January 3, 2023

Zacks Small-Cap Research

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Steven Ralston, CFA
312-265-9426
sralston@zacks.com

scr.zacks.com
10 S. Riverside Plaza, Chicago, IL 60606

ION Energy Limited (OTCQB: IONGF)

Encouraging Lithographic Drill Results at Urgakh Naran; intervals between 71m & 123m have avg. assays between 278 & 362 ppm Li

Management Expects an Inferred Resource Estimate for Urgakh Naran by mid-2023

Based on comparative analysis of junior lithium companies, a mid-second quartile price-to-book (P/B) ratio of 6.5 indicates a share price target of $0.32 per share.

Current Price (12/30/22)	$0.15
Valuation	**$0.32**

OUTLOOK

ION Energy is exploring & advancing two prospective lithium brine projects in Mongolia: **Urgakh Naran** and **Baavhai Uul**

At **Urgakh Naran**, **3 lithographic drill holes** completed; **3 monitoring wells** expected to come online in 2Q 2023.

At **Baavhai Uul**, a **hydrogeological sampling program** commenced in 3Q 2022.

Demand for lithium is expected to exceed supply in the upcoming years, driven primarily by the EV mega-trend.

SUMMARY DATA

52-Week High	**$0.40**
52-Week Low	**$0.09**
One-Year Return (%)	**-62.56**
Beta	**2.09**
Average Daily Volume (shrs.)	**14,065**
Shares Outstanding (million)	**60.58**
Market Capitalization ($mil.)	**$9.06**
Short Interest Ratio (days)	**0.78**
Institutional Ownership (%)	**1.25**
Insider Ownership (%)	**26.08**
Annual Cash Dividend	**$0.00**
Dividend Yield (%)	**0.00**
5-Yr. Historical Growth Rates	
Sales (%)	**N/M**
Earnings Per Share (%)	**N/M**
Dividend (%)	**N/M**
P/E using TTM EPS	**N/M**
P/E using 2022 Estimate	**N/M**
P/E using 2023 Estimate	**N/M**

Risk Level	**Above Average**
Type of Stock	**Small-Value**
Industry	**Mining – Lithium**

ZACKS ESTIMATES

Revenue
(in millions of $CAD)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2020	0 A	0 A	0 A	0 A	0 A
2021	0 A	0 A	0 A	0 A	0 A
2022	0 A	0 A	0 A	0 E	0 E
2023	0 E	0 E	0 E	0 E	0 E

Earnings per Share
(EPS is operating earnings before non-recurring items)

	Q1 (Mar)	Q2 (Jun)	Q3 (Sep)	Q4 (Dec)	Year (Dec)
2020	-$0.00 A	-$0.00 A	-$0.04 A	-$0.03 A	-$0.07 A
2021	-$0.01 A	-$0.01 A	-$0.01 A	-$0.01 A	-$0.04 A
2022	-$0.01 A	-$0.01 A	-$0.01 A	-$0.01 E	-$0.04 E
2023	-$0.01 E	-$0.01 E	-$0.01 E	-$0.01 E	-$0.04 E

EPS in $CAD

Quarterly EPS may not equal annual EPS total due to rounding.

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ION Energy Limited (OTCQB: IONGF; TSXV: ION) is an **early-stage** junior exploration & development mining company with **two prospective lithium brine properties:** Urgakh Naran and Baavhai Uul, both in **Mongolia**. Management has completed **a number of exploration programs** in a **well-designed sequence** designed to understand the structural development of the basin, to identify shallow brine aquifers and to estimate the lithium resource within.

At **Urgakh Naran** during 2022, the company **drilled three diamond core holes** which **tested the lithography** for permeability **and provided promising assay results.** Three **hydrogeological sampling** wells (drilled near the diamond core holes) are in the process of being completed; they are destined to be **monitoring wells** in order to determine **flow rates** and **average grades** so that initially an **early lithium resource indication** can be calculated and later an Inferred Resource can be estimated.

In 2022 at **Baavhai Uul**, ION Energy's joint exploration partner, Aranjin Resources, completed an 814-hole auger geochemical drilling program and found the **Victory Copper Nickel Discovery**, a 2.5km by 1.5km copper nickel mineralized area. In the third quarter, ION Energy commenced a **hydrogeological sampling program**.

Urgakh Naran Project (Review of 2022)

In 2022, ION Energy Limited (OTCQB: IONGF; TSXV: ION) had a productive year in its **exploratory efforts** at its **Urgakh Naran Project** in Mongolia. The company acquired the Urgakh Naran **exploration license** in February 2021.

During 2022, several **exploratory** programs were conducted in order to better assess the lithium mineralization situated within the brine aquifer. To put the company's 2022 exploratory efforts in perspective, a **brief outline and summary** of the auger drilling, TEM survey, geophysical and diamond drilling work at **Urgakh Naran** follows.

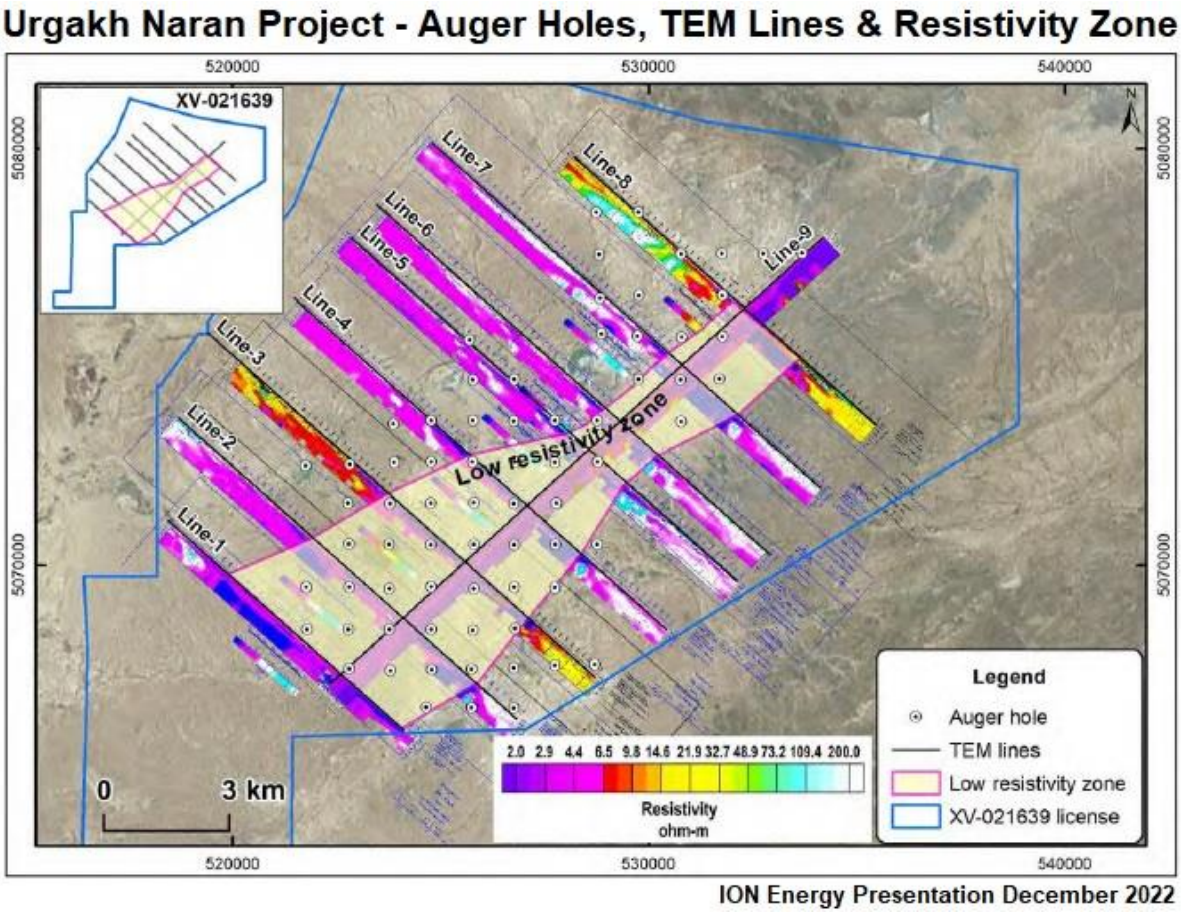
Recent Urgakh Naran Exploration Highlights

- April — Management visits site
- April-May — Maiden exploration program (72 auger drill holes)
- May — Surface sample assays at 918 Mg/L Li
- July — Results of 82 line-km TEM survey (low resistivity structure identified)
- August — 9th line 16-km TEM survey completed (confirmed continuity of low resistivity zone)
- August — **Aquifer volume** calculated to be **22.7 billion cubic meters**
- September — Management visits site
- Sept. – Dec. — 3 diamond core holes (954m) drilled for lithological & assay work
    - Lithography indicates permeability conducive for lithium brines
    - Highly encouraging assay results of the brine samples
- December — 3 hydrogeological wells being drilled for future monitoring of aquifer's hydrogeology
    - Hydrogeological data crucial for estimation of mineral resource
    - Due to onset of winter, completion of monitoring wells & setup up of monitoring equipment delayed until March 2023

Between April and May 2022, ION Energy conducted the **maiden exploration program** at the Urgakh Naran Project, which consisted of 72 (820.5m) shallow auger drill holes, 427 geochemical samples and 8 TEM geophysical lines covering 88 line km. Also, **management visited the site** in late-April to oversee the program.

In May, ION Energy reported that a **surface brine sample assayed 918 mg/l Li**. The sample was collected from a shallow evaporation pool at the Urgakh Naran Lithium Project. Though the assay of

this sample could be a result of a natural evaporation process at surface, this exceptional assay result for a surface sample collected in Mongolia.



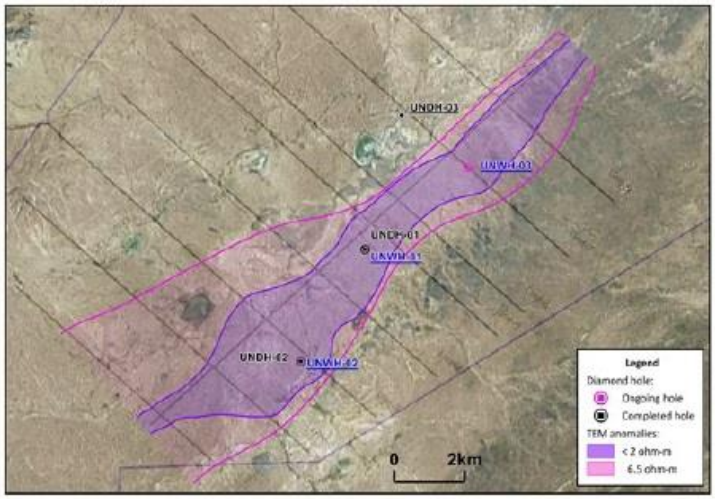
In July, ION Energy announced the **results of an 82 line-km Transient Electro Magnetic** (TEM) **survey**. A TEM geophysical survey is a non-invasive and cost-effective method for aquifer imaging, since it is very sensitive to conductive anomalies. The 8-line TEM survey detected a **zone of high conductivity** and **low resistivity** which trends from the southwest to the northeast, narrowing to the northeast. Furthermore, a lower (< 2.0 ohm) resistivity channel meanders through the 6.5 ohm zone.

During August, a **follow-up survey** was completed; this additional **9th line 16-km TEM survey** intersected across the previous 8 lines through the zone of high conductivity and low resistivity, which confirmed the continuity of the low resistivity zone and further validated the prediction of a brine aquifer.

Utilizing the data collected from the company's exploration activities, the **volume of the Urgakh Naran brine aquifer** was calculated to be **22.7 billion cubic meters**, a significant advancement in the process of providing a resource estimate. The low resistivity zone trends from the southwest to the northeast, narrowing to the northeast. Furthermore, a lower (< 2.0 ohm) resistivity channel meanders through the 6.5 ohm zone.

Management again visited the site in September as the company commenced a **test drilling program** consisting of **three diamond core holes** (UNDH-01, UNDH-02 and UNDH-03).

Urgakh Naran Diamond Core Drill Holes



ION Energy Press Release December 7, 2022

Urgakh Naran Aerial Photo

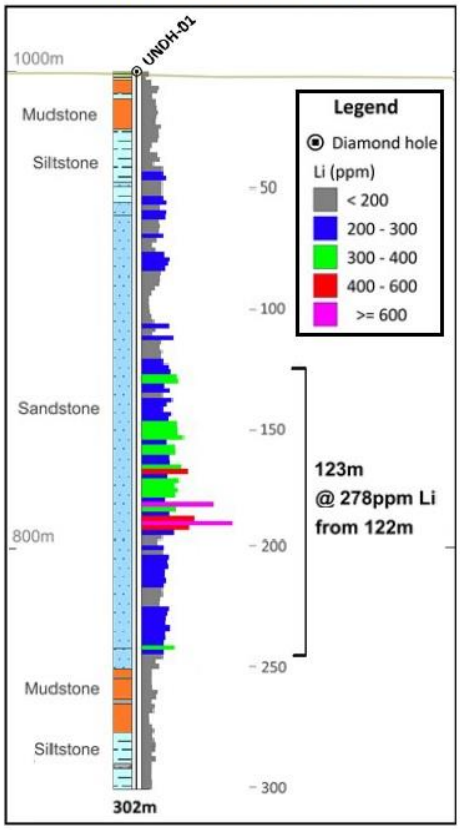


ION Energy Presentation November 2022

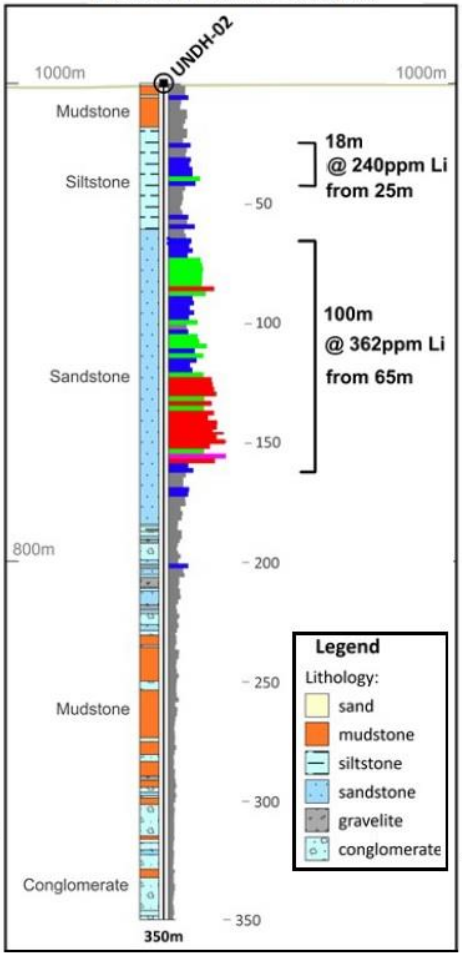
In early December, **drilling results** of the three diamond core drill holes were reported. The lithological characterization of the **core samples** is indicative of porosity and permeability that are conducive for extractable lithium brines. In addition, the **assay results** of the **brine samples** are highly encouraging:

- **UNDH-01: 123m at 278ppm** lithium (maximum Li 832ppm over 2m)
- **UNDH-02: 100m at 362ppm** lithium (maximum Li 601ppm over 2m)
- **UNDH-03: 71.4m at 360ppm** lithium (maximum Li 911ppm over 2m)

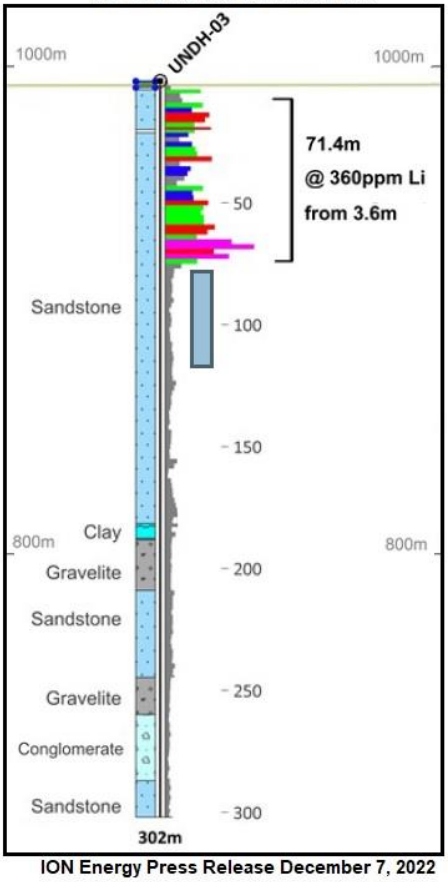
UNDH-01 Lithium Results



UNDH-02 Lithium Results



UNDH-03 Lithium Results



ION Energy Press Release December 7, 2022

In addition, the company has drilled two of the three **hydrogeological test wells** (aka water or monitoring wells), which will observe the aquifer's hydrogeology (aka the movement of the brine through the aquifer). Due to the outset of winter, the sensitive process of completing the third well and deploying the equipment for collecting brine samples from the monitoring wells have been delayed until March 2023.

Having estimated the volume of the aquifer in August, once the **flow rates** & **average grades** are measured with these monitoring wells in 2023, an **early lithium resource indication** can be calculated. Thereafter, the company will be on track to move forward toward an **estimated Inferred Resource at Urgakh Naran in the mid-2023 timeframe.**



Baavhai Uul Project (Review of 2022)

In late 2021, ION Energy conducted a **shallow, auger drilling program** (222 holes totaling 1,305.5m), which lead to the **discovery of the White Wolf Prospect** (high sample assay of 1,502ppm Li & an average grade of 700ppm Li over 2m) in the **Li-8** target area.

In February 2022, ION's management announced that **some of the assays detected occurrences of copper and nickel**. Concurrently, ION Energy entered into an **exploration joint venture** with **Aranjin Resources Limited** (TSXV:ARJN). The JV granted the companies **reciprocal exploration rights within Mongolia**. Ali Haji, CEO of ION Energy, is also CEO of Aranjin Resources.

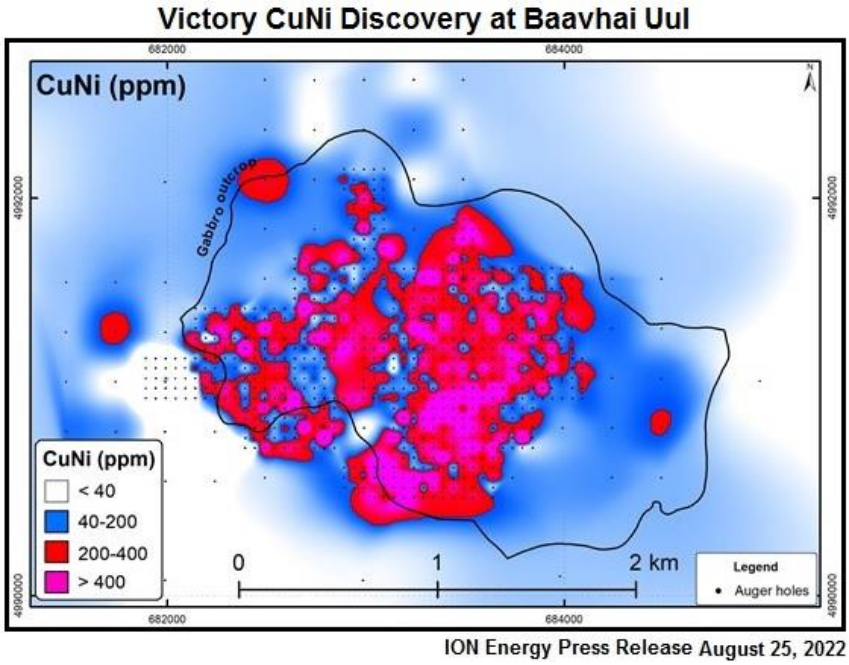
Recent Baavhai Uul Exploration Highlights

• December 2021	222-hole auger program completed; **White Wolf Lithium Prospect** discovered
• February 2022	Some auger assays detect occurrences of copper (480ppm) and nickel (2,150ppm)
• April	Management visits site
• May	All results from ION's auger program received
• May-August	Aranjin conducts 250mx250m grid, 814-hole auger drill program for Cu & Ni
• August	Aranjin found **Victory Copper Nickel Discovery**
• September	Management visits site
• 3Q-2022	Commenced a hydrogeological sampling program

In the first week of May 2022, **Aranjin Resources commenced an auger geochemical drilling program**, which was completed in late-August. The program consisted of **814 shallow** (6m) **auger geochemical drill holes** (approximately six meters deep), in which samples were collected every meter down hole. The **grid pattern was tightened** from ION's 1km x 1km to Aranjin's 250m x 250m. The targeted areas for the grids were determined by a combination of geophysics, assay results from

ION's prior drill holes and rock chip samples (highlighted chip samples were 2,150 ppm Ni and 677ppm Cu).

On August 25th, Aranjin Resources announced the completion of the auger geochemical drilling program and the finding of the **Victory Copper Nickel Discovery**, a 2.5km by 1.5km copper nickel mineralized area detected in a highly weathered zone of gabbro sill. Assay results of up to 1,252ppm Cu and 494ppm Ni were recorded from samples collected from weathered gabbroic clays situated under very shallow alluvial cover. In addition, 25 other copper nickel anomalies were detected. A follow-up 50m x 50m auger geochemical drilling program by Aranjin Resources at the Victory Copper Nickel Discovery is anticipated.



ION Energy Press Release August 25, 2022

On the lithium front, ION Energy commenced a hydrogeological sampling program at Baavhai Uul during the third quarter of 2022.



ION Energy Presentation December 2022

EXECUTIVE SUMMARY

Investment Thesis

Headquartered in Toronto, ION Energy Limited (OTCQB: IONGF; TSXV: ION) is an early-stage junior exploration & development mining company, which is focused on **prospective lithium brine properties** in **Mongolia**. The targeted projects are situated in endorheic basins located in arid areas with high evaporation rates and low precipitation rates, which are highly conducive for the conventional method of lithium extraction via evaporation ponds. Also, the projects are situated in close proximity to China, the major global consumer of lithium minerals.

Currently, ION Energy controls approximately 111,500 hectares (about 275,600 acres) of prospective lithium properties through two exploration licenses granted by the Mineral Resource Authority of Mongolia (MRAM), namely the **Baavhai Uul Lithium Brine Project** (81,758 hectares) and the **Urgakh Naran Lithium Brine Project** (29,770 hectares).

Recent exploration programs have revealed **management's *modus operandi*** for the advancement of the company's lithium brine projects. After **identifying prospective lithium salars** in Mongolia, primarily through results from historical chemical sampling, management has **acquired the exploration licenses** for the associated endorheic basin. Thereafter, a series of developmental exploration programs are planned and completed, consisting of:

- **CSAMT geophysical surveys** to locate and map the brine aquifers,
- **micro-seismic geophysical surveys** to identify the structure (depth, thickness and width) of the brine aquifers
- **exploration drilling programs** to ascertain the stratigraphy and average grade of the lithium brine
- calculate an **early lithium resource indication**
- commission an NI 43-101-compliant **estimated Inferred Resource**

Financial

Financially, management's anticipated exploration and acquisition **initiatives are funded to approximately mid-2023**, primarily through an upsized bought deal that closed in April 2021. ION Energy Limited also benefited from the business combination with Spirit Banner Capital Corp. in August 2020 (see *Financial section* below). The company does not have any long-term debt.

Baavhai Uul Lithium Brine Project

Since acquiring the Baavhai Uul **exploration license** in 2019, management has focused on two target areas of the Baavhai Uul Property:

- **Li-8,** a 4.5 square km target area in the southeast portion of the property
- **Li-11**, a 5.5 square km target situated in the northwest portion

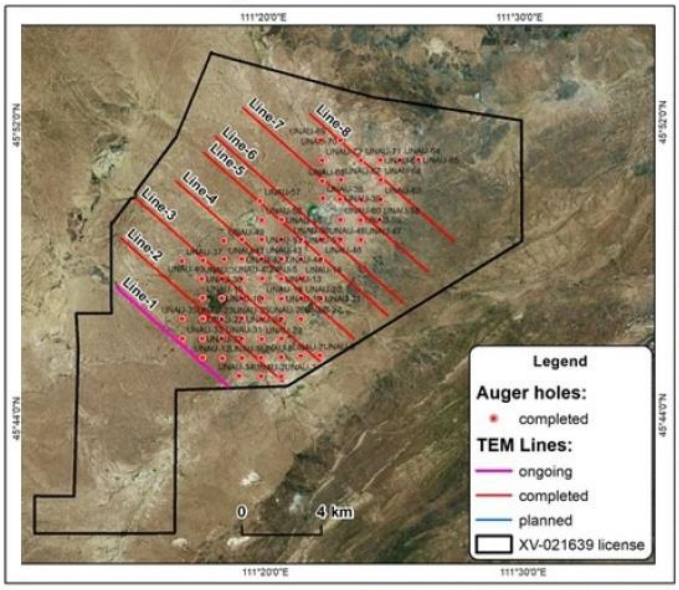
At Baavhai Uul, ION Energy completed two CSAMT **geophysical surveys** (one at Li-11 and the other at Li-8**)** to locate brine aquifers, a **micro-seismic geophysical survey** to identify the structure of the brine aquifers and both diamond core and auger **drilling programs**. In December 2021, the company announced the discovery of the **White Wolf Prospect**, which delivered a **high sample assay of 1,502ppm**, which superseded the prior high grade of 860ppm Li obtained during the 2016 geochemical sampling program. Most recently, ION Energy commenced a hydrogeological sampling program at Baavhai Uul during the third quarter of 2022.

Urgakh Naran Lithium Brine Project

In February 2021, ION Energy acquired the Urgakh Naran **exploration license** at a cost of only US$333,300.

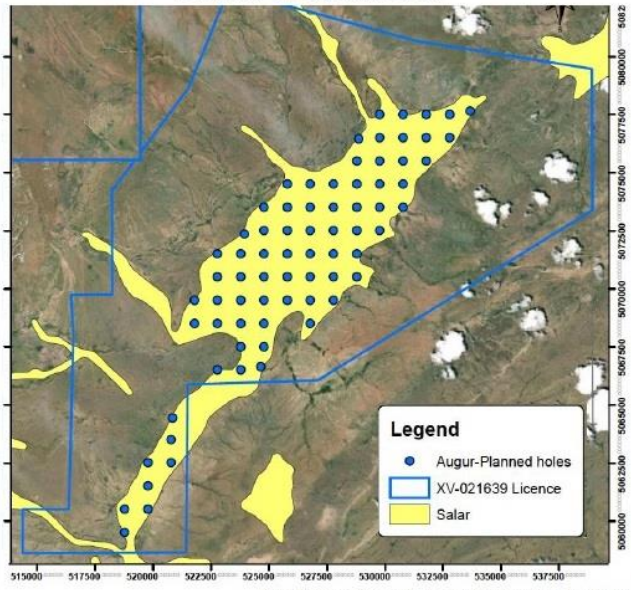
Between April and May 2022, ION Energy conducted the **maiden exploration program** at the Urgakh Naran Project consisting of 72 (820.5m) auger drill holes, 427 geochemical samples and 8 TEM geophysical lines covering 88 line km. At the time (in May), the company announced that a surface brine sample **assayed at 918 mg/l Li**. Most recent events during second half of 2022, see *Urgakh Naran Project (Review of 2022) section* above.

Survey Lines & Drill Hole Locations



ION Energy Press Release May 10, 2022

Drill map at Urgakh Naran



ION Energy Press Release September 13, 2021



ION Energy Presentations January & February 2022

ION Energy Milestones

- August 3, 2017 ION Energy formed as a private company incorporated in Ontario
- February 15, 2019 **Acquired the Baavhai Uul** exploration license from Golden Hill LLC
- February 27, 2019 Signed Letter of Intent with Spirit Banner Capital in a Qualifying Transaction
- August 20, 2019 Entered definitive agreement with Spirit to complete business combination
- August 26, 2020 ION Energy completes private placement concurrent with business combination
- August 27, 2020 Official date of IPO
- August 31, 2020 ION Energy began trading on the **TSXV** under the ticker ION
- Sept. 17, 2020 ION Energy listed on the **Frankfurt Stock Exchange** under the ticker 0K9
- October 2020 Conducted initial CSAMT geophysics survey at Li-11 (Baavhai Uul Project)
- January 2021 Conducted CSAMT geophysics survey at Li-8 (Baavhai Uul Project)
- January 14, 2021 ION Energy began trading on **OTCQB** Venture Market under ticker IONGF
- June-July 2021 Completed maiden exploration drilling program at Baavhai Uul Project
- Feb. 10, 2021 **Acquired Urgakh Naran** Lithium Salar Project (100%)
- Feb. 1, 2022 Entered into **JV** term sheet with **Aranjin Resources** (reciprocal exploration rights)
- June 2022 Completed **maiden exploration program at Urgakh Naran Project**
- August 2022 **Volume** of brine aquifer at **Urgakh Naran estimated to be 22.7 billion m^3**
- Sept.–Nov. 2022 Completed 3 diamond core lithological holes (954m)
    - **Assay results** of the **brine samples** highly encouraging

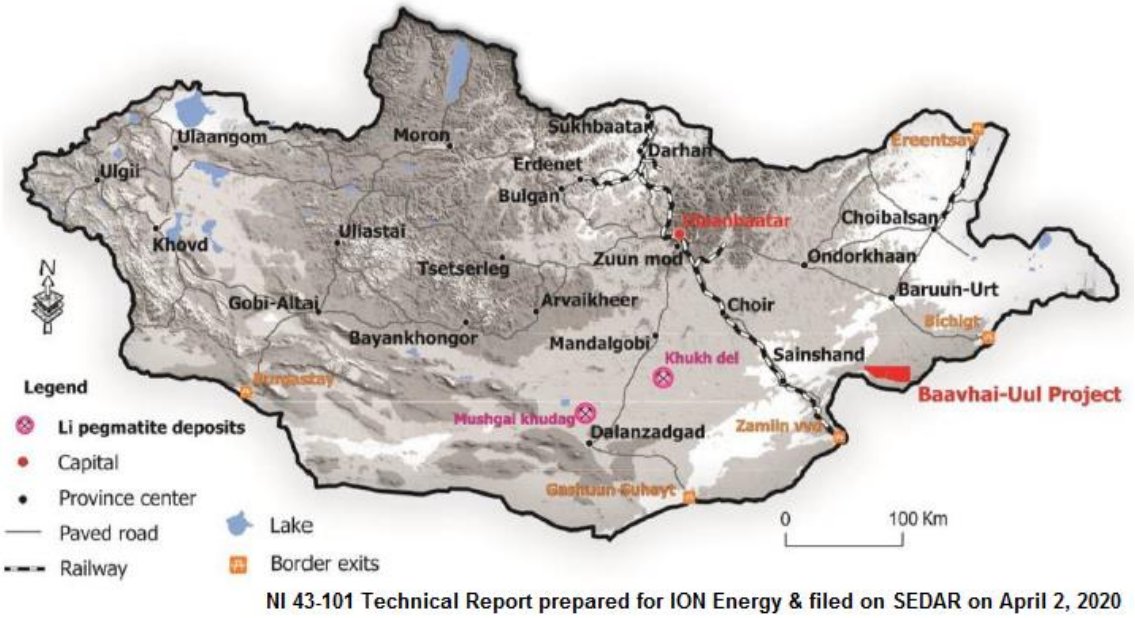


Common Stock Chronicle

ION Energy's shares began trading on the **TSXV** on August 31, 2020 under the trading symbol **ION**, following a **three-cornered amalgamation** with Spirit Banner Capital Corporation on August 26, 2020. Almost five months later (on January 14, 2021), the shares of ION Energy began trading on the **OTCQB** under the symbol **IONGF**. ION Energy's shares are also listed on the **Frankfurt Stock Exchange** (FRA) under the ticker **5YB**.

BAAVHAI UUL LITHIUM BRINE PROJECT (100% owned)

ION Energy holds an exploration license on the Baavhai Uul Lithium Brine Project, an 81,758-hectare (202,028-acre) prospective property with **multiple lithium brine targets**. The license was acquired from Golden Hill LLC in August 2020. This **early-stage exploration project** has been explored by geochemical sampling (2016), geophysical surveys (2020) and an auger drilling program (2021). An NI 43-101-compliant mineral resource estimate has yet to be prepared for the property.



NI 43-101 Technical Report prepared for ION Energy & filed on SEDAR on April 2, 2020

Located in Sükhbaatar Province, the Baavhai Uul Lithium Brine Project is approximately 800km southeast of Ulaanbaatar, the capital of Mongolia, and is only 24km north of China. The area has an **arid climate** and low precipitation with short hot summers and long, dry cold winters.

Furthermore, the property is situated in the **Borgoin Gobione Basin**, one of the regional **endorheic basins** of the hydrogeological **Central Asian Internal Drainage Basin**. An **endorheic basin** is a closed drainage basin which retains water and does not allow outflows into external bodies of water. Endorheic watersheds are conducive to the formation of saline lakes that that have high concentrations of minerals from the inflow erosion products through internal drainage systems and the subsequent concentration of minerals through the evaporation process.

Ownership - Baavhai Uul Project

ION Energy **acquired the Baavhai Uul exploration license** from Golden Hill LLC, a purchasing agent acting on behalf of ION Energy, through a License Purchase Agreement dated February 15, 2019. The total consideration paid was US$1.0 million and 8,000,000 shares of ION Energy. The validity of the Baavhai Uul exploration license was confirmed by a Mongolian law firm on August 21, 2020. The Property is subject to a 1.5% gross revenue royalty held by Oxford Royalties Ltd.

Exploration - Baavhai Uul Project

Geochemical Sampling (2016)

Prior to ION Energy acquiring Baavhai Uul, **in 2016**, the Mongolian University of Science and Technology conducted a **geochemical sampling** of clay sediments at two (2) dry salt lakes on the property (designated as Li-8 and Li-11 on the map above). Clay samples were obtained by auger drilling, which was limited to a depth of 1m. Significant assay results were returned from both Li-8

and Li-11 locations. At Li-8, anomalous lithium grades averaged 569ppm and ranged from 211ppm to 810ppm while at Li-11, lithium grades averaged 361ppm and ranged from 311ppm to 420ppm.

Assay Results for Clay Samples Collected at Baavhai Uul Property in 2016

Sample location	Coordinate UTM-49N		Sample ID	Interval, m		Assay results				
	Easting	Northing		from	to	Na, %	K, %	Ca, %	Mg, %	Li, ppm
Li-8	682171	4986982	Li-8-1	0.0	0.2	1.95	2.87	0.96	0.47	211
			Li-8-2	0.2	0.4	2.25	2.43	2.95	2.12	605
			Li-8-3	0.4	0.6	2.28	2.42	2.93	2.13	601
			Li-8-4	0.6	0.8	1.09	2.52	4.68	1.97	810
			Li-8-5	0.8	1.0	1.85	2.09	3.59	1.76	618
Li-11	642374	5001157	Li-11			1.21	3.13	0.73	1.26	433
			Li-11-1	0.0	0.2	1.04	3.01	1.30	1.14	380
			Li-11-2	0.2	0.4	1.10	2.85	1.28	0.98	341
			Li-11-3	0.4	0.6	0.82	2.93	0.81	0.90	352
			Li-11-4	0.6	0.8	0.73	3.13	0.34	0.87	422
			Li-11-5	0.8	1.0	1.30	2.75	0.40	0.84	311

NI 43-101 Technical Report prepared for ION Energy & filed on SEDAR on April 2, 2020

All the samples returned relatively low potassium (K) and magnesium (Mg) ratios. The **magnesium/lithium** (Mg/Li) **ratio** of brine deposits is a particularly **important factor** that affects production costs and the purity of the end product, lithium carbonate (Li_2CO_3). Lithium is generally extracted from brine utilizing several processes. Initially, solar evaporation concentrates the lithium brine *via* the natural precipitation of Na^+ and K^+ ions into NaCl and KCl. Then, conventional processing proceeds with the chemical precipitation of magnesium through the addition of slaked lime [$Ca(OH)_2$]. The higher the Mg/Li ratio,

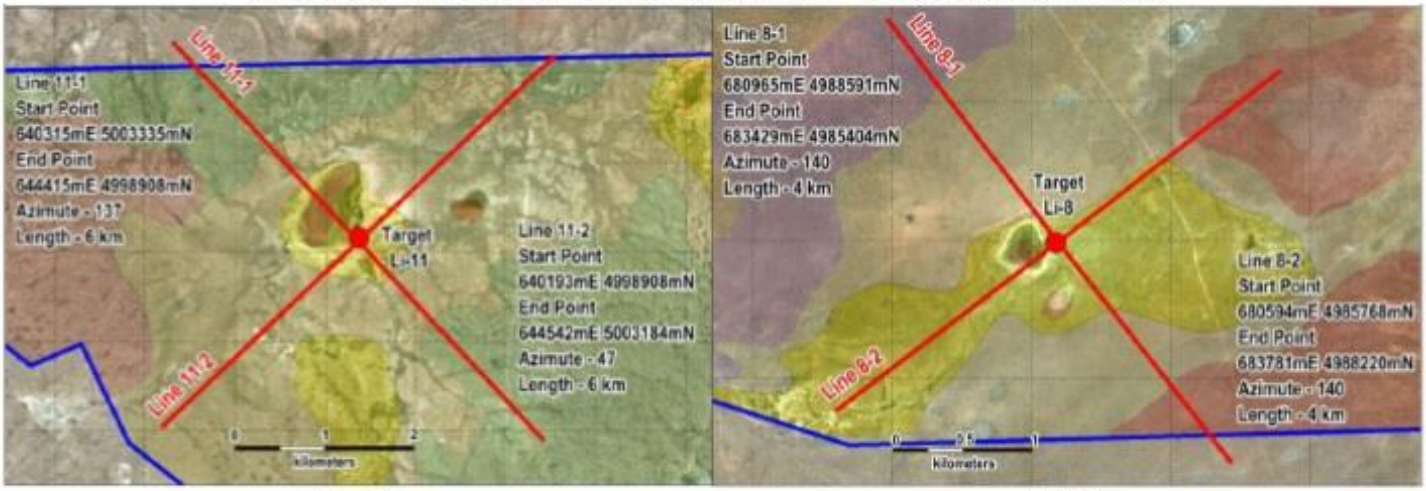
1) the larger the amount of chemicals and energy are consumed
2) the more waste is generated and
3) the lower the purity of precipitated lithium carbonate.

Therefore, the Li/Mg ratio has been traditionally one of key considerations that determine the viability of many lithium brine projects.

Geophysical Surveys (October 2020)

In late-October 2020, ION Energy commenced a **geophysical survey** at the Baavhai Uul Project, namely a **CSAMT** (Controlled-Source Audio-frequency MagnetoTellurics) program. A CSAMT survey transmits an electromagnetic signal into the ground over three overlapping frequency bands from one location that are received and measured at another location. Data were collected at soundings every 50 meters. The electric and magnetic readings are used to map subsurface resistivity, a useful method to reveal water-bearing layers and porous water-filled rock formations. The **purpose** was to **locate and map brine aquifers** in order to identify targets for upcoming diamond core and auger drill programs.

Location of CSAMT and Seismic Exploration Lines



Li-11 ION Energy Press Release October 21, 2020 **Li-8**

A 12 line-km **CSAMT** was completed **at Li-11** in 2020. However, due to COVID-19 restrictions, the 8 line-km **CSAMT at Li-8** resumed in January 2021 when the restrictions were lifted. The closely spaced soundings were taken at 50-meter intervals.

In May 2021, a **micro-seismic geophysical survey** was completed in order to identify the structure of the brine aquifers. Utilizing the reflection technique, the seismic waves reflected from the sub-surface structures indicated that the **aquifers are 20m-to-25m below surface**.[i] There has not been an announcement concerning the thickness and width of the aquifers.

Drilling Programs (2021)

Between early-June and mid-July 2021, the company conducted its **maiden exploration drilling program**, which consisted of **27 core drill holes** (823.2m) at varying depths between 20m and 70m. A 12-person **exploration camp** was assembled for 12 personnel. Core and brine samples from the aquifers were collected but not assayed due to cross contamination. Brines were encountered between 20m-to-25m below surface at Li-11 and close to surface at Li-8.

Exploration Camp at Baavhui Uul

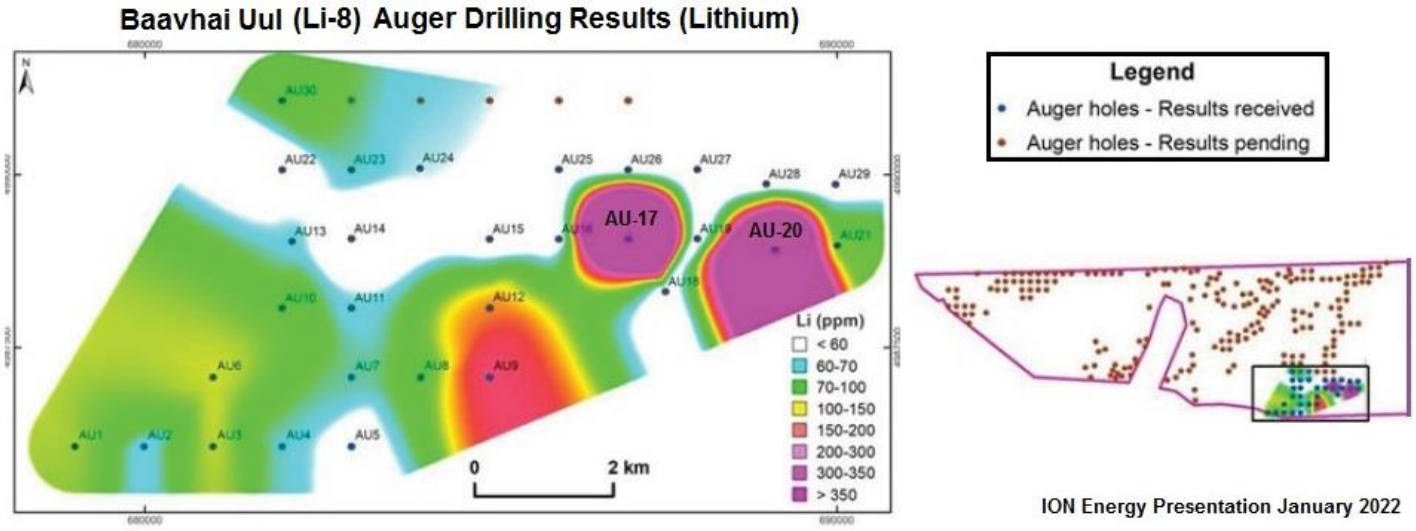


ION Energy Press Release June 9, 2021

In the **fall of 2021**, ION Energy commenced a **shallow, auger drilling program** utilizing three rigs. The auger holes were spaced approximately **one kilometer apart**. Each hole was drilled to a maximum depth of **six meters** and **samples were collected every 0.5 meter**. A total of **222 holes** (1,305.5m) were drilled. This was the company's initial broad pass over select target areas of the Baavhai Uul license.

During November approximately an eighth of the assay results from the auger drilling program had been delivered to management. On December 1, 2021, the company announced the **discovery of**

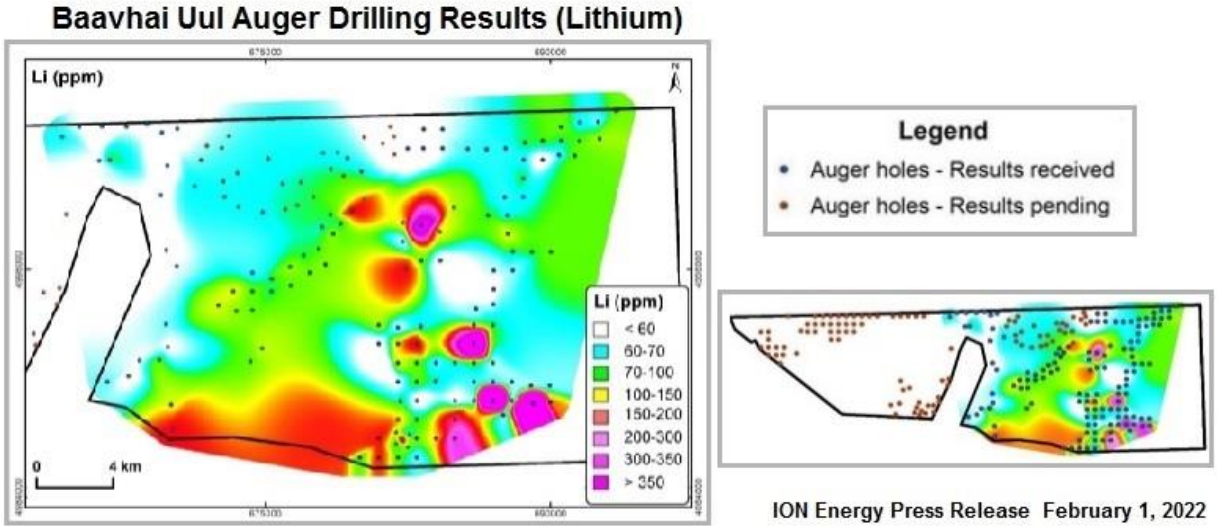
the White Wolf Prospect in the **Li-8** target area. Auger drill-hole **AU-17** assayed an average grade of 700ppm Li (from 0.5m to 3.5m depth) with a **high sample assay of 1,502ppm**, which superseded the prior high grade of 860ppm Li obtained during the 2016 geochemical sampling program.



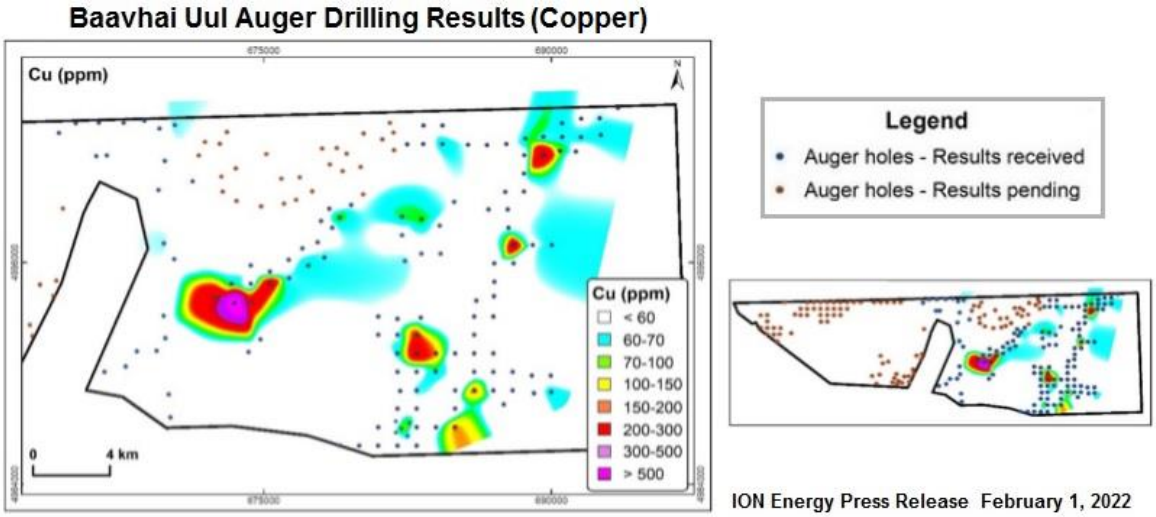
Another highlighted drill-hole was **AU-20**, which averaged 650ppm Li from 4m to 6m with a maximum assay of 860ppm Li.

Discovery of Copper and Nickel (February 2022)

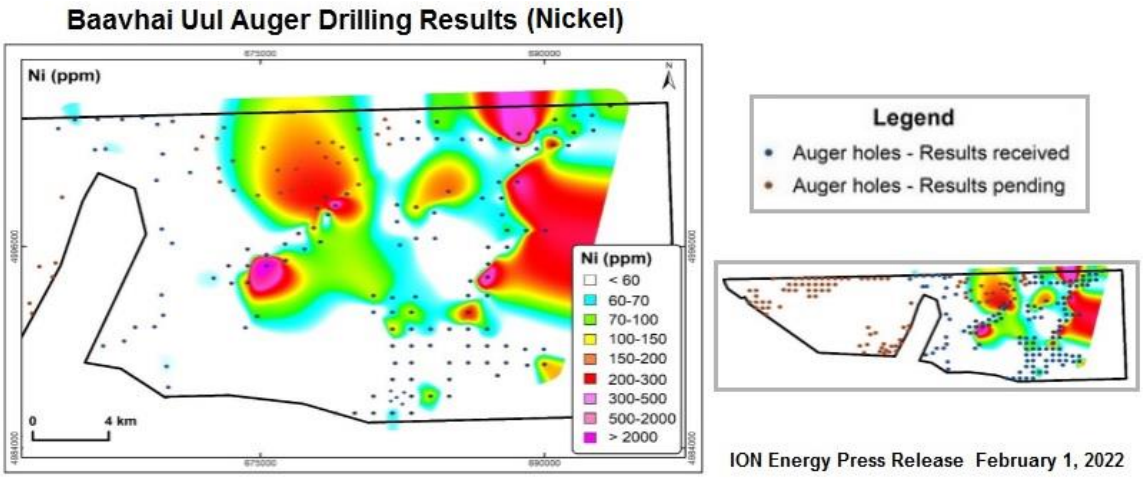
By the end of January 2022, about half of the assay results from the auger drilling program had been delivered to the company. On February 1, 2022, management announced that some the assays detected occurrences of copper and nickel. The press release included **heat maps** for the concentrations of not only **lithium**, but also **copper** and **nickel**. The copper and nickel geochemical anomalies occur in the central part of the Baavhai Uul Property. The copper anomaly covers an area of over 4 square km while the nickel anomaly is over 2 square km.



For copper, the highlighted drill-hole is **AU-85**, which averaged 103 ppm Cu between 2.5 and 3.0 meters with a maximum assay of **570 ppm Cu**. In addition, seven auger holes in the eastern part of the Baavhai Uul Property assayed at over 100 ppm Cu.



For nickel, the highlighted drill-hole is **AU-83**, which averaged 202 ppm Ni between 5.0 and 5.5 meters with a maximum assay of **2,150 ppm** (0.215%) **Ni**. Other auger holes in the eastern part of the Baavhai Uul Property assayed at between 200 ppm and **480 ppm Ni**.



The discovery of copper and nickel occurrences contributed to entering into an **exploration joint venture** with **Aranjin Resources** Limited in February 2022.

Exploration JV with Aranjin Resources Limited

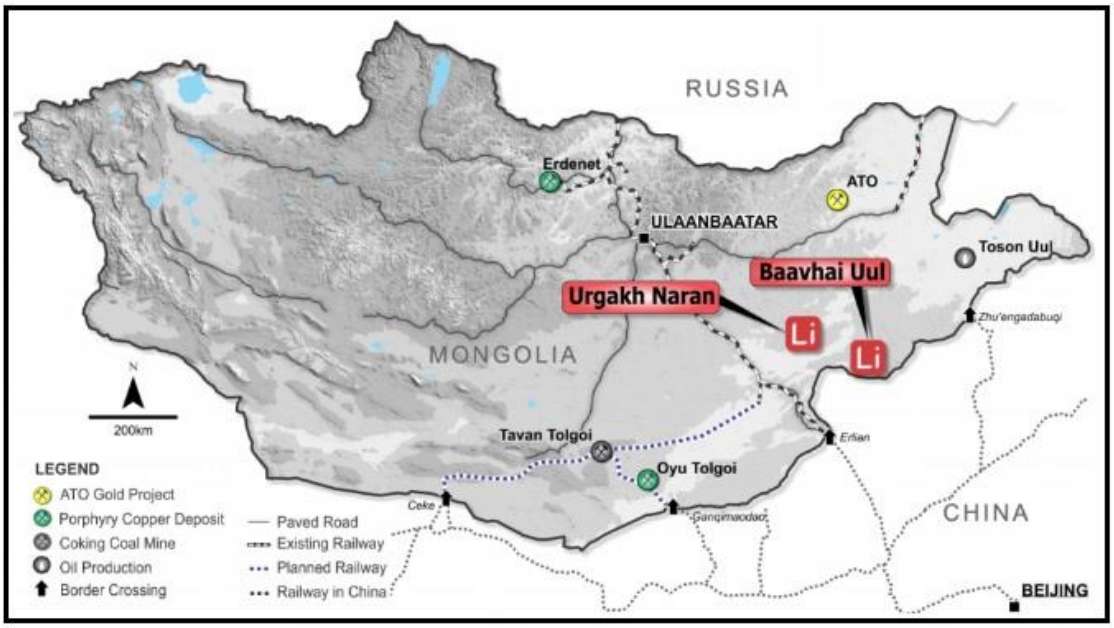
On February 1, 2022, **ION Energy** announced that the company and **Aranjin Resources Limited** (TSXV: ARJN) have entered into a binding term sheet for an **exploration joint venture** (JV). Under the JV, both companies **granted the other reciprocal exploration rights within Mongolia**, namely ION Energy was granted a right to explore Aranjin's properties (specifically the Sharga, Bayan Under and Baruun Tal Projects) for lithium and Aranjin was granted a right to explore ION's properties (specifically the Baavhai Uul and Urgakh Naran Projects) for base metals (primarily copper, but also lead, zinc, nickel, cobalt and associated metals).

ION Energy is the **largest lithium exploration license holder in Mongolia**, while Aranjin Resources is the **largest copper exploration license holder in Mongolia**. The synergistic joint venture represents a **significant exploration endeavor for battery metals** in Mongolia. The exploring Party will earn an 80% interest in any discoveries of its respective battery metal(s) on the other Party's properties, subject to existing royalties.

Upon the preparation of a Feasibility Study, a separate joint venture will be negotiated for the further development of the project. Over the three (3) years, ION is obligated to expend at least US$500,000 while Aranjin is obligated to expend US$3,000,000. If a Feasibility Study is not prepared within five (5) years, the reciprocal rights will be terminated.

URGAKH NARAN PROJECT (100% owned)

ION Energy holds an exploration license on the **Urgakh Naran Lithium Brine Project**, a 29,770 hectare (73,560 acres) prospective lithium property in eastern Mongolia. The property has **multiple lithium brine targets located** within five salars, which were identified from a prior hydro-chemical sampling program. Urgakh Naran (aka Rising Sun in Mongolian) is a **very early-stage exploration project**.



ION Energy website February 21, 2022 https:ionenergy.ca/urgakh-naran-project/

Located in Dornogovi Province, the Urgakh Naran Lithium Brine Project is approximately 450km southeast of Ulaanbaatar and 151km WNW of the Baavhai Uul Project. **Situated in the South Gobi Desert**, the property is in close proximity to Delgerekh, which is 167km by road from Sainshand, the capital of Dornogovi Province. The Urgakh Naran area also has an arid climate and low precipitation with short hot summers and long, dry cold winters.

Ownership - Urgakh Naran Lithium Brine Project

On February 10, 2021, ION Energy **acquired** the Urgakh Naran Project from the Mineral Resource Authority of Mongolia (MRAM) via a tender bid at a **cost of US$333,300**, which includes consulting fees for Erdenyn Erel LLC, a Mongolian company that acted as the agent in the granting process for the license.

Description - Urgakh Naran Project

The Urgakh Naran exploration license encompasses approximately 29,770 hectares, of which 12,000 hectares (or a **20km by 6km area**) is comprised of the **Urgakh Naran Basin**. In the central part of the basin, there are **five** (5) **prospective salars**, including the 3,000-hectare (10km by 3km) **Urgakh Naran Salar**, which is the initial target of ION Energy's maiden auger drilling exploration program.

Exploration - Urgakh Naran Project

Little exploration has been conducted at Urgakh Naran; however, a hydro-chemical sampling program in 2016 identified lithium in shallow subsurface brines, which helped management pinpoint targets for the company's planned exploration program.

Maiden Exploration Program - Urgakh Naran Project

Between April and May 2022, ION Energy conducted the **maiden exploration program** at the **Urgakh Naran** Project, which was composed of:

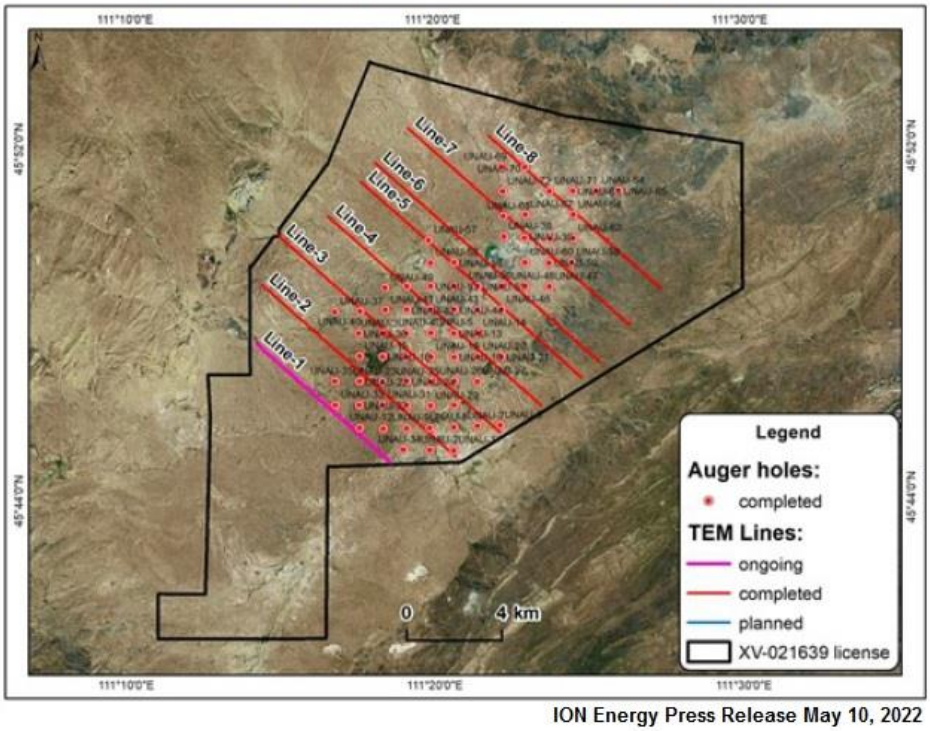
- **72** (820.5m) auger **drill holes**
- **427 geochemical** samples, including **brine samples**
- **8 TEM geophysical** lines covering **82 kilometers**

In late April, ION Energy's **management team visited Mongolia** to observe the drilling program. The team included CEO Ali Haji, Advisory Board member Don Hains and technical advisor Dr. Mark King.

The team observed the **prospectivity of the property** in terms of geology and morphology, which have some parallels to Nevada playa basins and South American salars. Evidence of artisanal salt harvesting was observed which is indicative of the presence of brine

The exploration efforts were conducted by in-country exploration personnel, which include well-trained geologists and hydro-geologists as well as highly-skilled mine workers. During their visit, members of the management team **provided technical advice** and further **training** to the in-country exploration team.

Exploration status at Urgakh Naran as at May 9, 2022



ION Energy Press Release May 10, 2022

The **auger drill program** was conducted according to hydrological sampling standards; namely, the holes were drilled 2 meters into the water table, generally to a depth of 12m. After being bailed at least two times and after waiting 24 hours for the holes to refill, brine samples were collected every two meters. At the time, the company announced that a surface brine sample **assayed at 918 mg/l Li**.

FINANCINGS

ION Energy has successfully raised sufficient capital to pursue management's intermediate exploration initiatives for the Baavhai Uul and Urgakh Naran Projects.

The company's 2022 operations and exploration plans are being funded by an upsized CAD$5.75 million bought deal offering that was completed on April 13, 2021. Initially announced as a CAD$3 million bought deal offering, immediate ensuing demand was estimated to be in the CAD$10 million range. Management conservatively capped the deal at CAD$5.0 with a CAD$0.75 over-allotment option. The offering consisted of 11,500,000 Units priced at CAD$0.50. Each Unit was comprised of one common share and one 3-year warrant exercisable at CAD$0.70. **Net proceeds were approximately CAD$5.212 million.**

ION Energy also financially benefited from the non-brokered Subscription Receipt offering that was completed on August 26, 2020, concurrent with the business combination with Spirit Banner Capital Corp. The offering consisted of the issuance of 9,063,329 subscription receipts, each priced at CAD$0.30. **Gross proceeds were CAD$2,718,999**.

Spirit Banner Capital Corp. was a **Capital Pool Company**, which is similar to a **Special Purpose Acquisition Company** (SPAC) in the United States. Without any commercial operations or assets (other than cash), Spirit Banner's purpose was to identify, evaluate and acquire a business through a Qualifying Transaction. The consequences of the qualifying business combination are that the Sponsors of the Capital Pool Company are well compensated while the acquired company (in this case ION Energy), benefits from access to capital as well as becoming a public company.

The financial effect of these two financings can be easily discerned by the significant upticks in the company's working capital (see table below). Also, the cash burn since those two financings can be distinguished.

ION Energy Limited

Working Capital

Year	1Q	2Q	3Q	4Q
2020	(966,906)	808,947	1,794,472	1,468,404
2021	709,139	5,219,732	4,380,380	3,598,971
2022	3,012,218	2,097,218	1,440,957	

VALUATION

The valuation of junior exploration companies with projects that do not contain estimated resources is challenging. As an early-stage junior lithium exploration company, ION Energy cannot be valued on the basis of revenues, EBITDA, earnings or cash flow. Also, more sophisticated valuation methodologies based on resource estimates are not possible at this point.

Management's strategy is to increase shareholder value by exploring and de-risking prospective lithium exploration concessions located in Mongolia. Globally, the number of lithium-brine salars is finite, and given the technological advances in mapping and the unique environment required to form a salar, the probability of discovering additional prospective brine salars is low.

We prefer a valuation technique based on book value as an appropriate methodology for valuing **early-stage** junior exploration & development mining companies. Book value of an early-stage exploration company represents the equity capital that has been raised to acquire the mineral concessions and to conduct exploration programs. An amalgamation of information is encapsulated within the raised capital total, including the quality of the properties (both in terms of mineral potential and political stability) and the exploration results from introductory geophysical surveys and brine sampling programs. The equity capital that has been raised augments book value, which then represents the extent to which investors are willing to fund the acquisitive and exploration efforts of the company or in other words, **expresses a measure of investor confidence in the company's projects**. Therefore, **book value captures the complex valuation potential of the company's resource value potential by investors**, many with expert knowledge of junior mining companies in the exploration phase. Hence, we find the use of book value is an appropriate metric by which to determine a junior exploration company's valuation.

Large diversified lithium-producing companies are not appropriate comparables (such as Albemarle, SQM and Allkem), since these companies are in a different phase of development, namely the commercial production stage, where the dynamics of production and debt issues can be the significant factors driving valuation. As a point of reference, these more mature lithium mining companies are currently valued at an average 4.9 times book value.

We believe that emerging junior exploration companies engaged in exploring and/or advancing lithium-brine projects are the applicable comparables to ION Energy. Such companies include Alpha Lithium Corp. (TSXV: ALLI), Lithium Americas Corp. (TSX: LAC), Standard Lithium Ltd (TSXV: SLI) and Wealth Minerals (TSXV: WML) are suitable comparables. The comparable companies range in market capitalization from about CAD$130 million to CAD$3.5 billion with each controlling properties with salars encompassing roughly 10,000-to-60,000 hectares. All are focused on the exploration and/or development of lithium-brine properties.

Industry Comparables	Ticker	Exchange	U.S. Ticker	Beta	% Chg YTD	Mkt Cap ($CAD mil.)	Price/ Book
ION ENERGY LTD	**IONGF**	OTCQB	IONGF	1.77	-62.6%	USD 9.1	3.1
ION ENERGY LTD	**ION**	TSXV	IONGF	2.62	-61.0%	CAD 11.8	3.1
Industry Mean				1.38	-19.4%	1,110.1	4.4
Industry Median				1.19	-36.7%	419.0	2.9
S&P/TSX Composite Index	TSX			1.00	-8.7%	N/M	1.9
S&P 500	SPX			1.00	-19.4%	N/M	3.8
Small Cap Juniors							
ALPHA LITHIUM CORP.	ALLI	TSXV	APHLF	0.92	-6.1%	171.8	2.4
LITHIUM AMERICAS CORP.	LAC	TSX	LAC	1.46	-30.3%	3,465.5	3.3
STANDARD LITHIUM LTD.	SLI	TSXV	SLI	1.98	-67.4%	666.2	8.7
WEALTH MINERALS LTD.	WML	TSXV	WMLLF	1.17	26.0%	137.0	3.1
Larger Cap Producers							
ALLKEM LIMITED	AKE	ASX	OROCF	1.41	47.3%	AUD 7,170	1.6
SQM	SQM	NYSE	SQM	0.86	58.3%	USD 22,818	4.9
ALBEMARLE	ALB	NYSE	ALB	1.40	-7.2%	USD 25,410	3.8

Currently, the P/B valuation range of these comparable companies is between 2.4 and 8.7. We believe that ION Energy can attain at second quartile price-to-book valuation of 6.5 times book, which indicates a **target of $0.32 per share**.

Over the last few years, the level of **M&A activity in the lithium space has been elevated**. Not only has the lithium mining industry consolidated through mergers and acquisition, but also corporate consumers of lithium have bought upstream assets in order to secure supply. The pool of quality, prospective lithium projects is dwindling. Thus far in 2022, Zijin Mining Group acquired Neo Lithium Corp. for approximately CAD$960 million in cash and plans to bring the Argentinian Tres Quebradas Salar Lithium Project into production by the end of 2023. Also, Lithium Americas completed the acquisition of Millennial Lithium for approximately CAD$491 million in stock in order to acquire the advanced-stage Pastos Grandes Project. Both deals were completed in late-January 2022.

	Ticker	Exchange	U.S. Ticker	Year Acquired	Acquiror
Acquired Small Cap Juniors					
Li3 ENERGY, INC.	LIEG	OTCQB	LIEG	2017	Bearing Lithium
LITHIUM X ENERGY CORP.	LIX	TSXV	LIXXF	2018	NextView New Energy Lion
LSC LITHIUM CORP.	LSC	TSXV	LSSCF	2019	Pluspetrol Resources Corp.
ADVANTAGE LITHIUM CORP.	AAL	TSXV	AVLIF	2020	Orocobre
MILLENNIAL LITHIUM CORP.	ML	TSXV	MLNLF	2022	Lithium Americas
NEO LITHIUM CORP.	NLC	TSXV	NTTHF	2022	Zijin Mining Group

In addition, the **fundamentals of the lithium market remain strong**. The high level of investments in electric vehicles (EVs) by the major automobile manufacturers is driving the demand for lithium.



RISKS

- As with almost all early-stage junior mining companies, ION Energy has yet to generate cash flow from operations to fund management's initiatives. However, the company has been able to effectively fund its exploration and developmental operations and initiatives to date.

- Consistent with the need to fund the company's exploration and developmental activities, along with general corporate expenses, management has financed its initiatives through the issuance of equity. As a result, shares outstanding increased 24.3% in 2021.

- As with any metals company, the price of the targeted mineral is beyond management's control, in the case of ION Energy, primarily the price of lithium carbonate. Consequently, any significant movements in the price of lithium would materially affect the outlook of the company. Currently the fundamental outlook for the lithium industry is positive with the price of the commodity rising.

- The company's Lithium Projects (Baavhai Uul and Urgakh Naran) are located in Mongolia. Therefore, ION Energy's operations are subject to Mongolia's government policies, political uncertainties, currency fluctuations and changes in mining regulations, among other country-related risks.

- An NI 43-101-compliant estimated mineral resource has yet to be defined at Baavhai Uul or Urgakh Naran. Though exploration results are encouraging, there is no assurance that the exploration concessions will be commercially viable.

BALANCE SHEETS

ION Energy Limited				
Balance Sheet	2019	2020	2021	3Q 2022
(Canadian Dollars)	12/31/2019	12/31/2020	12/31/2021	9/30/2022
ASSETS				
Cash and cash equivalents	120,947	1,302,474	3,970,019	1,383,106
Prepaid expenses and deposits	-	483,036	275,625	293,739
Receivables	-	-	144,029	270,235
Due from related party	4,422	-	-	-
Total current assets	**125,369**	**1,785,510**	**4,389,673**	**1,947,080**
Property and equipment	34,457	34,740	25,691	20,964
Investment – Star Royalties	187,500	0	0	0
Baavhai-Uul Project – Exploration License	933,223	965,183	1,586,084	1,934,010
Urgakh Naran Project – Exploration License	-	-	473,423	436,798
TOTAL ASSETS	**1,280,549**	**2,785,433**	**6,474,871**	**4,338,852**
LIABILITIES AND STOCKHOLDERS' EQUITY				
Accounts payable and accrued liabilities	148,318	317,106	790,702	506,123
Due to related party	129,186	0	0	0
Loan liability	225,000	0	0	0
Other liabilities	584,460	0	0	0
Total current liabilities	**1,086,964**	**317,106**	**790,702**	**506,123**
Total Liabilities	**1,086,964**	**317,106**	**790,702**	**506,123**
Stockholders' Equity				
Share capital	3,100,626	6,597,056	9,795,260	10,045,847
Contributed surplus	0	1,771,682	4,005,437	3,961,449
Accumulated other comprehensive inc. (loss)	(8,788)	(35,313)	(28,592)	(127,190)
Accumulated deficit	(2,898,253)	(5,865,098)	(8,087,936)	(10,047,377)
Shareholder's equity	**193,585**	**2,468,327**	**5,684,169**	**3,832,729**
TOTAL LIABILITIES & STOCKHOLDERS'	**1,280,549**	**2,785,433**	**6,474,871**	**4,338,852**
Shares outstanding	49,742,410	48,525,671	60,333,534	60,633,534

Prior to August 26, 2020, ION Energy was a private incorporated company. Upon becoming a public company through a **business combination with Spirit Banner Capital Corp**., a Capital Pool Company, ION Energy benefitted from an influx of capital. For accounting purposes, the transaction was **structured as a reverse takeover** (RTO); therefore, financials prior to 2020 reflect the status of Spirit Banner Capital, and not of ION Energy.

PROJECTED ANNUAL INCOME STATEMENTS

ION Energy Limited Income Statement (Canadian Dollars) (For Years Ending December 31)	Year ending 12/31/2019	Year ending 12/31/2020	Year ending 12/31/2021	Est. Year ending 12/31/2022
Total Revenues	**0**	**0**	**0**	**0**
Operating Expenses				
Professional fees	860,997	531,387	913,736	897,631
Due Diligence costs	-	14,723	2,747	8,067
Stock based compensation	-	779,171	268,261	132,524
Filing fees	-	66,282	103,794	117,358
Travel and accommodation	34,017	1,002	0	98,795
Marketing expenses	16,391	312,499	728,247	1,093,879
General and office	59,406	76,135	203,583	366,338
Loss (gain) amended agreement	300,000	0	0	0
Total Operating Expenses	**1,270,811**	**1,781,199**	**2,220,368**	**2,714,592**
Income (loss) from operations	**(1,270,811)**	**(1,781,199)**	**(2,220,368)**	**(2,714,592)**
Interest income	25,344	58	0	8,666
Impairment (loss) Inv. in Associate	(348,138)	0	0	0
Gain (loss) exercise of warrants	(26,862)	0	0	0
Gain (loss) accts payable write-off	0	0	17,375	0
Listing fees	0	(1,165,839)	0	0
Foreign exchange gain (loss)	13,524	(19,865)	(19,845)	39
Total other income (expense):	**(336,132)**	**(1,185,646)**	**(2,470)**	**8,705**
Net Income (loss)	**(1,606,943)**	**(2,966,845)**	**(2,222,838)**	**(2,705,887)**
Net eanings per share (basic and diluted)	**($0.045)**	**($0.073)**	**($0.039)**	**($0.045)**
Wgtd. avg. shares outstanding	35,718,052	40,607,963	56,979,068	60,530,059

QUARTERLY INCOME STATEMENTS

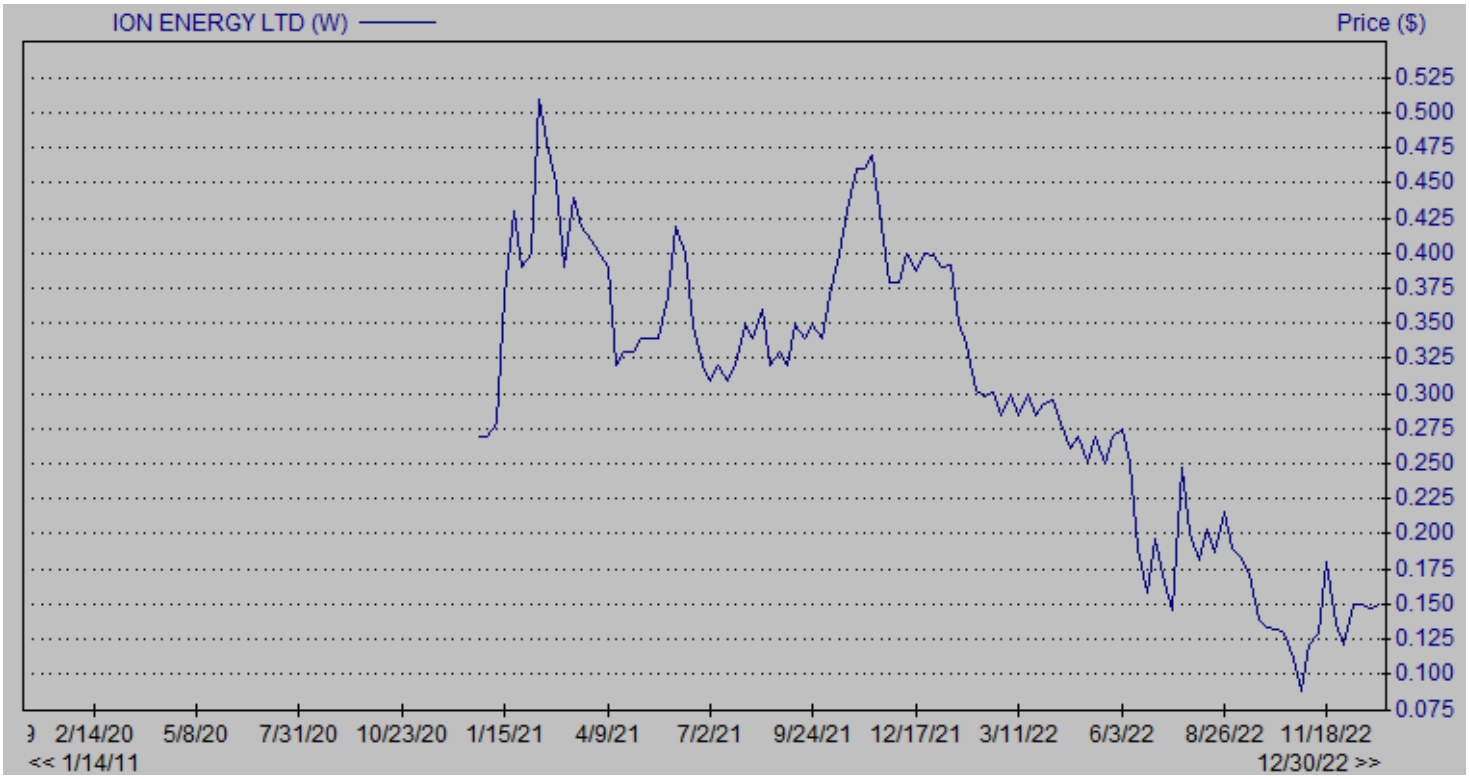
ION Energy Limited

Income Statement (Canadian Dollars) (For Years Ending December 31)	Year ending 12/31/2020	1Q 3/31/2021	2Q 6/30/2021	3Q 9/30/2021	4Q 12/31/2021	Year ending 12/31/2021
Total Revenues	**0**	**0**	**0**	**0**	**0**	**0**
Operating Expenses						
Professional fees	531,387	176,643	299,631	222,287	215,175	913,736
Due Diligence costs	14,723	678	2,069	-	0	2,747
Stock based compensation	779,171	207,980	-	-	60,281	268,261
Filing fees	66,282	40,933	36,085	14,769	12,007	103,794
Travel and accommodation	1,002	-	529	-	(529)	0
Marketing expenses	312,499	141,034	266,173	207,322	113,718	728,247
General and office	76,135	34,498	64,163	55,603	49,319	203,583
Gain on accounts payable write off	0	(17,375)	-	-		0
Total Operating Expenses	**1,781,199**	**584,391**	**668,650**	**499,981**	**449,971**	**2,220,368**
Income (loss) from operations	**(1,781,199)**	**(584,391)**	**(668,650)**	**(499,981)**	**(449,971)**	**(2,220,368)**
Interest income	58	0	0	0	0	0
Gain (loss) exercise of warrants	0	(16,435)	2,697	13,738	0	0
Gain (loss) accts payable write-off	0	0	0	0	17,375	17,375
Listing fees	(1,165,839)	0	0	0	0	0
Foreign exchange gain (loss)	(19,865)	(557)	(8,222)	29,693	(40,759)	(19,845)
Total other income (expense):	**(1,185,646)**	**(16,992)**	**(5,525)**	**43,431**	**(23,384)**	**(2,470)**
Net Income (loss)	**(2,966,845)**	**(601,383)**	**(674,175)**	**(456,550)**	**(473,355)**	**(2,222,838)**
Net eanings per share (diluted)	**($0.073)**	**($0.012)**	**($0.011)**	**($0.008)**	**($0.008)**	**($0.039)**
Wgtd. avg. shares outstanding	40,607,963	48,589,333	58,668,924	60,213,554	60,213,554	56,979,068

ION Energy Limited

Income Statement (Canadian Dollars) (For Years Ending December 31)	Year ending 12/31/2021	1Q 3/31/2022	2Q 6/30/2022	3Q 9/30/2022	4Q E 12/31/2022	Year Estimate 12/31/2022
Total Revenues	**0**	**0**	**0**	**0**	**0**	**0**
Operating Expenses						
Professional fees	913,736	187,009	271,406	224,216	215,000	897,631
Due Diligence costs	2,747	0	8,067	0	0	8,067
Stock based compensation	268,261	0	16,262	16,262	100,000	132,524
Filing fees	103,794	17,055	30,213	34,090	36,000	117,358
Travel and accommodation	0	19,325	17,857	36,613	25,000	98,795
Marketing expenses	728,247	252,638	290,665	260,576	290,000	1,093,879
General and office	203,583	127,368	78,078	80,446	80,446	366,338
Gain on accounts payable write off	0	0	0	0	0	0
Total Operating Expenses	**2,220,368**	**603,395**	**712,548**	**652,203**	**531,446**	**2,714,592**
Income (loss) from operations	**(2,220,368)**	**(603,395)**	**(712,548)**	**(652,203)**	**(531,446)**	**(2,714,592)**
Interest income	0	0	8,666	0	0	8,666
Gain (loss) exercise of warrants	0	0	0	0	0	0
Gain (loss) accts payable write-off	17,375	0	0	0	0	0
Listing fees	0	0	0	0	0	0
Foreign exchange gain (loss)	(19,845)	(88,308)	88,803	(456)	0	39
Total other income (expense):	**(2,470)**	**(88,308)**	**97,469**	**(456)**	**0**	**8,705**
Net Income (loss)	**(2,222,838)**	**(691,703)**	**(615,079)**	**(652,659)**	**(531,446)**	**(2,705,887)**
Net eanings per share (diluted)	**($0.039)**	**($0.011)**	**($0.010)**	**($0.011)**	**($0.009)**	**($0.045)**
Wgtd. avg. shares outstanding	56,979,068	60,453,534	60,468,534	60,564,633	60,633,534	60,530,059

HISTORICAL STOCK PRICE



DISCLOSURES

The following disclosures relate to relationships between Zacks Small-Cap Research ("Zacks SCR"), a division of Zacks Investment Research ("ZIR"), and the issuers covered by the Zacks SCR Analysts in the Small-Cap Universe.

ANALYST DISCLOSURES

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[i] https://podcastaddict.com/episode/124389851