior month end if publication is within 10 days following a month end, the relevant issuer owned 1% or more of any class of the total issued share capital in Canaccord Adams or any of its affiliated companies.
<b>14</b>	Other specific disclosures as described above.

Canaccord Adams is the business name used by certain subsidiaries of Canaccord Financial Inc., including Canaccord Adams Inc., Canaccord Adams Limited, and Canaccord Adams, a division of Canaccord Financial Ltd.

The authoring analysts who are responsible for the preparation of this investment research are employed by Canaccord Adams, a division of Canaccord Financial Ltd., a Canadian broker-dealer with principal offices located in Vancouver, Calgary, Toronto, Montreal, or Canaccord Adams Inc., a US broker-dealer with principal offices located in Boston, New York, San Francisco and Houston or Canaccord Adams Ltd., a UK broker-dealer with principal offices located in London and Edinburgh (UK).

In the event that this is compendium investment research (covering six or more relevant issuers), Canaccord Adams and its affiliated companies may choose to provide specific disclosures of the subject companies by reference, as well as its policies and procedures regarding the dissemination of investment research. To access this material or for more information, please send a request to Canaccord Adams Research, Attn: Disclosures, P.O. Box 10337 Pacific Centre, 2200-609 Granville Street, Vancouver, BC, Canada V7Y 1H2 or disclosures@canaccord.com.

The authoring analysts who are responsible for the preparation of this investment research have received (or will receive) compensation based upon (among other factors) the Corporate Finance/Investment Banking

revenues and general profits of Canaccord Adams. However, such authoring analysts have not received, and will not receive, compensation that is directly based upon or linked to one or more specific Corporate Finance/Investment Banking activities, or to recommendations contained in the investment research.

Canaccord Adams and its affiliated companies may have a Corporate Finance/Investment Banking or other relationship with the company that is the subject of this investment research and may trade in any of the designated investments mentioned herein either for their own account or the accounts of their customers, in good faith or in the normal course of market making. Accordingly, Canaccord Adams or their affiliated companies, principals or employees (other than the authoring analyst(s) who prepared this investment research) may at any time have a long or short position in any such designated investments, Related designated investments or in options, futures or other derivative instruments based thereon.

Some regulators require that a firm must establish, implement and make available a policy for managing conflicts of interest arising as a result of publication or distribution of investment research. This investment research has been prepared in accordance with Canaccord Adams' policy on managing conflicts of interest, and information barriers or firewalls have been used where appropriate. Canaccord Adams' policy is available upon request.

The information contained in this investment research has been compiled by Canaccord Adams from sources believed to be reliable, but (with the exception of the information about Canaccord Adams) no representation or warranty, express or implied, is made by Canaccord Adams, its affiliated companies or any other person as to its fairness, accuracy, completeness or correctness. Canaccord Adams has not independently verified the facts, assumptions, and estimates contained herein. All estimates, opinions and other information contained in this investment research constitute Canaccord Adams' judgement as of the date of this investment research, are subject to change without notice and are provided in good faith but without legal responsibility or liability.

Canaccord Adams salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients and our proprietary trading desk that reflect opinions that are contrary to the opinions expressed in this investment research. Canaccord Adams' affiliates, proprietary trading desk, and investing businesses may make investment decisions that are inconsistent with the recommendations or views expressed in this investment research.

This investment research is provided for information purposes only and does not constitute an offer or solicitation to buy or sell any designated investments discussed herein in any jurisdiction where such offer or solicitation would be prohibited. As a result, the designated investments discussed in this investment research may not be eligible for sale in some jurisdictions. This investment research is not, and under no circumstances should be construed as, a solicitation to act as a securities broker or dealer in any jurisdiction by any person or company that is not legally permitted to carry on the business of a securities broker or dealer in that jurisdiction. This material is prepared for general circulation to clients and does not have regard to the investment objectives, financial situation or particular needs of any particular person. Investors should obtain advice based on their own individual circumstances before making an investment decision. To the fullest extent permitted by law, none of Canaccord Adams, its affiliated companies or any other person accepts any liability whatsoever for any direct or consequential loss arising from or relating to any use of the information contained in this investment research.

**For Canadian Residents:** This Investment Research has been approved by Canaccord Adams, a division of Canaccord Financial Ltd., which accepts sole responsibility for this Investment Research and its dissemination in Canada. Canadian clients wishing to effect transactions in any Designated Investment discussed should do so through a qualified salesperson of Canaccord Adams, a division of Canaccord Financial Ltd. in their particular jurisdiction.

**For United Kingdom Residents:** This investment research is distributed in the United Kingdom, as third party research by Canaccord Adams Limited, which is authorized and regulated by the Financial Services Authority. This research is for distribution only to persons who are Eligible Counterparties or Professional Clients only and is exempt from the general restrictions in section 21 of the Financial Services and Markets Act 2000 on the communication of invitations or inducements to engage in investment activity on the grounds that it is being distributed in the United Kingdom only to persons of a kind described in Article 19(5) (Investment Professionals) and 49(2) (High Net Worth companies, unincorporated associations etc) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended). It is not intended to be distributed or passed on, directly or indirectly, to any other class of persons. This material is not for distribution in the United Kingdom to retail clients, as defined under the rules of the Financial Services Authority.

**For United States Residents:** Canaccord Adams Inc., a US registered broker-dealer, accepts responsibility for this Investment Research and its dissemination in the United States. This Investment Research is intended for distribution in the United States only to certain US institutional investors. US clients wishing to effect transactions in any Designated Investment discussed should do so through a qualified salesperson of Canaccord Adams Inc. Analyst(s) preparing this report that are not employed by Canaccord Adams Inc are resident outside the United States and are not associated persons or employees of any US regulated broker-dealer. Such analyst(s) may not be subject to Rule 2711 restrictions on communications with a subject company, public appearances and trading securities held by a research analyst account.

**For European Residents:** If this Investment Research is intended for disclosure in any jurisdiction other than the United Kingdom, the US or Canada, then the relevant rules and regulatory requirements of that jurisdiction will apply.

**Additional information is available on request.**

Copyright © Canaccord Adams, a division of Canaccord Financial Ltd. 2010. – Member IIROC/CIPF

Copyright © Canaccord Adams Limited 2010. – Member LSE, authorized and regulated by the Financial Services Authority.

Copyright © Canaccord Adams Inc. 2010. – Member FINRA/SIPC

All rights reserved. All material presented in this document, unless specifically indicated otherwise, is under copyright to Canaccord Adams, a division of Canaccord Financial Ltd., Canaccord Adams Limited, and Canaccord Adams Inc. None of the material, nor its content, nor any copy of it, may be altered in any way, or transmitted to or distributed to any other party, without the prior express written permission of the entities listed above.

---

