

Advantage Lithium Corp.

(AAL-V: C\$1.07)

BUY

Target: C\$1.90

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Flow Rates in NW Sector Amenable for Brine Extraction

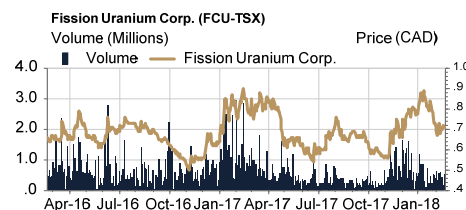
AAL-TSX	New	Last		
Rating	--	BUY		
Target	--	\$1.90		
Projected Return	--	106%		
Target Multiple	--	1.0x		
Implied Valuation - Argentina Projects	--	256.4		
Acquisition Value - Other Projects	--	7.7		
Cash less Cauchari JV Budget	--	13.9		
Warrants/Options (potential)	--	24.9		
Total Valuation	--	302.9		
Company Data				
Last Price		1.07		
52-week Range	0.36 -	1.42		
Market Cap (\$MM)		\$150.6		
Enterprise Value (\$MM)		\$136.4		
Shares Outstanding - Basic (MM)		140.8		
Shares Outstanding - FD (MM)		162.5		
Avg Volume - 100d (000 sh/day)		0.0		
Cash (\$MM)		\$14.2		
Debt (\$MM)		\$0.0		
Lithium Forecast				
	2017E	2018E	2019E	LT
Spot LCE (US\$/t)	10000	11000	11500	11500
Spot Li-OH (US\$/t)	12000	13000	13500	13500

All Figures in C\$ Unless Otherwise Noted

Target based on fully diluted share count

Source: Company Reports, FactSet, Eight Capital

AAL-V: Price/Volume Chart



Source: Factset

Company Description

Advantage Lithium is a lithium explorer and developer with top tier management and an international portfolio of quality assets. AAL recently acquired ~84,701 Ha in the Salta and Jujuy regions, including its flagship Cauchari JV project which is adjacent to Orocobre's and Lithium America's Cauchari-Olaroz deposits. ORL retains 31.12% interest in AAL and maintains an excellent opportunity for a ROFR or brine off-take agreement with AAL. The Cauchari deposit possesses good brine chemistry, low Mg/Li ratios, high grades and excellent porosity and permeability.

We recommend Advantage Lithium with a BUY and C\$1.90/sh target price. Our target is derived from a fully diluted implied valuation of its projects. Advantage reported pump test results overnight for rotary hole CAU07 that was drilled at its Cauchari JV in Argentina. CAU07 is the deepest hole to be drilled on the northwest side of the property. Nineteen samples taken over the pumping test averaged 601 mg/l Lithium and 4,853 mg/l Potassium with a Mg/Li ratio of 2.6:1. This is very similar to what was reported from the same drill hole as it was being completed in November. Favourable porosity and permeability characteristics were associated with the clay, sand, and gravel units throughout the hole and it had previously returned 635 ppm Li with a 2:1 Mg:Li ratio. It is also similar to an AAL core hole located 4.5km away from LAC (LAC-T, NEUTRAL C\$13.60 Target) resource grades. But today's results aren't about grade or chemistry...

Positive pump test results. More important is that today's pump test results demonstrate high flow rates over longer periods due to the favourable sequences of sand and gravel found within the hole. Tests were performed at four different pumping rates. The maximum flow rate achieved was 36 litres per second. A longer term test was able to pump 17 litres per second over 48 hours, and flow was limited by equipment used for the test. This compares well to Orocobre's (ORL-T, BUY, C\$9.10 target) adjacent Olaroz lithium brine mine whose Feasibility Study suggested it would be capable of operating under a range of flows from 5 to 25 litres per second. This suggests that lithium bearing brine can be pumped to surface freely at quantities that are likely greater than required for a lithium brine operation.

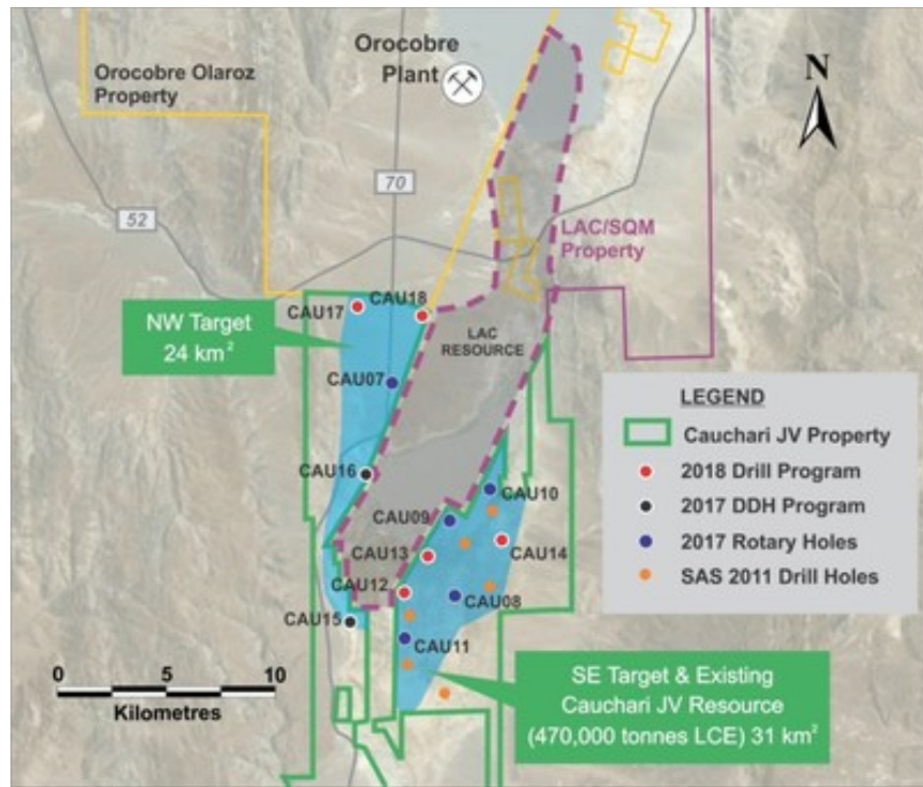
Resource growth expected. Today's positive pump test and ongoing drill results could lay the groundwork for a significant resource increase when updated in Q2/18. Currently at 0.47 MM t, we expect a 4-5 fold increase to 2-2.5 MM t of LCE in the short term, on the way to management's ultimate target of 5.6 MMt LCE. Project improvement is taking many forms:

- **Increased footprint.** The NW area was not tested prior to this program. It represents new expansion of both the Cauchari and Olaroz brine deposits.
- **High flow rates** suggest high permeability of sediments in the salar. This allows brine to flow out of the ground more easily and is key to today's results. This may extend areas of influence, resource and zone boundaries.
- **Increased pore space.** Pump tests also suggest high porosity. This allows increased brine per volume in the sediments (don't confuse with grade).
- **Increased Li grades.** We estimate grades are ~63-67% higher to the NW, and ~75% higher in the SE as compared to 380 ppm Li resource grade.
- **Increased depths.** Holes are up to twice as deep as the lower limit of most resources, and some holes are being extended even further. This is mainly a result of the SE area - NW drilling is brand new.

Drilling continues. NW sector will see CAU18 completed and 2.5km westward step-out to CAU17. CAU13 in the SE was drilled to 449m and intersected a clay-silt-sand-halite sequence below 400 m; brine sample analyses are pending. A second drill rig will deepen CAU12, and 5km NE step-out to CAU14 will follow.

Bullish reversal off the bottom of a four month trading range on decent volume. AAL's chart (Figure 2) suggests buying at the bottom of the range. Momentum is stabilizing at oversold levels highlighting a developing double bottom.

Figure 1: Drill Hole plan map showing location of rotary and diamond drill holes with proposed step out holes in the NW and SE zones



Hole CAU07 pump test results provided today. Rigs have completed holes -18 and will move to -17 in the NW sector.

Source: Company Reports

Figure 2: Buying the Bottom of the Range. Bullish reversal off the bottom of the 4+ month trading range.



Momentum is stabilizing at oversold levels highlighting the developing double bottom.

Source: Stockcharts, Eight Capital

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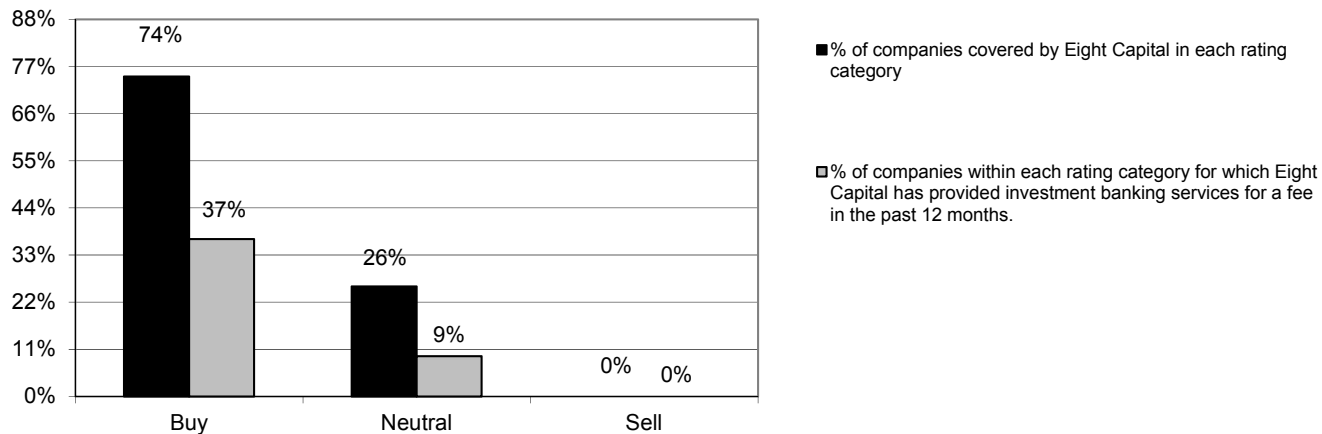
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