

Advantage Lithium Corp.

(AAL-T: C\$0.98)

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BUY

Target: C\$1.90

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Step-Out Hole Reaffirms Brine Content in NW Sector

AAL-TSX	New	Last		
Rating	--	BUY		
Target	--	\$1.90		
Projected Return	--	94%		
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		0.98		
52-week Range	0.36 -	1.42		
Market Cap (\$MM)		\$138.5		
Enterprise Value (\$MM)		\$124.1		
Shares Outstanding - Basic (MM)		141.3		
Shares Outstanding - FD (MM)		162.5		
Avg Volume - 100d (000 sh/day)		0.0		
Cash (\$MM)		\$14.4		
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 (BUY, C\$13.00 Target) 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. Further drill success in the Northwest portion of the property foreshadows a rather healthy expected boost in lithium brine resources next month, to be followed quickly by an initial PEA. AAL clearly sees a window here and plans to capitalize with an aggressive timeline to showcase that it can stand up on its own two feet, to either construct a lithium carbonate plant itself or to fast-track development by simply providing lithium brine to its neighbours.

Positive brine samples were reported overnight for diamond drill hole CAU17 in the NW Sector of the Cauchari JV in Jujuy, Argentina. CAU17 was the largest step-out in the NW sector, roughly 2.6km west of previously drilled CAU18. Average grade of 571 mg/L Li is slightly lower than surrounding holes (CAU07 averaged 601 mg/L Li, CAU16 ranges from 564 to 648 mg/L Li).

While grades here in the NW are still variable and dispersed across the basin, both CAU18 and CAU17 have reaffirmed the presence of an economic brine in the NW, with grades well above AAL's historic resource of 380 mg/L Li. They confirm the extension of elevated lithium to the northern boundary of Orocobre's (BUY, C\$8.70 Target) Olaroz project. Hole CAU17 also answered the large question as to whether or not elevated Li grades and positive brine characteristics trended north below sediments deposited by the alluvial fan located in the north-westernmost portion of NW sector. The fact that the salar appears to extend well beyond the previously estimated limits is positive and bodes quite well for future resource estimates.

Favourable porosity and permeability characteristics were associated with the gravel and sand units throughout the drill core between 146m to 210m (casing cemented to 140m), and it had returned an average 571 mg/L Li with a 2.3:1 Mg:Li ratio. This Northwestern-most hole actually achieved better grades than neighbour CAU18, which also confirmed good porosity and permeability conditions, but reached an average lower grade of 476 mg/L Li likely due to an inflow of freshwater.

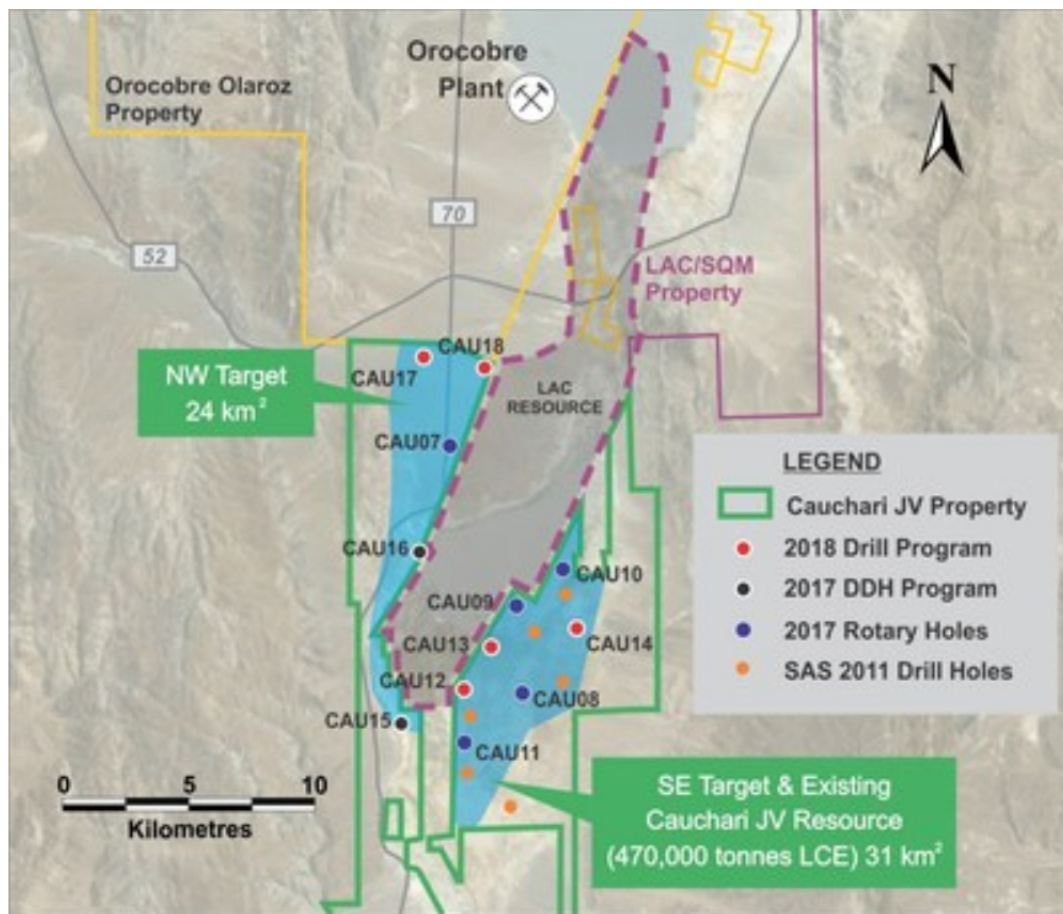
Resource estimate nearing. Updated Inferred resource now expected in Mid-May. We're expecting a four or five-fold resource between 2.0 - 2.5 MMt LCE from its current resource of 0.47 MM t grading 380 mg/L Li. Management expects average grades to come in close to +500 mg/L Li, a realistic target given the drill results over the last nine months.

PEA due shortly thereafter and will contemplate two scenarios: 1) sale of brine or brine concentrate (a ROFR is already in place with Orocobre) and 2) a stand-alone operation that could produce roughly 20,000t LCE. There are clear synergies with Orocobre who owns ~34% of AAL and 25% of Cauchari.

Phase III deep drilling set for May 2018. Drill plans are comprehensive with an aim to grow the resource at depths below 450m in both the NW and SE sectors. AAL is planning on bringing in a larger rig from Chile to reach basement depths down near 600m. While we don't expect Phase III drilling to be incorporated into the PEA, it would be included within the DFS due 2019.

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

Diamond Hole CAU17 was drilled into the Northwestern most sector of the Alluvial fan. Rigs have completed holes -18 and -17 in the NW sector. Diamond hole CAU14 has reached its target depth of 445m in the SE Sector and concludes Phase II drilling.



Source: Company Reports

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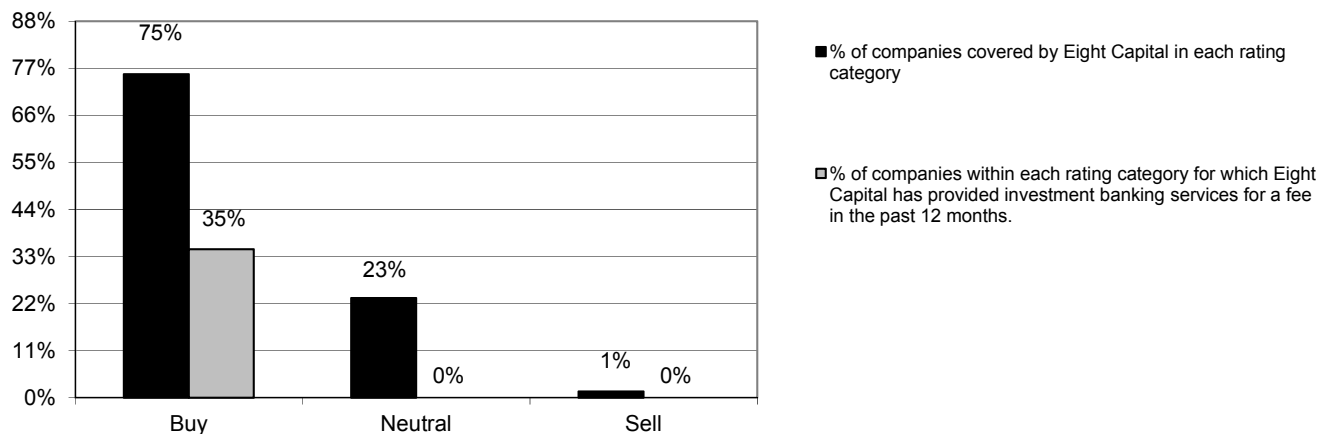
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