

MILLENNIAL LITHIUM CORP.

Program Update – Feasibility Work Continues on Track

EVENT

Millennial Lithium Corp. provided an update on its technical programs ongoing at its Pastos Grandes Project in Salta, Argentina.

BOTTOM LINE

Positive: All aspects of the comprehensive work program remain on track with the pilot ponds concentrating lithium brine via solar evaporation and the design and implementation of the Pilot Processing Plant are well underway. A resource update is expected by the end of Q1/19 and the DFS remains on track for completion in Q2/19. Millennial remains fully funded to complete all its initiatives with about \$50M in cash. We maintain our BUY rating but given overall weakness in the sector we have reduced our target multiple to our sum-of-parts NAV_{8%} to 0.5x from 0.6x resulting in a lowering of our target price to \$4.50/shr from \$5.20 previously.

FOCUS POINTS

- **Large Resource with Exploration Upside:** Millennial has defined a 3.0Mt lithium carbonate resource at Pastos Grandes grading 445mg/L Li and the resource remains open. The four exploration drill holes reported today confirm the extension of the lithium rich brine further south with highlight Hole 15 which returned lithium grades reaching up to 500mg/L Li within a 236m thick horizon.
- **Advanced Project:** A positive PEA completed in 2018 showed a 25,000 tpa lithium carbonate operation with an NPV_{8%} of US\$824M and an IRR of 23.4%. Work on a Feasibility Study is on track for completion in Q2/19.
- **Well Financed:** With \$50M in cash on hand, the Company has ample capital to complete the feasibility study.
- **Near Term Catalysts:** Key events that should act as positive catalysts for the stock price include: i) ongoing field work and pilot plant testing that should further de-risk the project; ii) ongoing exploration drilling that should pride an expanded lithium resource in Q1/19; iii) the completion of a Feasibility Study in Q2/19 which will be a key milestone paving the way for project financing and iv) ongoing takeover potential.

Recommendation:

BUY

Symbol/Exchange:

ML-TSXV

Sector:

Metals & Mining

All dollar values in C\$ unless otherwise noted.

Current price:

\$1.53

One-year target:

\$4.40↓

Target return:

188%

52-week Range:

\$1.04 - \$4.80

Financial Summary

Market Cap (C\$M)	126.3
Cash on hand (\$M)	50.0
Debt (\$M)	0.0
Basic Shares O/S (M)	82.6
Fully Diluted Shares O/S (M)	99.2
Avg. Weekly Volume (k)	94

Lithium Carbonate Resource

Category	Volume	Li Grade		LCE
		Bm ³	mg/l	
Measured	5.2	465	1.3	
Indicated	3.8	418	0.9	
M&I	9.0	445	2.1	
Inferred	3.5	469	0.9	
Total MI&I	12.5	452	3.0	



Company Profile: Millennial Lithium Corp is focused on developing its 100% owned Pastos Grandes Lithium Project, located in Salta, Argentina. The Company also owns a 100% interest in the Cauchari East Project, also located in Argentina. 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.

PROJECT UPDATE

Millennial Lithium Corp. provided an update on its ongoing technical programs at its Pastos Grandes Project in Salta, Argentina. This is part of a comprehensive development plan which includes:

- **Definitive Feasibility Study (DFS):** Completion of a Definitive Feasibility Study (DFS) by Q2/19.
- **Expansion Drilling:** Additional drilling for an updated resource estimate in Q1/19.
- **Pilot Pond Operation:** Construction and operation of pilot ponds to provide concentrated lithium-rich brines pumped from the salar.
- **Pilot Plant Construction & Operation:** Development of a Pilot and Training Lithium Processing Plant designed to produce 3 tonnes per month of lithium carbonate equivalent (LCE).
- **Additional Pumping Tests:** Adding more pumping test wells for better aquifer modeling.
- **Additional Work:** Completing various technical studies and infrastructure improvements designed to expedite the Company's ongoing Feasibility Study.

All aspects of the program remain on track with the pilot ponds concentrating lithium brine via solar evaporation and the design and implementation of the Pilot Processing Plant well underway. WorleyParsons is reported to be progressing well with the DFS which remains on target for completion in Q2/19. Millennial remains well funded with about \$50M in cash which is more than ample to complete all its current initiatives. We maintain that Millennial’s timeline to production for its Pastos Grandes project is reasonably paced, on track to move into construction in H2/2019 allowing initial production in late 2021 and ramp-up to produce 25,000 tpa LCE by 2025 (Exhibit 1).

Exhibit 1. Project Timeline – On Track

PASTOS GRANDES	2017	2018				2019				2020	2021	2022	2023	2024	2025
	Q4/17	Q1/18	Q2/18	Q3/18	Q4/18	Q1/19	Q2/19	Q3/19	Q4/19						
REMSA DRILLING															
INITIAL PUMP TEST															
LAB EVAPORATION TRIALS															
FIELD EVAPORATION TRIALS															
ENVIRONMENTAL BASELINE STUDIES															
PEA															
PILOT PLANT CONSTRUCTION															
PILOT POND/BUILD TRIALS															
MODELING AND RESOURCES															
FEASIBILITY STUDY															
PERMITTING															
CONSTRUCTION															
RAMP-UP TO 25K TPA LCE															
STEADY-STATE 25KTPA PRODUCTION															

Source: Millennial Lithium, Cantor Fitzgerald

Resource Expansion Drilling: Two drill rigs are currently active on the Remsa license, a portion of the Pastos Grandes Project, testing the extensions of the lithium-bearing brine aquifer. Drilling has been completed at PGMW18-20B and sample results are awaited. This ground yielded promising results from exploration wells PGMW18-15 and PGMW18-17 (236m @ 500 mg/l Li and 545m @ 444 mg/l Li respectively) and Millennial has since started additional geophysical surveys to determine the potential extension of the lithium-bearing brine to the west of the Remsa license. The Company notes that preliminary results from the geophysical survey indicate potential for additional brine further into the Remsa license portion of the Pastos Grandes Project. A drill rig will be mobilized to collar PGMW19-21 on the western edge of the Remsa license in early 2019. The updated Resource Estimate is in progress and on track for completion in Q1/19 and will include the results of exploration well PGMW19-21.

Exhibit 2. Drill at Pastos Grandes



Source: Millennial Lithium

Pilot Ponds and Processing Plant: Pilot Ponds were filled with brine from pumping well PGPW17-4 in late September, 2018 and are concentrating lithium in preparation for lime treatment to reduce magnesium content in the brine. Brine levels in the ponds continue to drop as the contained water evaporates, with levels indicating nearly 50% volume reduction since the ponds were filled. Brine is being transferred to isolated smaller ponds as part of the evaporation concentration and purification process, preparing the concentrate feed to the Pilot Processing Plant. The pilot liming plant construction has been completed and will be commissioned early in Q1/19. This will allow for the liming of the brine, eliminating the majority of the contained magnesium in preparation for feeding the Processing Plant.

Exhibit 3: Pilot Ponds in Operation – Colour Change Due to Evaporation

Source: Millennial Lithium

The Pilot Processing Plant is designed to produce 3 tonnes per month of lithium carbonate utilizing concentrated brine from the pilot ponds on the salar. Plant engineering and design work as well as installation and commissioning of the plant is being completed by WorleyParsons Chile with the timeline for the design and construction of the plant of approximately 4 months with training extending for an additional month.

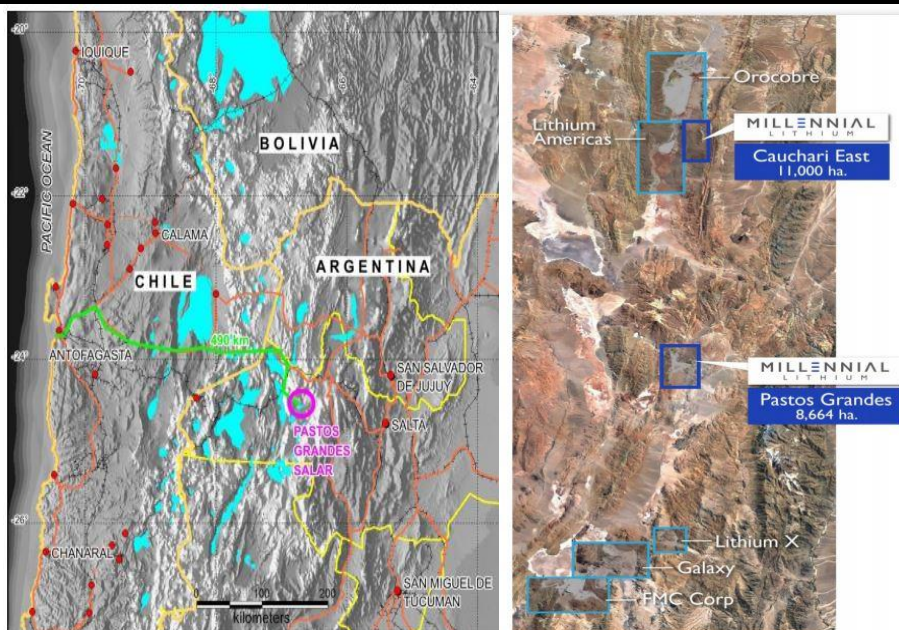
Environmental Impact Assessment: Ausenco-Vector has been engaged to complete the Environmental Impact Assessment for the Exploitation stage of the project. Millennial and WorleyParsons are in the process of providing data and project information to Ausenco to allow completion of the report. Ausenco indicates that the report will be ready for submission to government officials in Q1/19 for approval in Q2-Q3/19.

Infrastructure: Infrastructure improvements at the site are ongoing with the residence camp (40-60 people) construction recently completed. Energy engineering firm ERGY Solar has been engaged to construct a 250 KVa hybrid power plant at the camp site which will provide power for the camp as well as the Training Plant and laboratory. Construction of the solar field is in progress. The ICP lab equipment has been received and a specialized container is being prepared to house the entire lab set-up.

Community Engagement: Millennial has broken ground on the Pastos Grandes community centre/warehouse and all-purpose building. This work is central to their community relations and engagement with the people of Pastos Grandes and is reportedly being well received.

THE PASTOS GRANDES LITHIUM - PROJECT SUMMARY

Good Location, Large Resource: The Pastos Grandes Project includes 8,664 ha over the Pastos Grandes salar in Salta Province, Argentina. It is located 231km northwest of the city of Salta at a modest elevation of 3,850m above sea level. Borax Argentina has been mining on the southern and eastern portions of Pastos Grandes Salar since the 1970s and as a result, Pastos Grandes has some of the best infrastructure in the Lithium Triangle (Exhibit 4). The current resource at Pastos Grandes is 2.131Mt in the Measured and Indicated category with an additional 878Kt in the Inferred category for total MI&I Resource of 3.0Mt with an average grade of 452 mg/l LCE.

Exhibit 4: Millennial Lithium Property Location Map

Source: Millennial Lithium

Cantor Model: A positive preliminary economic assessment for the Pastos Grandes Project was completed in February 2018. Based on the 2.131Mt LCE M&I resource, the PEA contemplated a brine operation based on proven solar evaporation technology and conventional lithium brine processing producing 25,000tpa LCE over 25-years with capital costs of US\$410M and operating costs of US\$3,218/t LCE (Exhibit 5). The overall average price over the 25-year mine life of the project was US\$13,499/t LCE resulting in a US\$824M after-tax NPV^{8%} and IRR of 23.4%. Our model for Pastos Grandes is based on the recent PEA but we have applied our more conservative LCE price estimate of US\$10,000/t and a longer mine-life that takes into consideration more of the resource in-line with peers. Our model also assumes a longer mine life pumping 1.4Mt of brine (of the 2.131Mt M&I resource) over a 40-year mine life generating an after-tax NPV^{8%} of US\$569M, and IRR at 19.4%.

Exhibit 5. Pastos Grandes Project Summary

All amounts in \$US unless otherwise noted

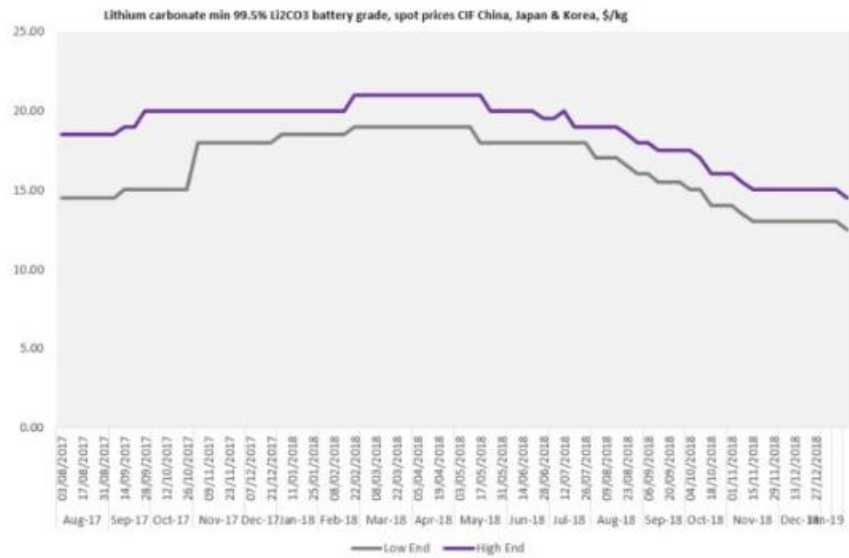
Company		ML	ML
Project		Pastos Grandes	Pastos Grandes
Study		Cantor Est.	2018 PEA
<u>Resource</u>			
Resource Category		M&I	M&I
Resource Estimate	Mt LCE	2.13	2.13
Li content	mg/l	445	445
Mg/Li ratio		6.3	6.3
Drainable Porosity		9.5%	9.5%
<u>Operation</u>			
First Production		2021	2021
Ramp-Up	years	3	3
LOM	years	40	24
Annual Production	LCE tpa	25,000	25,000
Unit Cost	\$/t LCE	3,218	3,218
<u>Capital</u>			
Capex	\$M	410	410
Sustaining Capex	\$M	124	76.2
Capex/t LCE	\$	16,400	16,400
<u>Economics</u>			
Li ₂ CO ₃ Price	\$/t LCE	10,000	13,499
NPV8%	\$M	569	824
NPV10%	\$M	369	607
IRR	%	19.4%	23.4%

Source: Cantor Fitzgerald, Company Reports

TARGET PRICE UPDATE

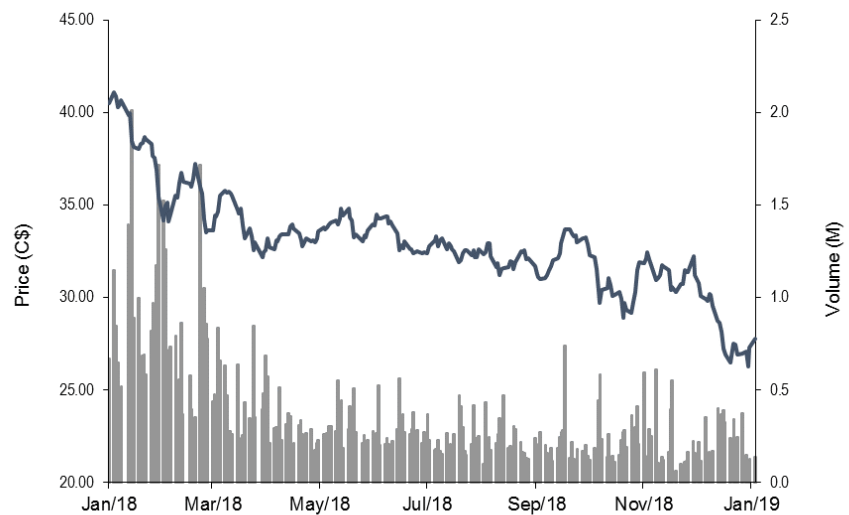
Sector Down on Weaker Lithium Prices: Since its peak in mid-2018, the spot price for lithium carbonate has dropped from about US\$18,000/t towards the US\$13,500/t range (Exhibit 6). This ~25% drop has resulted in multiple contraction for the whole space as mirrored in the Global X Lithium Battery and Technology ETF (LIT-NYSE; Not Covered) (Exhibit 7). We note that for our ML model, we apply a conservative US\$10,000/t lithium carbonate price estimate.

Exhibit 6. Recent Lithium Carbonate Price Trend (US\$/kg)



Source: Metalbulletin.com

Exhibit 7. Global X Lithium Battery and Technology ETF Performance



Source: Factset, Cantor Fitzgerald

Trimming Target Multiple: Based on our model for the 100%-owned Pastos Grandes brine operation outlined above, the lithium operation would generate an average of ~US\$105M of free cash flow annually over a 40-year life for an NPV8% of US\$569M (discounted to today) based on a long-term lithium carbonate price of US\$10,000/tonne. For its other lithium assets, primarily Cauchari East, we apply a nominal \$20M value. Corporate adjustments include long-term corporate G&A, current cash of \$50M, 12-month in-the-money (ITM) options and warrants totaling \$0.9M and project spending of \$30M over the next 12-months. Our resultant NAV8% is \$745.8M or \$8.94 per diluted share (including 12-month ITM options) (Exhibit 8). To account for the development stage and unfinanced status of the full project, we apply a discount multiple of

0.5x from 0.6x NAV previously in-line with other resource development companies at a similar stage. As a result our revised NAV based target is \$4.50 per share down from \$5.20 previously.

Exhibit 8: NAV Summary for Millennial Lithium

(C\$ million, unless otherwise indicated)

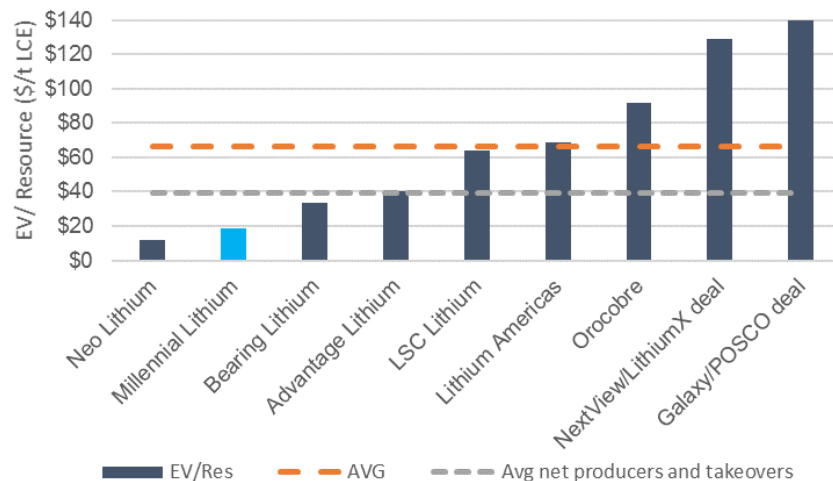
Mining Assets	Ownership	Valuation	NAV	
			(\$M)	\$/sh
Pastos Grandes	100%	DCF8%	739.2	8.86
Cauchari	100%	nominal	20.0	0.24
Total Mining Assets			759.2	9.10
Financial Assets				
Pro-forma working capital ¹			20.9	0.25
Long-Term Debt			0	0.00
Corporate G&A			(34.4)	(0.41)
Net Financial Assets			(13.5)	(0.16)
Net Asset Value			745.8	8.94
Target Multiple				0.5x
Target Price per Diluted Share				4.50
Basic shares outstanding (MM)				82.6
Diluted shares outstanding (MM) ¹				83.4
Fully diluted shares outstanding (MM)				99.2

¹Includes current cash, 12-mo ITM options & warrants and planned expenditures

Source: Cantor Fitzgerald

Low Valuation Relative to Peers: On an EV/Resource, Millennial continues to trade at a significant discount of \$18/t LCE versus peers averaging \$66/t LCE (Exhibit 9). We see this as good value and expect a re-rating as the project is further de-risked.

Exhibit 9: Lithium Brine Comparables



Source: Cantor Fitzgerald, Factset, Company Reports

CATALYSTS

We anticipate several events that should act as positive catalysts for the stock price and move it towards our target price of \$4.50/shr. These catalysts include:

- 1) **Exploration Drilling and Development Milestones - ongoing:** Millennial has committed \$30M over the next 12-months to advance and de-risk the Pastos Grandes project. Results from additional drilling and pump-testing should lead to a higher quality and potentially larger resource. Construction and operation of the pilot plant will confirm feasibility estimates and further de-risk the process.
- 2) **Updated Resource – Q1/19:** Additional drilling on the REMSA ground should add to the current resource. Drilling continues with an updated resource estimate on track for late Q1/19.
- 3) **Definitive Feasibility Study – Q2/19:** The Company is on track to deliver a definitive feasibility study for the Pastos Grandes project in Q2/19. This will be a key de-risking milestone paving way for project financing.
- 4) **Strategic Partner or Takeover:** Millennial, with a 100% ownership interest in the rapidly de-risking the Pastos Grandes project, could attract a second strategic partner to compliment GCL (17%) or an outright takeover offer. As seen twice in the last 12-months with two major transactions for advanced brine projects, premium prices were obtained.

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