

Advantage Lithium Corp.

(AAL-V: C\$0.62)

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BUY

Target: C\$2.60 (from C\$1.90)

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Cauchari Doubles Resource to Rank 2nd in Li Triangle

AAL-TSXV	New	Last
Rating	--	BUY
Target	C\$ 2.60 ▲	C\$ 1.90
Projected Return	319% ▲	202%
DCF multiple	--	0.8x
10% DCF Corporate Value	--	C\$ 3.71
Cash and Debt	--	C\$ 0.01
Additional Resource Value	C\$ 1.16 ▲	C\$ 0.40
NAV	C\$ 2.99 ▲	C\$ 2.23
P/NAV	0.21x ▼	0.28x

Company Data		
Last Price		\$0.62
52-week Range	\$0.41 -	\$1.17
Market Cap (\$MM)		\$98.4
Enterprise Value (\$MM)		\$97.1
Shares Outstanding - Basic (MM)		158.7
Shares Outstanding - FD (MM)		164
Avg Volume - 100d (000 shares/day)		107.8
Cash (est.) (\$MM)		\$1.2
Debt (\$MM)		\$0.0
Working Capital (est.) (\$MM)		\$1.2

Forecast	2019E	2020E	LT
Lithium Carbonate (US\$/t)	11,500	11,500	11,500
Foreign Exchange US\$/C\$	0.80	0.80	0.85
EPS	(0.06)	(0.05)	
P/E	-	-	
EBITDA (\$MM)	-8.4	-8.4	
EV/EBITDA	n/a	n/a	
CF	(8.9)	(8.2)	
CF/share	(0.06)	(0.05)	
Capex (\$MM)	0.0	(84.3)	
FCF (\$MM)	(8.9)	(92.5)	

All Figures in C\$ Unless Otherwise Noted
Source: Company Reports, FactSet, Eight Capital

AAL-V: Price/Volume Chart



Source: Factset

Company Description

Advantage Lithium has quality assets located in Salta and Jujuy, Argentina. Its flagship Cauchari JV project 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. Cauchari deposit demonstrates good brine chemistry, low Mg/Li ratios, high grades and excellent porosity and permeability.

We reiterate Advantage Lithium with a BUY but increase our 12-month share price target to C\$2.60 from C\$1.90/sh, based on a 10% DCF valuation. We have doubled resources for the Cauchari JV with Orocobre (ORL-T, BUY, C\$6.60 target) and increased our additional resource valuation from US\$10/t LCE to US\$20/t LCE. However, the bulk of our assessment is derived from a DCF valuation based on the 2018 PEA's projected production rate of 20,000 tpa LCE. Should this new estimate be suitable to allow production to double to 40,000 tpa LCE and inclusion within our DCF model, we would see a target increase to C\$3.60/sh. For now, we still use the 2018 PEA production rate.

Now second largest lithium resource in the lithium triangle of South America, behind that of Lithium Americas (LAC-T, BUY, C\$13.20 target). The previously reported inferred resource estimate update of 3.0 MMt LCE (May 2018) has been upgraded to 6.3 MMt LCE in total - even surpassing our 5.0 MMt projection from two years ago. Grades also improved slightly. The estimate is based on 2,000 brine samples from 26 diamond drill holes and five rotary drill holes (Figure 1), and has potential for future growth, particularly to the south and at depths greater than 600m in the deep sand where brine mineralization remains (Figure 2). The new resource estimate (Table 1) includes:

- 1,800 MM cubic metres of brine at 476 ppm Li for 4.8 MMt LCE M&I
- 600 MM cubic metres of brine at 473 ppm Li for 1.5 MMt LCE Inferred

Numerous positive attributes include excellent chemistry with Mg/Li ratio averaging around 2.5. This is similar to Orocobre's Olaroz mine located right next door (Figure 3). SO₄/Li ratios show great improvement over previous assumption, as five of six areas return ratios of between 26.2 and 44.3. There is one outlier of 88.7. While these SO₄/Li ratios are slightly higher than observed from some other deposits, they are an improvement from our previously assumed SO₄/Li ratio of 60 which was based on limited data. Furthermore, they conform to the Olaroz Mine whose cash costs typically ranges of US\$4,000/t LCE. Finally, Cauchari continues to demonstrate high levels of porosity and permeability. A 30-day pump test that was previously reported supports potential production capacity of 22L/s per well.

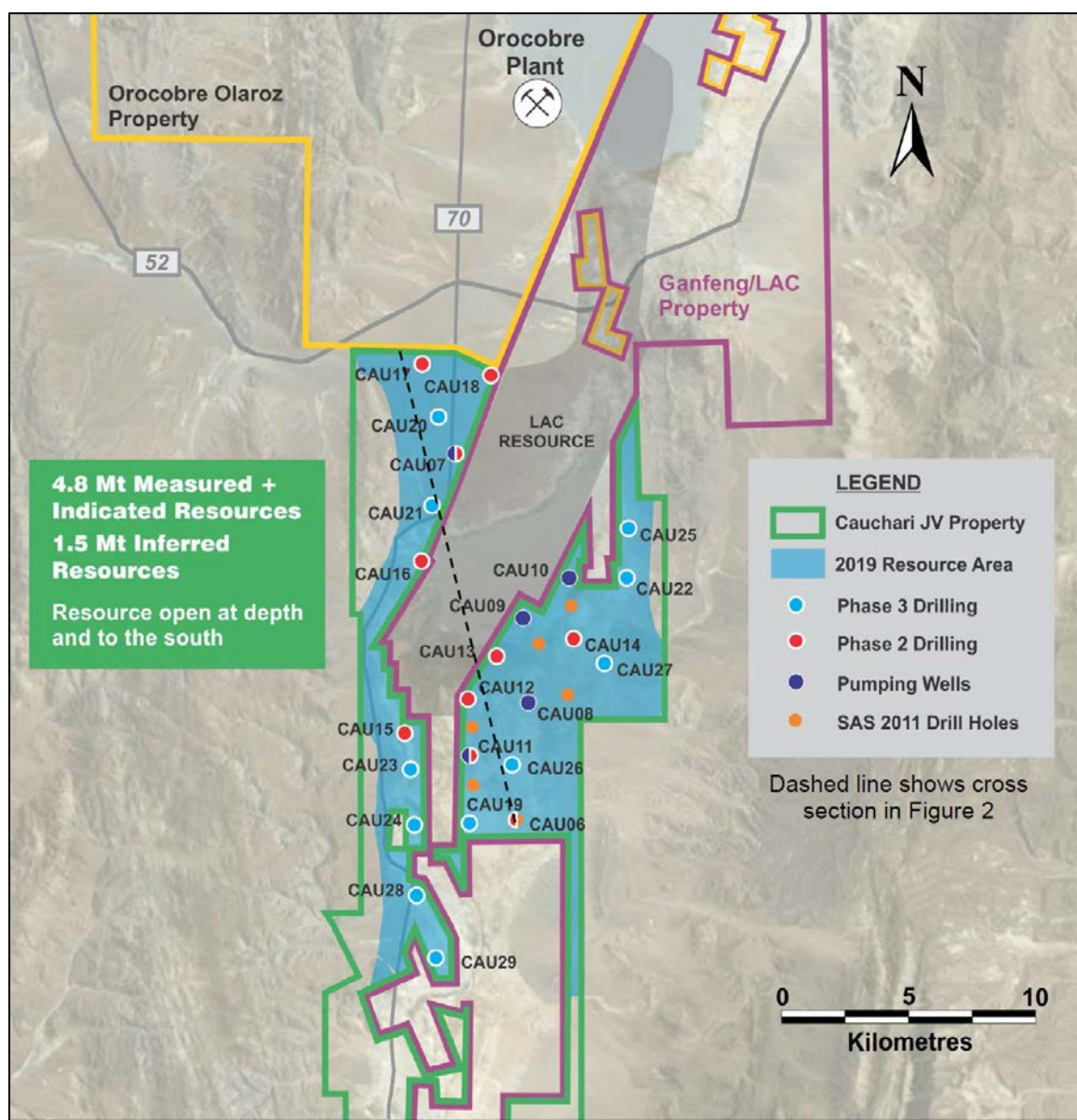
Cauchari is showing critical mass which we believe may be attractive to either of its neighbours, Orocobre or Lithium Americas, who are looking to increase production rates. A PFS that includes a new mine plan that takes advantage of this doubled resource is anticipated for June. We believe there is potential to extend the LOM and/or increase production rates from the currently forecasted level of 20,000 tpa LCE that was reported in last year's PEA and reflected in our DCF model. We await a PFS by June 2019. There is potential that this new resource estimate can support an additional production rate. While we don't add it to our DCF model right now, we do see significant value creation by expanding production from 20,000 tpa to 40,000 tpa, and initial Capex from US\$400 MM to US\$640 MM.

Table 1: Comparison of Resource Estimates

Category	23-May-18			3-Mar-19			% Change		
	Brine Volume (MM cubic metres)	Average Lithium Concentration (ppm)	LCE (tonnes)	Brine Volume (MM cubic metres)	Average Lithium Concentration (mg/L)	LCE (tonnes)	Brine Volume (MM cubic metres)	Average Lithium Concentration (mg/L)	LCE (tonnes)
Measured (M)	-	-	-	600	527	1,850,000	-	-	-
Indicated (I)	-	-	-	1,200	452	2,950,000	-	-	-
M+I	-	-	-	1,800	476	4,800,000	-	-	-
Inferred	1,200	450	3,020,000	600	473	1,500,000	-50%	5%	-50%
Total Resources	1,200	450	3,020,000	2,400	475	6,300,000	100%	6%	109%

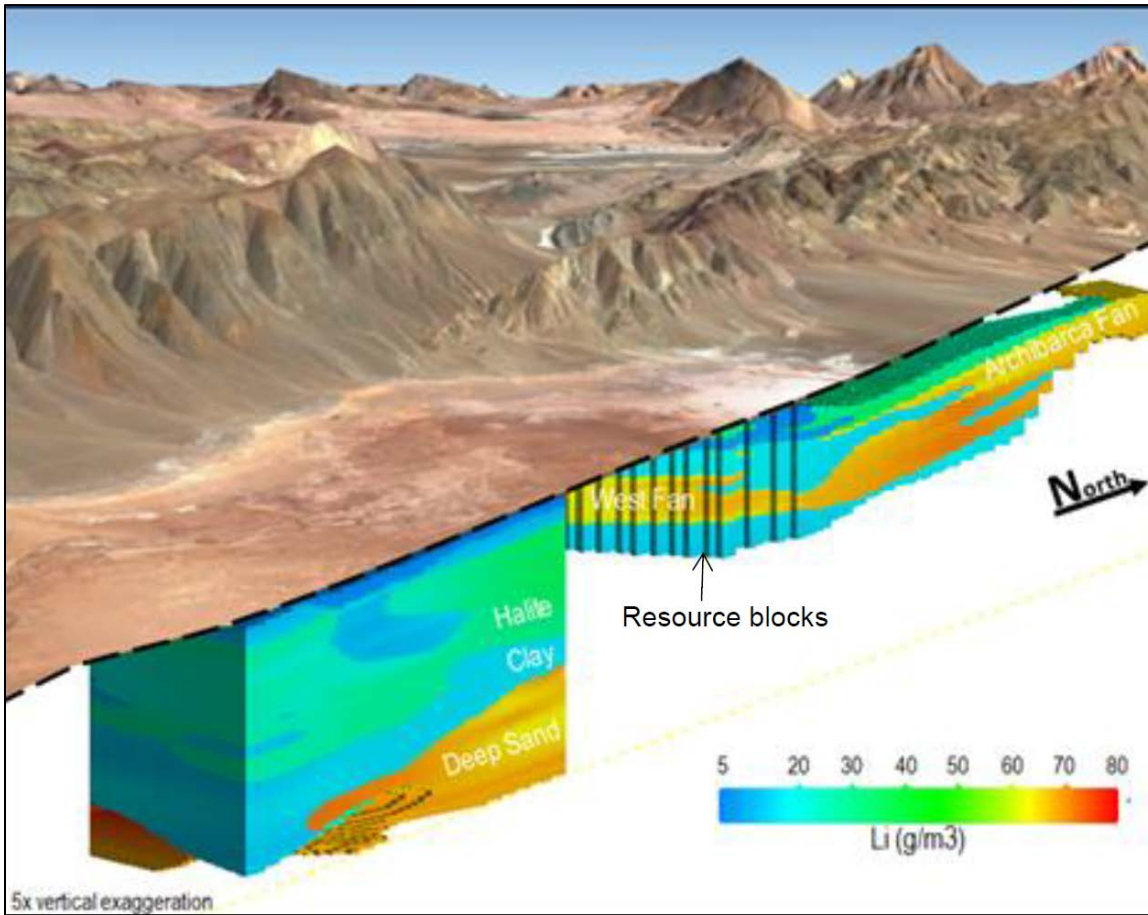
Source: Company Reports

Figure 1: Location of Cauchari properties, drill holes and the resource area - dashed line shows the cross section (Figure 2).



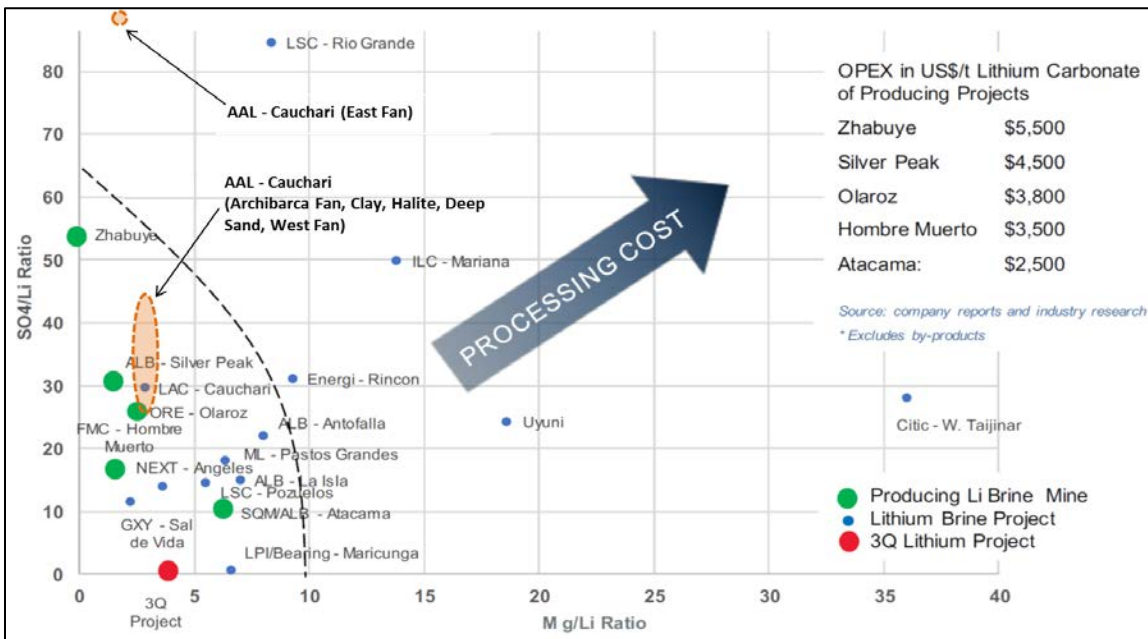
Source: Company Reports

Figure 2: Resource model looking west-southwest through the SE Sector and the Archibarca area (the serrated pattern represents resource blocks along the property boundary).



Source: Company Reports

Figure 3: Cauchari Brine Chemistry Comparison



Source: Neo Lithium (NLC-V, BUY, C\$3.00 target), Company Reports, Eight Capital

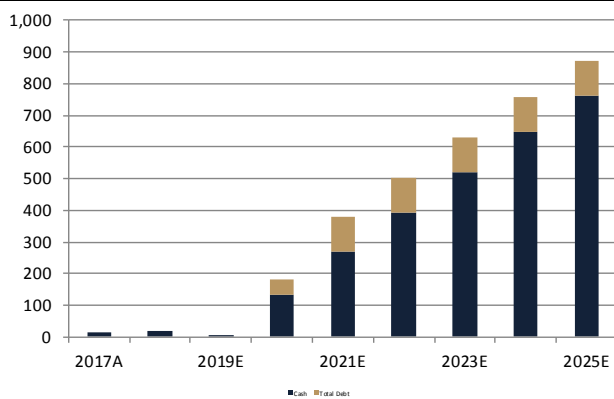
Advantage Lithium Corp

Net Asset Valuation at Eight Capital Price Deck (C\$)

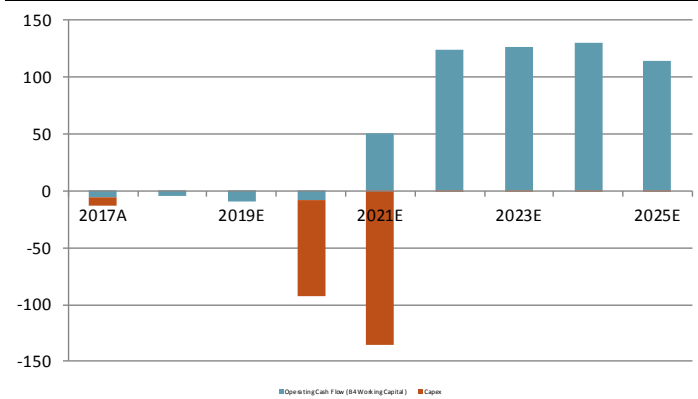
	Target Setting NAV			NAV at Various Discount Rates					
	Discount Rate	(\$MM)	(\$/Share)	0%		5%		15%	
				(\$MM)	(\$/Share)	(\$MM)	(\$/Share)	(\$MM)	(\$/Share)
Mining Assets									
Cauchari (100%)	10%	616	2.97	1,086	7.64	691	4.86	367	2.58
Total Mining Assets		616	2.97	1,086	7.64	691	4.86	367	2.58
Other Assets & Expenses									
Cash		1	0.01	1	0.01	1	0.01	1	0.01
Debt		0	0.00	0	0.00	0	0.00	0	0.00
Resources		164	1.16	164	1.16	164	1.16	164	1.16
Corporate Adjustments	10%	(214)	(1.51)	(161)	-1.13	(215)	-1.51	310	2.18
Net Other Assets		(49)	(0.34)	5	0.04	(49)	-0.35	476	3.35
Net Asset Value		567	2.99	1,091	7.67	642	4.51	843	5.93
Share Price			0.62		0.62		0.62		0.62
P/NAV			0.21x		0.08x		0.14x		0.10x

Financial Forecasts at Eight Capital Price Deck (MM C\$)

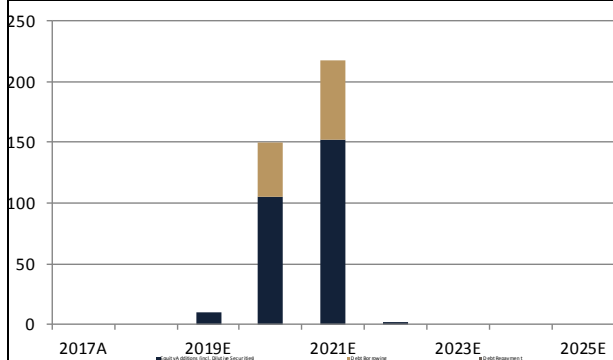
Cash and Debt



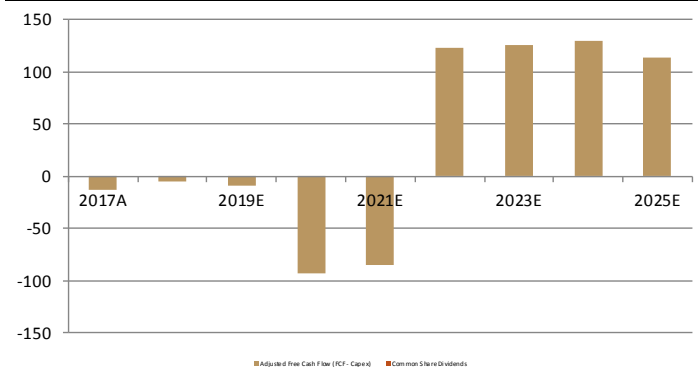
Operating Cash Flow and Capital Spending



Changes in Debt and Equity



Free Cash Flow and Common Share Dividends



Source: Company Reports, FactSet, Eight Capital forecasts

Advantage Lithium Corp.				AAL-V	C\$ 0.62
Rating	BUY	C\$ Target	\$2.60	Shares O/S (MM)	158.7
		C\$ Close	\$0.62	Float (MM)	141.4
David Talbot, Director, Eight Capital				Fully Diluted Shares (MM)	164.4
dtalbot@iiccapital.com		12-month return	319%	Basic Mkt. Capitalization (\$MM)	98.4

All figures in C\$, unless stated otherwise

EVALUATION DATA				
Year-end July 31	2017A	2018A	2019E	2020E
EPS	(\$0.17)	(\$0.04)	(\$0.06)	(\$0.05)
P/E	-	-	-	-
CFPS	(\$0.12)	(\$0.04)	(\$0.06)	(\$0.05)
P/CF	-	-	-	-
market cap/reserve t	-	-	-	-
enterprise value/reserve t	-	-	-	-

ASSUMPTIONS				
	2017A	2018A	2019E	2020E
Li Carbonate	US\$/t	\$14,266	\$11,000	\$11,500
Exchange Rate	US\$/C\$	\$0.8	\$0.8	\$0.8

Eight Capital Modelled Reserves and Other Mineralization (MM t)

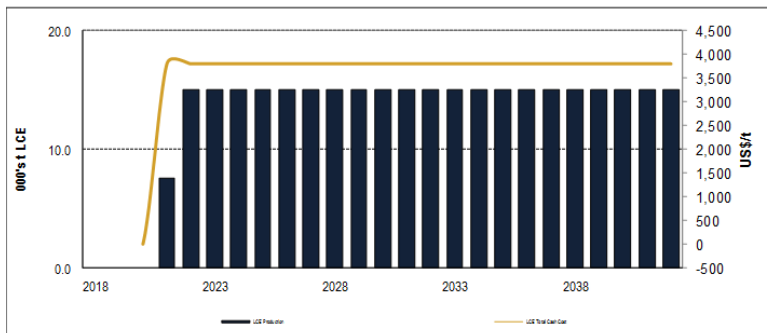
RESERVES & RESOURCES					
Contained Li2CO3 (LCE)					
(as of March-19)					
	Ownership	Tonnes	Grade	100% Basis	AAL share
		MM t	Mg/L	MM t	MM t
Proven and Probable Reserves					
Cauchari JV	75%	0.0	0	0	0
Total Reserves		0.00		0	0
Measured and Indicated Resources					
Cauchari JV	75%	4.80	476	4.80	3.60
Total M&I Resources		4.80	476	4.80	3.60
Inferred Resources					
Cauchari JV	75%	1.50	473	1.50	1.13
Total Inferred Resources		1.50	473	1.50	1.13
TOTAL RESOURCE		6.30	475	6.30	4.73

PPG PRODUCTION ESTIMATES (kt)				
Year-end July 31	2017E	2018A	2019E	2020E
Li Carbonate	0.00	0.00	10.03	20.07

PPG TOTAL CASH COST ESTIMATES (US\$/t)				
Year-end July 31	2017E	2018A	2019E	2020E
Li Carbonate	0	0	3,799	3,799
Wt. Ave.	0	0	3,799	3,799

NET ASSET VALUE	0% NAV	C\$/share	10% NAV	C\$/share
	(C\$MM)		(C\$MM)	
Corporate DCF (10%)	1,086	7.64	527	3.71
Cash and Debt	1	0.01	1	0.01
Exploration & unmodelled Resources	164	1.16	164	1.16
Total	1,252	8.80	693	2.99
Eight Capital DCF Target Multiple				0.8x
Share Price Target				C\$ 2.60

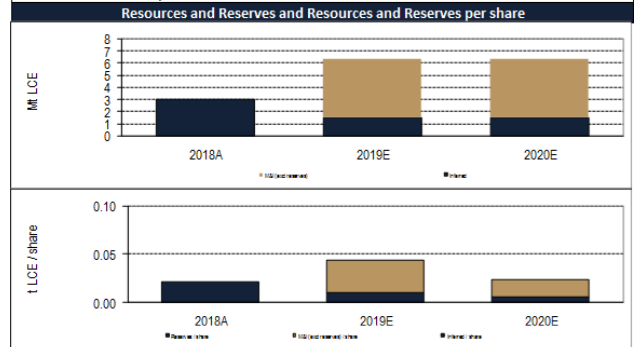
Target Price Sensitivity to Long-term Lithium Carbonate Pricing					
Target (C\$/share)	8,000	10,000	12,000	14,000	16,000
0% Discount	3.39	5.22	7.03	8.81	10.60
5% Discount	1.53	2.57	3.59	4.59	5.59
10% Discount	0.65	1.30	1.93	2.55	3.17
15% Discount	0.21	0.64	1.07	1.48	1.89



BALANCE SHEET				
Year-end July 31	2017A	2018A	2019E	2020E
Assets				
Cash & ST Investments	16,810	17,413	1,229	11,602
Other Current Assets	-	634	530	530
Current Assets	16,810	18,047	1,759	12,132
Mineral Properties	39,453	627	595	595
Other non-current Assets	83	48,827	-	54,266
Total Assets	56,347	67,502	2,354	66,993
Liabilities				
Current Liabilities	490	1,746	2,036	2,036
Capital lease / LT Debt	-	-	-	-
Other non-current Liabilities	-	-	-	-
Total Liabilities	490	1,746	2,036	2,036
Capital Stock	71,369	89,107	99,722	89,560
Retained/Deficit	(15,512)	(23,351)	(34,437)	(24,604)
Total Shareholder Equity	55,857	65,756	65,285	64,957

EARNINGS SUMMARY				
	2017A	2018A	2019E	2020E
Revenue				
Lithium	-	-	-	-
Other Revenue	-	-	-	-
Total Revenue	-	-	-	-
Lithium costs				
Other Costs	-	-	2,400	2,400
DD&A	-	11	-	-
Exploration	-	-	-	-
S, G&A	-	-	2,000	2,000
EBIT	-	(11)	(4,400)	(4,400)
FX Gain	255	689	-	-
Interest	(101)	(181)	-	-
Writedown of min. properties	(3,461)	-	-	-
EBT	(3,307)	498	(4,400)	(4,400)
less Tax	-	-	-	-
Net Income (reported)	(3,307)	498	(4,400)	(4,400)
Average shares (MM)	77.7	139.5	142.2	166.0

STATEMENT OF CASH FLOWS				
	2017A	2018A	2019E	2020E
Net Income (000's\$)				
D, D&A	(13,100)	(5,326)	(8,933)	(8,242)
Future income taxes	-	11	-	-
Writedown of min. properties	3,461	-	-	-
FX Gain	-	-	-	-
Change in working capital	-	-	-	-
Other Operating	-	-	-	-
Total Operating CF	(9,639)	(5,316)	(8,933)	(8,242)
Short term investments				
Mineral Properties	(6,494)	-	-	(85,606)
Acquisitions	-	-	-	-
Increase in Investments	-	-	-	-
Other Investing	-	-	-	-
Total Investing CF	(6,494)	-	-	(85,606)
Equity financing	-	-	10,162	105,400
Debt Issue	-	-	-	45,000
Debt Repayment	-	-	-	-
Other financing	-	-	-	-
Total Financing CF	-	-	10,162	150,400
Foreign Exchange effect	-	-	-	-
Change in cash	(16,133)	(5,316)	1,229	56,553
Cash & ST Inv., end of year	-	17,413	1,229	135,133



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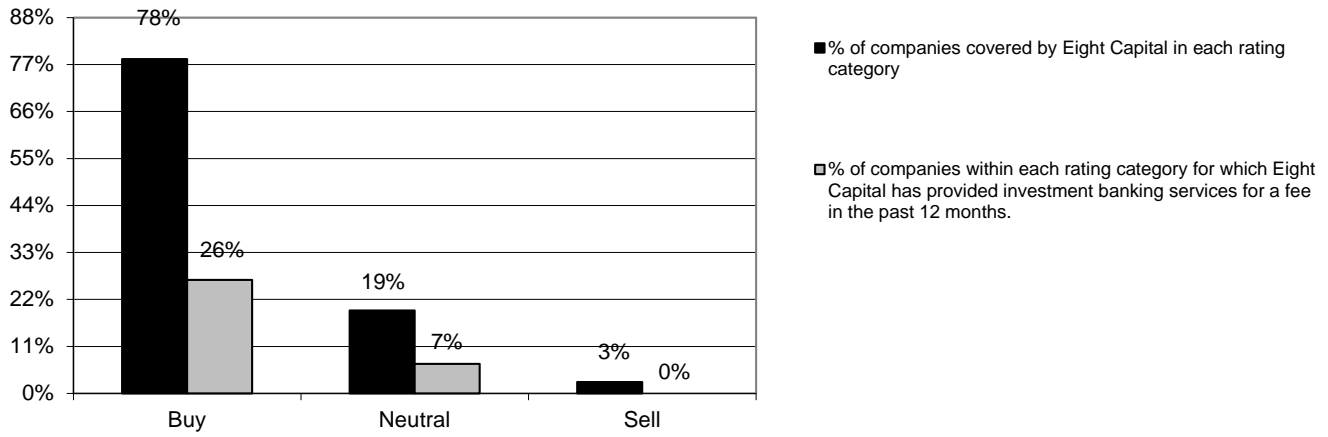
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