

MILLENNIAL LITHIUM CORP.

Bench Scale Testing Successfully Produces Battery Grade Lithium Carbonate

EVENT

Millennial Lithium Corp. reported that bench scale process test work of brine from Pastos Grandes completed by SGS Canada Inc. (SGS) has yielded battery grade (> 99.5% Li₂CO₃) lithium carbonate.

BOTTOM LINE

Positive: The successful bench scale work is positive as it has demonstrated that the Pastos Grandes brine can produce high purity battery grade lithium carbonate for the rapidly growing electric vehicle market using conventional methods. The work will also help to refine the pilot plant design and provide a basis for the commercial plant design. Millennial remains well funded and on track to complete a Definitive Feasibility Study in Q2/19. We maintain our BUY rating and \$4.50/shr target based on a target multiple of 0.5x to our sum-of-parts NAV_{8%}.

FOCUS POINTS

- **Battery Grade Lithium:** The recently completed process testing of Pastos Grades brine was successful in producing lithium carbonate with a purity of 99.92% Li₂CO₃ suitable for EV battery production.
- **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. Drilling on the Remsa ground to the south should increase the resource further with an update in Q1/19.
- **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, ML has ample capital to complete the feasibility study and test plant.
- **Near Term Catalysts:** Key events that should act as positive catalysts for the stock price include: i) ongoing field work and pilot plant testing; ii) ongoing exploration drilling for an expanded lithium resource in Q1/19; iii) the completion of a Feasibility Study in Q2/19 and iv) ongoing takeover potential or strategic partner alignment.

Recommendation:

BUY

Symbol/Exchange:

ML-TSXV

Sector:

Metals & Mining

All dollar values in C\$ unless otherwise noted.

Current price:

\$1.33

One-year target:

\$4.50

Target return:

238%

52-week Range:

\$1.04 - \$4.80

Financial Summary

Market Cap (C\$M)	109.8
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)	18

Lithium Carbonate Resource

Category	Volume	Li Grade	LCE
	Bm ³	mg/l	Mtonnes
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 M&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

Matthew O'Keefe

matthew.o'keefe@cantor.com
(416) 849-5004

Associate: Michael Wichterle

mwichterle@cantor.com
(416) 849-5005

Sales/Trading — Toronto: (416) 363-5757, (866) 442-4485

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

BATTERY GRADE PRODUCT PRODUCED

Millennial Lithium Corp. reported that bench scale process test work of brine from Pastos Grandes completed by SGS Canada Inc. (SGS) has yielded battery grade (> 99.5% Li₂CO₃) lithium carbonate. Specifically, the test yielded a lithium carbonate product with a purity of 99.92% versus typical lithium carbonate battery grade for EV batteries which is approximately 99.5% Li₂CO₃. The successful bench scale work is positive as it has demonstrated that the Pastos Grandes brine can produce high purity battery grade lithium carbonate for the rapidly growing electric vehicle market using conventional methods. The work will also help to refine the pilot plant design and provide a basis for the commercial plant design.

Test Details: SGS completed bench scale process trials on lithium-bearing brine from pumping well PGPW17-4 at Pastos Grandes. Approximately 600 litres of brine were shipped to SGS in Lakefield, Ontario for testing to investigate the amenability of the brine (Exhibit 1) to producing a high purity battery grade lithium carbonate product (Exhibit 2).

Exhibit 1: Raw Brine Chemistry

Li	Ca	Mg	K	Na	B	SO ₄
(mg/l)	(mg/l)	(mg/l)	(mg/l)	(mg/l)	(mg/l)	(mg/l)
480	758	2490	5180	115000	700	8200

Source: Millennial Lithium

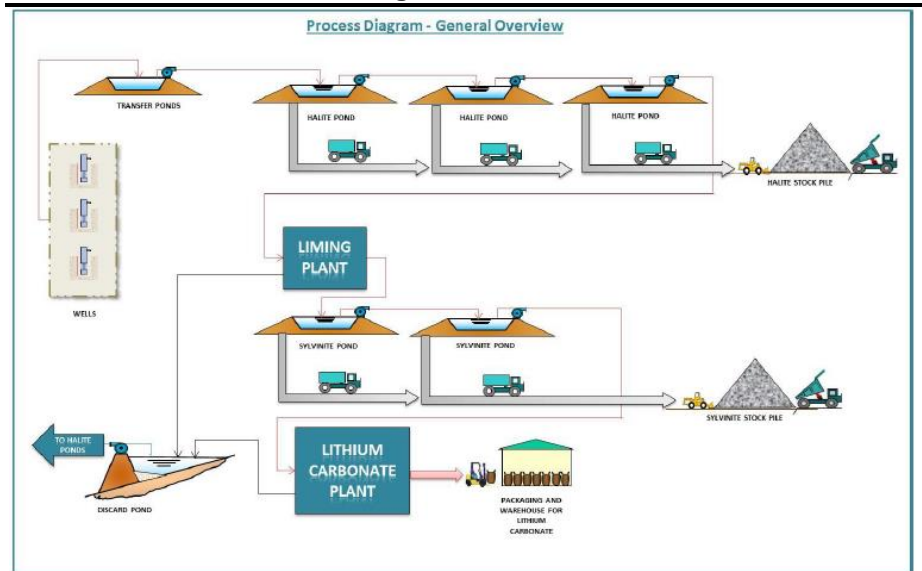
Exhibit 2: Lithium Carbonate Product Result

Li ₂ CO ₃	B	Mg	Ca	K	Na	SO ₄	Fe
(%)	(g/t)	(g/t)	(g/t)	(g/t)	(g/t)	(g/t)	(g/t)
99.92	<4	10.3	93	<10	46	<300	<4

Source: Millennial Lithium

The test mimicked the production process with SGS subjecting the brine to liming followed by mechanical evaporation over several weeks and further removal of Ca and Mg via selective precipitation through the introduction of soda ash and caustic soda. Further evaporation reduced the volume to approximately 10 litres grading about 1.9% Li. Standard and industry-tested purification procedures were employed on the concentrated brine including solvent extraction to reduce the boron content, followed by ion exchange to remove any remaining B. Ion exchange was followed by the main stage of carbonation with soda ash to produce a preliminary lithium carbonate product. The lithium carbonate product was then directed to further purification via bicarbonation with CO₂. The final lithium carbonate product after the bicarbonation/decomposition process had a purity of 99.92% Li₂CO₃. Recovery of lithium through the primary lithium carbonate process was approximately 75% from the B-free solution and recovery through the bicarbonation/decomposition stage was approximately 74% of the lithium carbonate treated, in-line with expectations.

Exhibit 3. General Process Diagram for Production Scale

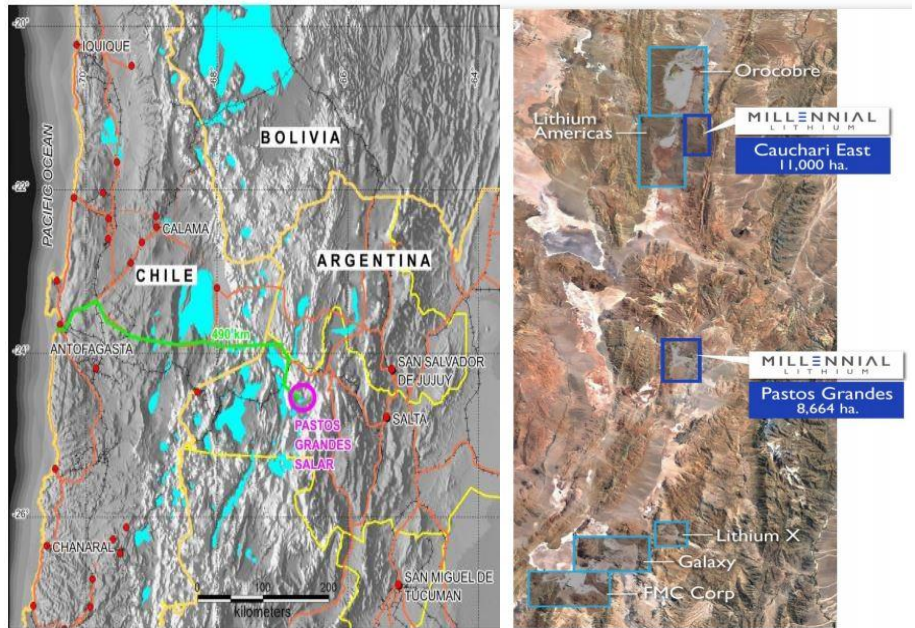


Source: Millennial Lithium

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

VALUATION

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 NPV_{8%} 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 NAV_{8%} is \$745.8M or \$8.94 per diluted share (including 12-month ITM options) (Exhibit 6). To account for the development stage and unfinanced status of the full project, we apply a discount multiple of 0.5x NAV in-line with other resource development companies at a similar stage. As a result our NAV based target is \$4.50 per share.

Exhibit 6: NAV Summary for Millennial Lithium

(C\$ million, unless otherwise indicated)

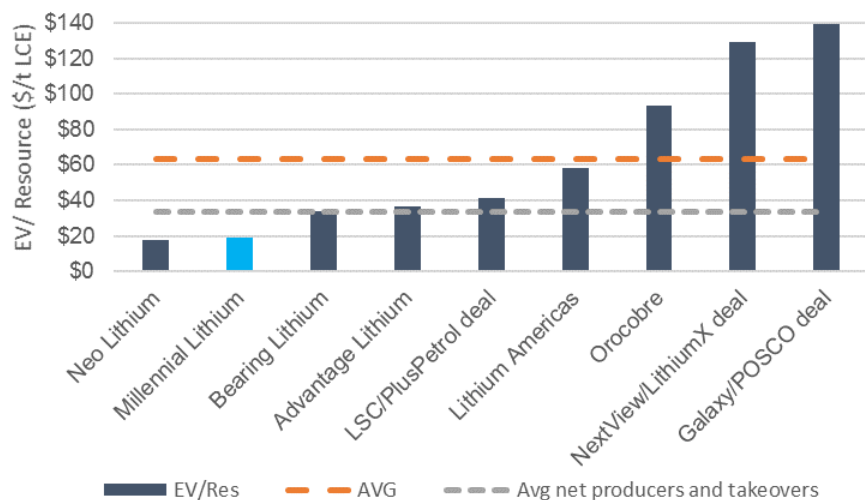
Mining Assets	Ownership	Valuation	NAV	
			(\$M)	\$/sh
Pastos Grandes	100%	DCF8%	739.2	8.86
Cauchari	100%	nominal	20.0	0.24
Total Mining Assets			759.2	9.10
Financial Assets				
Pro-forma working capital ¹			20.9	0.25
Long-Term Debt			0	0.00
Corporate G&A			(34.4)	(0.41)
Net Financial Assets			(13.5)	(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 \$22/t LCE versus peers averaging \$64/t LCE (Exhibit 7). We see this as good value and expect a re-rating as the project is further de-risked. We note that LSC Lithium (LSC-TSX, not covered) that holds the neighboring Pozeulos/Pastos Grandes Project has entered into a deal to be acquired by private company PlusPetrol for \$111M in cash. LSC’s main project is at a similar stage to Millennials (completed EPA) with a similar resource contemplating smaller production (20ktp1 vs 25ktpa). On a resource basis, the price paid by PlusPetrol was \$41/tonne LCE. This is more than double to current value of Millennial.

Exhibit 7: Lithium Brine Comps



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

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SELL: The stock is overpriced relative to the company's fundamentals, and we expect it to decline from the current price over the next 6 to 12 months.

TENDER: We believe the offer price by the acquirer is fair and thus recommend investors tender their shares to the offer.

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