

## ADVANTAGE LITHIUM CORP.

### \$12M Financing Closed - PEA to Come Shortly

#### EVENT

Advantage Lithium announced that it has closed its previously announced financing and has issued 15,585,956 common shares at a price of \$0.77 per common share for aggregate gross proceeds of \$12,001,186. The funds will be used to advance its 75%-owned Cauchari Project in Jujuy Province, Argentina through feasibility.

#### BOTTOM LINE

The capital raise should be sufficient to allow Advantage to fund its portion of the joint venture at Cauchari through feasibility which is expected to be completed in H1/19. The financing was slightly dilutive resulting in a slight drop in our target price to \$1.80 from \$2.00 per share. Our BUY rating remains unchanged.

#### FOCUS POINTS

- **Large Resource with Upside:** Advantage Lithium's flagship Cauchari Project currently has a resource of 3.0Mt LCE in the Cauchari basin in Jujuy, Argentina. Ongoing Phase III drilling has potential to add 1.4-3.0M additional tonnes of LCE.
- **Established Partner:** Advantage Lithium's JV partner on the project is Orocobre Ltd. (ORE-ASX; not covered), a neighboring producer, providing AAL the benefit of its experience and access to its development team which should allow it to fast track Cauchari to production.
- **Near Term Catalysts:**
  - **Preliminary Economic Assessment (Q3/18):** Should support our conceptual model of a US\$360M lithium operation producing 20,000 tpa lithium carbonate with an IRR of over 20%.
  - **Phase III Drilling (Ongoing):** Drill results & upgraded resource demonstrating further upside potential.
  - **Definitive Feasibility Study (H1/19):** Key de-risking milestone paving way for project financing.

#### Recommendation:

**BUY**

Symbol/Exchange:

AAL-TSXV

Sector:

Metals & Mining

*All dollar values in C\$ unless otherwise noted.*

Current price:

\$0.82

One-year target:

\$1.80

Target return:

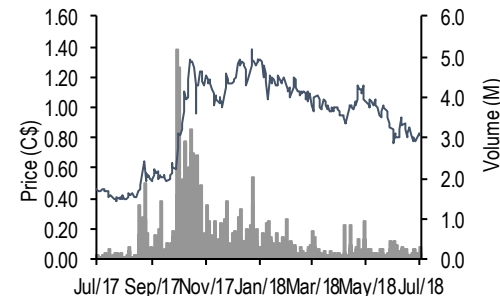
120%

52-week Range:

\$0.37 - \$1.42

#### Financial Summary

Market Cap (\$M)	129.1
Cash on hand (\$M)	19.3
Debt (\$M)	0.0
Basic Shares O/S (M)	157.5
Fully Diluted Shares O/S (M)	183.3
Avg. Weekly Volume (k)	154



**Company Profile:** Advantage Lithium Corp is focused on developing its 75% owned Cauchari lithium project, located in Jujuy, Argentina. The Company also owns 100% interest in three additional lithium exploration properties in Argentina: Antofalla, Incahuahsi, and Guayatayoc. The Company is headquartered in Vancouver, British Columbia

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See disclosure and a description of our recommendation structure at the end of this report.

## \$12M EQUITY ISSUE

Advantage Lithium announced that it has closed its previously announced financing and has issued 15,585,956 common shares for aggregate gross proceeds to Advantage Lithium of \$12,001,186. The capital raise should be sufficient to allow Advantage to fund its portion of the joint venture at Cauchari through its feasibility study which is expected to be completed in H1/19. Orocobre Limited and an insider of the Corporation have exercised participation rights to maintain pro rata ownership purchasing 15,176,956 shares for \$ 11,686,256. In addition to owning 25% of the Cauchari Project, upon completion of the transaction Orocobre now holds 52,843,506 common shares of Advantage Lithium and 2,550,000 Warrants, such that Orocobre will own 33.5% of Advantage Lithium's outstanding common shares on a partially diluted basis.

## CAUCHARI PROJECT

### Conceptual Model for Cauchari Lithium Project – PEA to Come Shortly:

Advantage is scheduled to deliver a PEA in the coming weeks which we expect will be quite similar to our conceptual model (Exhibit 1). Based on our conceptual model which sees production starting in 2021 ramping up to 20,000 tpa LCE by 2023 for 40-years and with costs ramping down to US\$3,000/t LCE produced. For capex we assume US\$360M based on comps at US\$18,000/t of LCE capacity. Based on our price deck which sees long-term lithium prices at US\$10,000/tonne Li<sub>3</sub>CO<sub>3</sub> (battery grade), we arrive at a project NPV<sub>8%</sub> of US\$566M (100% basis, start of construction) and IRR of 23.7%.

### Exhibit 1. Project Summary

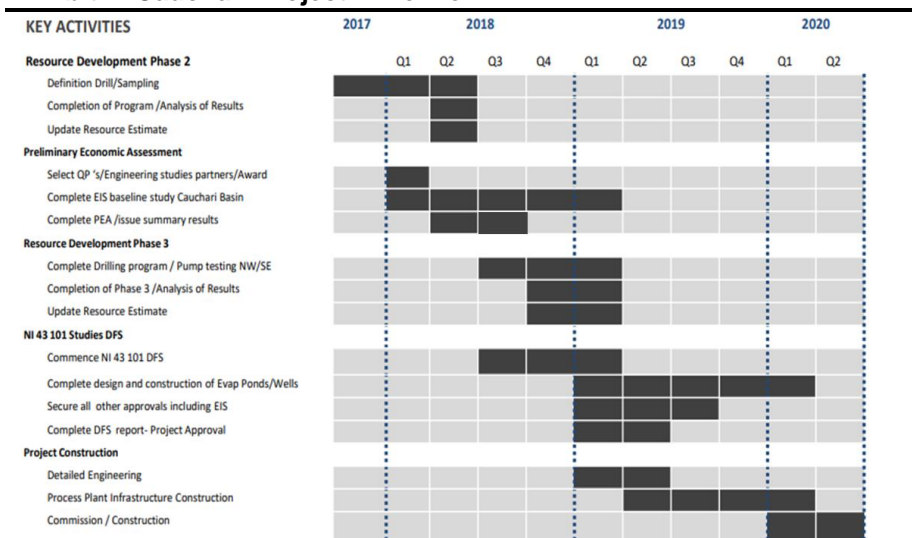
Company		AAL	LAC-SQM	ML	ORE	ORE
Project		Cauchari	Cauchari-Olaroz	Pastos Grandes	Olaroz	Olaroz
Study		2018e	2017 PFS	2018 PEA	2011 DFS	Operation
<b>Resource</b>						
Resource Category		Inferred	Reserve	M&I	M&I	M&I
Resource Estimate	Mt LCE	3.0	1.5	2.13	6.4	6.4
Li content	mg/l	450	698	445	690	690
Mg/Li ratio		2.5	2.4	6.3	2.4	2.4
Drainable Porosity		6.0%	n/a	9.5%	9.6%	9.6%
<b>Operation</b>						
First Production		2021	2019	2021	2014	2014
Ramp-Up	years	3	3	3	3	4
LOM	years	40	40	24	40	40
Annual Production	LCE tpa	20,000	25,000	25,000	16,400	17,500
Unit Cost	US\$/t LCE	3,000	2,495	3,218	1,512	4,336*
<b>Capital</b>						
Capex	US\$M	360	425	410	207	311
Sustaining Capex	US\$M	140	175.4	76.2	48	-
Capex/tLCE		18,000	17,000	16,400	12,622	17,771
<b>Economics</b>						
Li <sub>2</sub> CO <sub>3</sub> Price	US\$/t LCE	10,000	10,000	13,499	6,160	-
NPV8%	US\$M	566	807	824	415	-
NPV10%	US\$M	358	564	607	273	-
IRR	%	23.7%	24%	23%	26%	-

\*Last reported; revised targets are US\$3,500/t and lower with expansion but unusual conditions in 2017 led to lower evaporation rates and production.

Source: Cantor Fitzgerald, Company Reports

**Project Timeline:** The closing of the financing will allow Advantage to maintain its aggressive timeline to production for its Cauchari project which sees construction starting in 2019 and first production in 2021 (Exhibit 2).

**Exhibit 2. Cauchari Project Timeline**



Source: Advantage Lithium

**MODEL AND TARGET**

**NAV-Based Target Adjusted for Dilution:** We maintain our BUY Rating but reduce our target price to \$1.80 per share from \$2.00. Our price target is derived from a 0.6x NAV<sub>8%</sub> multiple to capture the conceptual nature of the model and development stage. However, we expect the multiple to expand and the stock to re-rate higher towards as the project is de-risked through the delivery of a PEA, expected in the near-term.

**Exhibit 3: NAV Summary for Advantage Lithium**

(C\$ million, unless otherwise indicated)

Mining Assets	Ownership	Valuation	NAV	
			(\$M)	C\$/sh
Cauchari	75%	DCF <sub>8%</sub>	492.6	2.80
Other	100%	nominal	15.0	0.09
<b>Total Mining Assets</b>			<b>507.6</b>	<b>2.88</b>
<b>Financial Assets</b>				
Working Capital <sup>2</sup>			21.5	0.12
Long-Term Debt			0	0.00
<b>Net Financial Assets</b>			<b>21.5</b>	<b>0.12</b>
<b>Net Asset Value</b>			<b>529.1</b>	<b>3.01</b>
<b>Target Multiple</b>				<b>0.6x</b>
<b>Target Price per share<sup>1</sup></b>				<b>1.80</b>
Basic shares outstanding (MM)				157.5
<sup>1</sup> Diluted shares outstanding(MM)				176.0
Fully Diluted shares outstanding(MM)				183.3
<sup>2</sup> Includes 12-month ITM options and warrants and 12-mo spend				

Source: Cantor Fitzgerald

## CATALYSTS

We anticipate several near-term events that should act as positive catalysts for the stock price and move it towards our target of \$1.80/shr. These catalysts include:

- 1) **Preliminary Economic Assessment – Q3/18:** A PEA is expected in Q3/18. We are expecting the PEA to outline a US\$360M project producing 20,000 tpa LCE with costs in the US\$3,000/t LCE range and IRR of about 23.7% (at US\$10,000/t LCE long-term).
- 2) **Phase III Program – Ongoing:** The planned and funded ~2,000m drill program has been designed to define the resource limits of the Cauchari salar with drilling equipment capable of reaching depths of greater than 600m. The Phase III drilling program will continue through 2018, to fully include the deep sand unit in a further resource update planned for late 2018, supporting the Definitive Feasibility Study. This program should upgrade the resource and demonstrate further upside potential.
- 3) **Definitive Feasibility Study – H1/19:** The Company is targeting H1/19 to deliver a definitive feasibility study for the Cauchari project. This would allow them to fast-track the project to production. This will be a key de-risking milestone paving way for project financing.

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The analysts responsible for this research report *do not have*, either directly or indirectly, a long or short position in the shares or options of Advantage Lithium Corp.

The analyst responsible for this report *has* visited the material operations of Advantage Lithium Corp. No payment or reimbursement was received for related travel costs.

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**BUY (Speculative):** The stock is attractively priced relative to the company's fundamentals, however investment in the security carries a higher degree of risk.

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