

Alpha Lithium Corp.

A Tecpetrol Stink-Bid for Alpha Lithium.

ALLI-NEO: \$1.28
Speculative Buy
\$1.95 Target

Tecpetrol Offer For Alpha Lithium Is Too Low In Our View: Tecpetrol, a subsidiary of Argentine conglomerate Techint Group (Private), announced a non-binding offer to buy all the issued and outstanding shares of Alpha Lithium, for an all-cash consideration of \$1.24/shr – a 25% premium to the 20-day VWAP and 13% premium to the previous close, and valuing Alpha at US\$178M (FD/ITM). The offer was rebuffed by Alpha's board of directors as being opportunistic and not in the best interest of shareholders. We also view the offer as too low considering precedent transactions, even in the context of the current relatively low lithium price environment. The Tecpetrol offer is non-binding. **Alpha shares are trading through the offer price.**

Precedent Transactions Suggest A Higher Price Is Justified: The Tecpetrol offer equates to US\$54/tonne LCE in resource and US\$5,404/ha. Recent precedent transactions include Neo Lithium which was acquired for ~US\$90/tonne LCE and ~US\$19,639/ha, and Millennial Lithium which was acquired for ~US\$72/tonne LCE and ~US\$14,109/ha. Our price target equates to approximately US\$91/tonne LCE and US\$8,990/ha, or US\$297M, based on our fully diluted/financed DCF at 12% and a 0.3x multiple. The Nov./'21 Uranium One transaction valued Tolillar at US\$430M (including the option to buy up to 50% of the project) **prior to** the maiden resource estimate.

Tolillar Project Value Considerations: The lithium sector has evolved given ongoing developments in DLE technology that may speed up the production process compared to standard evaporation techniques. Whilst Millennial Lithium and NEO Lithium's projects were at the feasibility-stage (Alpha's Tolillar PEA is underway) when acquired, they were designed as evaporation projects. Assuming DLE is able to commercially speed up the lithium recovery process, even at a lower grade than its comps, we believe Alpha's Tolillar could be worth more than our price target's implied US\$297M, considering our price target is risked with a 12% discount rate and 0.3x multiple. We note that Alpha Lithium has been developing its own in-house DLE process, and Techpetrol has its own DLE pilot plant operating in Salta. Multiple other companies are also in the process of developing DLE processes, though each process is typically suited to individual brine chemistries.

Lithium Price Environment: Although the froth has come off Chinese battery-grade lithium carbonate prices relative to the Nov./'22 (month-end) peak of US\$79,650/tonne LCE, prices have recovered from Apr./'23's low of US\$22,000/tonne, to US\$34,000/tonne currently. A supply surplus has been expected for 2023, but that continues to be expected to give way to persistent supply shortages based on current S&P Global Market Intelligence projections. As such, we don't view the current relatively low lithium price as a deterrent to viewing a potential sale of Tolillar, or indeed the Company, under a more supportive lithium price environment going forward.

Maintain Speculative Buy Rating and 12-Month \$1.95 Price Target: Our valuation is based on a fully-funded, fully-diluted Tolillar DCF, discounted at 12% as a PEA and demonstration of the commercial scalability of Alpha's proprietary DLE process are pending. We value Hombre Muerto at a nominal \$75M based on land transaction comparables. Using a US\$22,500/tonne LCE long-term price yields a total NAV of US\$2.6B, or \$6.23 per fully diluted share. We apply a 0.3x target multiple, which we believe is appropriate for the Tolillar project's current, pre-PEA, stage of development.

Projected Return: 52.3%

Market Data

Market Cap. (C\$M)	\$226.3
Cash Eq. & ST Inv. (C\$M)	\$35.0
Total Debt (C\$M)	\$0.2
Enterprise Value (US\$M)	\$140.4
Basic Shares O/S (M)	176.8
Fully Diluted Shares O/S (M)	205.6
Avg. 3-M Daily Volume (M Shr)	161.0
Avg. 3-M Daily Turnover (C\$M)	\$0.2
52-Week Range (C\$)	\$0.72 - \$1.32
Div. Yield (%)	0.0%

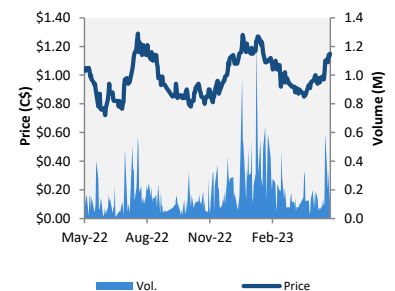
Financial Summary

Annual	2021A	2022A	2023E	2024E
Revenue (M)	0.0	0.0	0.0	0.0
Adj. EBITDA (M)	-7.5	-13.0	-12.7	-12.7
Net Income (M)	-9.2	-14.0	-12.7	-12.7
EPS	-0.08	-0.09	-0.08	-0.07
P/E	NM	NM	NM	NM
CFPS	-0.08	-0.06	-0.06	-0.06
P/CF	NM	NM	NM	NM
Cash, ST Inv.	47.0	24.1	8.9	13.7
Quarterly	Q1/23A	Q2/23E	Q3/23E	Q4/23E
EPS	-0.01	-0.02	-0.02	-0.02
CFPS	-0.01	-0.01	-0.01	-0.01

Company Description

Alpha Lithium Corp. is a mineral exploration company focused on the development of its Tolillar and Hombre Muerto lithium brine salar projects in Argentina. The company is led by Brad Nichol, President and CEO. The company is headquartered in Vancouver, Canada.

12-Month Price History



Source: FactSet, Historical Data – Company Filings, Forecasts/estimates – Echelon Wealth Partners
Figures in C\$ unless otherwise noted

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Company: Alpha Lithium Corp. | ALLI-NEO

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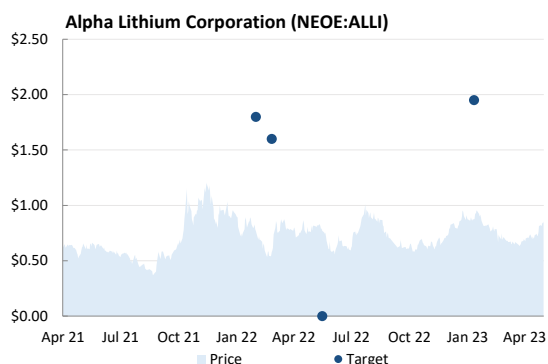
RATING DEFINITIONS

Buy	The security represents attractive relative value and is expected to appreciate significantly from the current price over the next 12 month time horizon.
Speculative Buy	The security is considered a BUY but in the analyst's opinion possesses certain operational and/or financial risks that are higher than average.
Hold	The security represents fair value and no material appreciation is expected over the next 12-18 month time horizon.
Sell	The security represents poor value and is expected to depreciate over the next 12 month time horizon.
Under Review	While not a rating, this designates the existing rating and/or forecasts are subject to specific review usually due to a material event or share price move.
Tender	Echelon Wealth Partners recommends that investors tender to an existing public offer for the securities in the absence of a superior competing offer.
Dropped Coverage	Applies to former coverage names where a current analyst has dropped coverage. Echelon Wealth Partners will provide notice to investors whenever coverage of an issuer is dropped.

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Recommendation Hierarchy	Buy	Speculative Buy	Hold	Sell	Under Review	Restricted	Tender
Number of recommendations	21	40	6	0	15	3	2
% of Total (excluding Restricted)	26%	49%	7%	0%	18%		
Number of investment banking relationships	5	13	0	0	4	1	0
% of Total (excluding Restricted)	23%	59%	0%	0%	18%		

PRICE CHART, RATING & PRICE TARGET HISTORY



Date	Target	Rating
18 Feb 2022	\$1.80	Spec Buy
15 Mar 2022	\$1.60	Spec Buy
3 Jun 2022	Under Review	Under Review
29 Jan 2023	\$1.95	Spec Buy

Coverage Initiated: Feb 18, 2022

Data sourced from: S&P Capital IQ

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