

ASX: AGY

Equity Research

14th March 2022

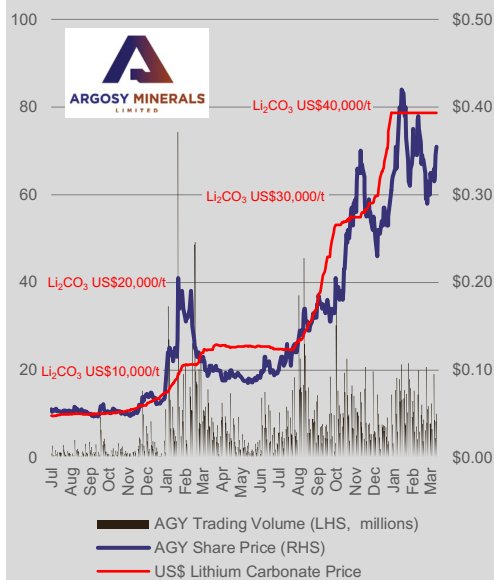
SPECULATIVE BUY

Share Price	\$0.355
Valuation	\$0.60
Price Target	\$1.35

52-Week Range	\$0.084 - \$0.455
AGY Shares Outstanding	1,322.6
AGYO Options (\$0.20 31 Mar 2022)	26.1m
Unlisted Options (\$0.25 29 Oct 2022)	56.9m
Performance Rights	1.5m
Market Capitalisation	\$469.5m
Cash (31 December 2021)	\$23.1m
Debt	Nil
Enterprise Value	\$446.4m

Board & Management:	
Alexander Molyneux	Chairman
Jerko Zuvela	Managing Director
Mal Randall	Non-Executive Director
Andrea Betti	Company Secretary
Pablo Alurralde	President Puna Mining S.A.

Major Shareholders:	
Top 20	27.8%
Board and Management	12.0%



Argosy Minerals Limited (ASX: AGY) is an Australian company with a current 77.5% (and ultimate 90%) interest in the Rincon Lithium Project in Salta Province, Argentina and a 100% interest in the Tonopah Lithium Project in Nevada, USA.

AGY is focused on its flagship Rincon Lithium Project, located within the world renowned "Lithium Triangle", host to the world's largest lithium resources. AGY is following a staged development approach for the production of battery-grade lithium carbonate product.

Argosy Minerals Limited

Surfing the Lithium Wave

Significantly De-Risked Project: through its industrial-scale pilot plant, AGY has produced 30 tonnes of battery quality lithium carbonate (>99.5% Li₂CO₃) over two years and sold 25 tonnes to North Asian customers.

2,000 tpa operation fully-funded and in construction: as at 1st March 2022, the project development works are 61% complete, with first product targeted from mid-2022. The development works continue to be on budget and on schedule.

Producer status: AGY is on track to become only the second lithium carbonate producer listed on the ASX after Allkem Limited (ASX: AKE).

Additional 10,000 tpa expansion: further to the PEA released November 2018, we have increased the estimated capex from the US\$140.9 million to US\$160m and the estimated opex from US\$4,645/tonne to US\$6,000/tonne. The expansion is targeted to start construction in 2022.

Lithium carbonate pricing: the sector has experienced a tremendous uplift in lithium product prices over the last couple of years.

Mineral Resource: the drainable brine mineral resource estimate from the aquifer stands at 144 million cubic meters at a grade of 325 mg/L for 245,120 tonnes Li₂CO₃. Based on this resource, we modelled a 16 year mine life Base Case, ramping up according to the following production schedule:

Year	2022	2023	2024	2025	2026	2027 & beyond
Production	1,000 t	2,000 t	2,000 t	10,000 t	12,000 t	12,000 t

Exploration Target: estimates the potential for a range of up to 507,000 tonnes to 724,000 tonnes of contained lithium carbonate to a depth of 300m. On this basis, we modelled an Expanded Case with a 30 year LOM.

Ownership: AGY currently has a 77.5% interest in the Rincon Lithium Project, increasing to 90% ownership upon development of the 10,000 tpa operation.

Project Valuation: using various Li₂CO₃ prices:

Scenario / Item	Base Case Up to 12,000 tpa		Expanded Case Up to 25,000 tpa	
Capex	US\$160m		+US\$250m	
Li ₂ CO ₃ Price	NPV _{10%} post tax	IRR post tax	NPV _{10%} post tax	IRR post tax
US\$18,000/t	US\$449m	55%	US\$824m	51%
US\$26,000/t	US\$838m	95%	US\$1,555m	92%
US\$32,000/t	US\$1,130m	136%	US\$2,102m	134%
US\$40,000/t *	US\$1,518m	-	US\$2,832m	-

Source: Evolution Capital estimates. * current price

Tonopah Lithium Project: Exploration and development activities should bring considerable value given the highly strategic location 4km from Albermarle (NYSE: ALB) Silver Peak brine operation and ~300km from Nevada's Tesla Gigafactory.

News flow: Beyond the progress of the Rincon 2,000 tpa plant construction and the start of production, we see the financing of the 10,000 tpa expansion as one of the key catalysts for share price appreciation in the medium term. AGY aims to secure most of the financing through strategic investment and prepayments linked to off-take arrangements. At this time, we assumed a A\$140m project debt financing with 5-year maturity, 10% interest rate, repayments structured as follows: 2024: \$20m; 2025: \$60m; 2026: \$60m.

AGY Valuation: Considering the above parameters and an equity capital raising of A\$35m at \$0.35 (100m shares), our Base Case valuation stands at \$908m or \$0.60 per share. Our speculative value stands at A\$2,030m or \$1.35 per share for the Expanded Case.

EVOLUTION
CAPITAL

Argosy Minerals Ltd (ASX: AGY) Financial Summary

Base Case: up to 12,000 tpa Li2CO3 for 16 years

Key metrics

Market Information	Unit	Value
Number of Issued Shares	million	1,322.6
Listed Options (@ \$0.20, expiry 31 Mar 2022)	million	26.1
Unlisted Options (@ \$0.25, expiry 29 Oct 2022)	million	56.9
Performance Rights	million	1.5
Fully Diluted	million	1,407.1
Share Price	A\$	0.355
12 month High-Low	A\$	0.084-0.455
Market Capitalisation	A\$m	469.5
Cash (31 Dec 2021)	A\$m	23.1
Debt (31 Dec 2021)	A\$m	0.0
Enterprise Value	A\$m	446.4

Financing Assumptions	Unit	Value
Exercise of Options over 2022	A\$m	32.0
New Equity (100 million shares @ \$0.35)	A\$m	35.0
Number of Issued Shares Post Financing	million	1,507.1
New Debt (A\$140m, 2 years grace, 5 years maturity, repayments \$20m in 2024, \$60m in 2025 and \$60m 2026)		

Lithium Pricing (US\$/t Li2CO3)	2020A	2021A	2022F	2023F	2024F
Low Case	\$5,407	\$17,347	\$18,000	\$18,000	\$18,000
Base Case	\$5,407	\$17,347	\$26,000	\$26,000	\$26,000
High Case	\$5,407	\$17,347	\$32,000	\$32,000	\$32,000
Current Price			\$40,000		

Rincon Project Valuation	Lithium Price	NPV Post-Tax @ 10%	IRR
Low Case	\$18,000	US\$449m	55%
Base Case	\$26,000	US\$838m	95%
High Case	\$32,000	US\$1,130m	136%
Current Price	\$40,000	US\$1,518m	-

AGY Sum of the Parts Valuation	A\$m	Per Share
Rincon Project (90%, 80% Risked NPV)	832.8	\$0.55
Exploration and production upside	100.0	\$0.07
Cash	23.1	\$0.02
Exercise of Options	32.0	\$0.02
New Equity	35.0	\$0.02
New Debt	(140.0)	(\$0.09)
Tonopah Project (100%)	40.0	\$0.03
Corporate Costs	(15.0)	(\$0.01)
Base Case Valuation	907.9	\$0.60

Profitability indicators	2020A	2021F	2022F	2023F	2024F
EBITDA margin	-	-	69.5%	71.6%	71.5%
Liquidity	2020A	2021F	2022F	2023F	2024F
Quick Ratio	1.0	1.4	5.4	5.4	0.8
Current Ratio	1.0	1.8	5.8	5.8	0.8
Capital structure	2020A	2021F	2022F	2023F	2024F
Equity ratio	4.3	2.2	0.6	0.6	0.6
Debt / Assets	0.0	0.0	0.5	0.5	0.4
Debt / EBITDA	0.0	0.0	5.6	2.7	2.7
DSCR	n/a	n/a	1.8	3.7	1.5

Source: Evolution Capital estimates

Financial Statements

Profit & Loss (A\$m)	2020A	2021F	2022F	2023F	2024F
Revenue	0.1	1.0	35.9	71.8	71.8
Operating Costs	(3.0)	(0.8)	(8.3)	(16.6)	(16.6)
Royalties	0.0	0.0	(1.1)	(2.2)	(2.2)
Overhead Costs	0.0	(1.5)	(1.6)	(1.7)	(1.8)
Other Income/Costs	(0.1)	(0.0)	0.0	0.0	0.0
EBITDA	(3.0)	(1.3)	24.9	51.4	51.3
Depreciation	(0.0)	(0.0)	(0.7)	(22.1)	(22.1)
Net Interest	(0.0)	(0.0)	0.0	(14.0)	(14.0)
Tax	(1.1)	1.9	(6.5)	(4.2)	(4.2)
Profit	(4.2)	0.5	17.8	11.0	11.0

Cash Flow (A\$m)	2020A	2021F	2022F	2023F	2024F
Net Profit	(4.2)	0.5	17.8	11.0	11.0
+/- Adjustments	0.1	0.0	0.7	36.1	36.1
+/- Working Capital	(0.1)	(0.1)	(6.3)	(6.4)	0.0
+/- Other	2.5	0.9	17.8	(1.8)	0.0
Cash Flow from Operations	(1.8)	1.4	30.0	39.0	47.0
Net Capital Expenditure	(1.3)	(10.0)	(6.9)	(220.8)	(0.8)
Cash Flow from Investing	(1.3)	(10.0)	(6.9)	(220.8)	(0.8)
Net proceeds from Debt	0.0	(0.1)	140.0	(14.0)	(14.0)
Changes in Share Capital	0.0	32.2	56.4	0.0	0.0
Dividends	0.0	0.0	0.0	0.0	0.0
Other Financing Cashflow	(0.0)	0.0	0.0	1.0	(0.5)
Cash Flow from Financing	(0.0)	32.1	196.4	(13.0)	(14.5)
Net Cash Change	(3.1)	23.5	219.5	(194.8)	31.7

Balance Sheet (A\$m)	2020A	2021F	2022F	2023F	2024F
Cash	2.9	26.4	245.9	51.0	82.7
Other Current Assets	0.2	0.3	9.8	19.7	19.7
Total Current Assets	3.1	26.7	255.7	70.7	102.4
Property, Plant & Equipment	0.0	10.0	16.2	214.9	193.7
Exploration, Evaluation & Dev.	2.4	2.4	2.4	2.4	2.4
Non-Current Assets	15.3	15.3	15.3	15.3	15.3
Total Non-Current Assets	17.7	27.7	33.9	232.6	211.4
Total Assets	20.8	54.4	289.6	303.4	313.8

Equity	89.0	121.2	177.6	177.6	177.6
Reserves	2.1	2.1	2.1	2.1	2.1
Retained Earnings	(70.1)	(70.1)	(52.3)	(41.3)	(30.3)
Total Equity	21.0	53.2	127.4	138.4	149.4
Current Debt	0.0	0.0	0.0	0.0	20.0
Account Payables	0.2	0.2	1.7	3.4	3.4
Other Liabilities	0.0	1.0	20.5	21.5	21.0
Total Current Liabilities	0.2	1.2	22.2	24.9	44.4
Lease Liabilities	0.1	0.0	0.0	0.0	0.0
Non-current Debt	0.0	0.0	140.0	140.0	120.0
Total Non-current Liabilities	0.1	0.0	140.0	140.0	120.0
Total Liabilities	0.3	1.2	162.2	164.9	164.4
Total Equity + Liabilities	21.3	54.4	289.6	303.4	313.8

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All currencies are in Australian dollars unless otherwise specified.

1. AGY Valuation

Rincon NPV Valuation

Firstly, we have modeled a Base Case with the development of the Rincon Project according to the two stages set by AGY:

- 2,000 tpa battery quality lithium carbonate operation fully-funded and in construction (61% completed), first product from mid-2022
- additional 10,000tpa Li₂CO₃ permitting expected H1-2022

Some of the estimated technical and financial parameters from the Preliminary Economic Assessment results (released in Nov 2018) for the expansion have been updated as follows:

- Capex of US\$141m increased to US\$160m (+10%)
- Opex of US\$4,645/t increased to US\$6,000/t (+29%)

Secondly, we have modeled an Expanded Case assuming the conversion of part of the Exploration Target into a recoverable mineral resource extending the LOM to 30 years. A self-funded production expansion to 25,000 tpa Li₂CO₃ reached in 2032 with an additional capex of US\$250m (construction starting in 2028) is also assumed.

Table 1.1 – Rincon Project NPV Valuation

Scenario / Item	Base Case Up to 12,000 tpa		Expanded Case Up to 25,000 tpa	
Capex	US\$160m		+US\$250m	
Li ₂ CO ₃ Price	NPV _{10%} post tax	IRR post tax	NPV _{10%} post tax	IRR post tax
US\$18,000/t	US\$449m	55%	US\$824m	51%
US\$26,000/t	US\$838m	95%	US\$1,555m	92%
US\$32,000/t	US\$1,130m	136%	US\$2,102m	134%
US\$40,000/t *	US\$1,518m	-	US\$2,832m	-

Source: Evolution Capital estimates. * current price

AGY Sum of the Parts Valuation

Table 1.2 summarises the sum of the parts valuation for AGY.

Table 1.2 – AGY Sum of the Parts Valuation

Asset	Value Range	Preferred	Per Share
Rincon project	US\$449m-\$2,102m	US\$838.0m	-
Rincon project (90% interest , 80% risk factor)		A\$832.8m	\$0.55
Exploration and production upside	\$70m-\$130m	\$100.0m	\$0.07
Cash		\$23.1m	\$0.02
Exercise of options over 2022		\$32.0m	\$0.02
New equity		\$35.0m	\$0.02
New debt		(\$140.0m)	(\$0.09)
Tonopah project (100%)	\$24m-\$73m	\$40.0m	\$0.03
Corporate costs		(\$15.0m)	(\$0.01)
Total		\$907.9m	\$0.60

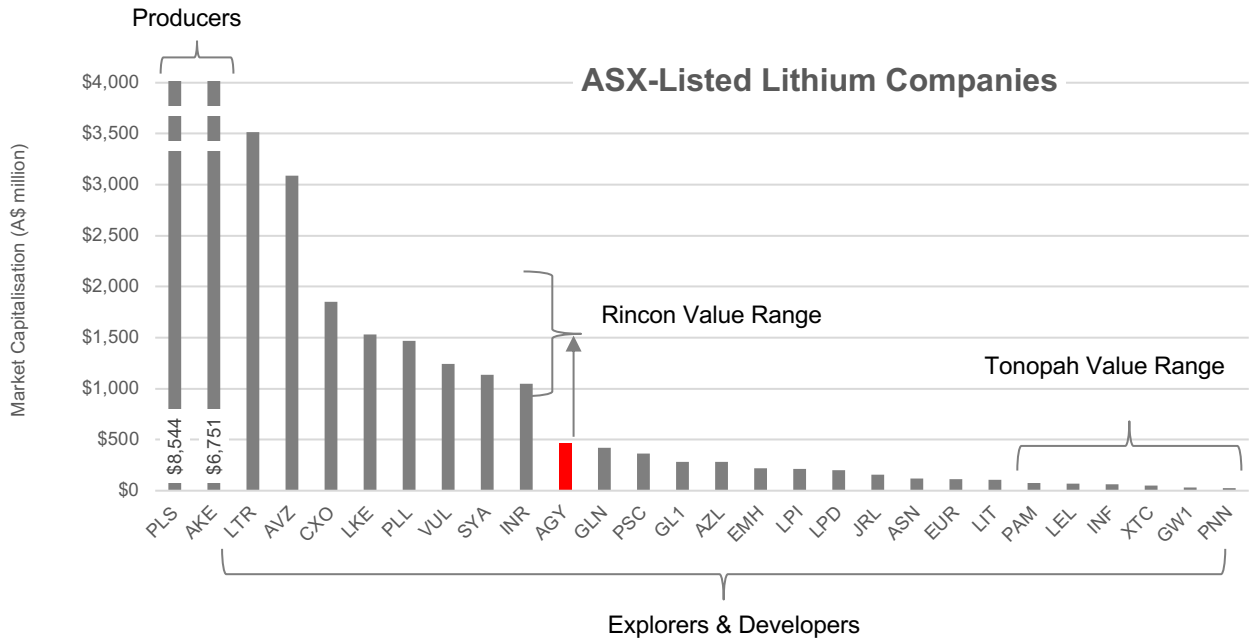
Source: Evolution Capital Advisors estimates

The valuation assumes a capital raising of 100 million shares at \$0.35 for A\$35 million.

Valuations Compared to Market Peers

Figure 1.1 displays the current market value of ASX-listed lithium companies.

Figure 1.1 – Valuations compared to Peers



Source: Evolution Capital estimates

Our valuation range for the Rincon project fits reasonably well with the current valuation of the most advanced Explorers & Developers. For the Tonopah project, we estimated a valuation range in line with the current market value of the early stage lithium explorers.

2. AGY Strategy

Argosy is following a staged approach to de-risk the Rincon project and develop it using its proprietary clean lithium process technology:

1. Industrial Scale Pilot Plant – produced +30 tonnes of high purity battery quality (up to 99.94%) Li₂CO₃ product to date
2. 2,000 tpa Operation – same proven technology
3. 12,000 tpa Operation – modular 10,000 tpa expansion from 2,000 tpa operation

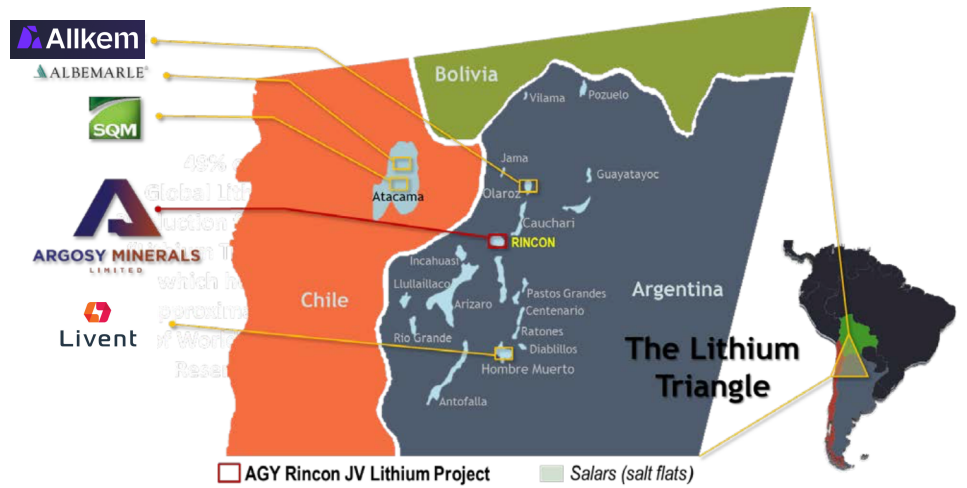
Argosy's current strategy is targeting strategic and prepayment investment around off-take arrangements to form the basis for the 10,000tpa project expansion capex funding solution, with discussions to date focusing on a full funding package and no requirement for debt facilities.

3. Rincon Lithium Project

Introduction

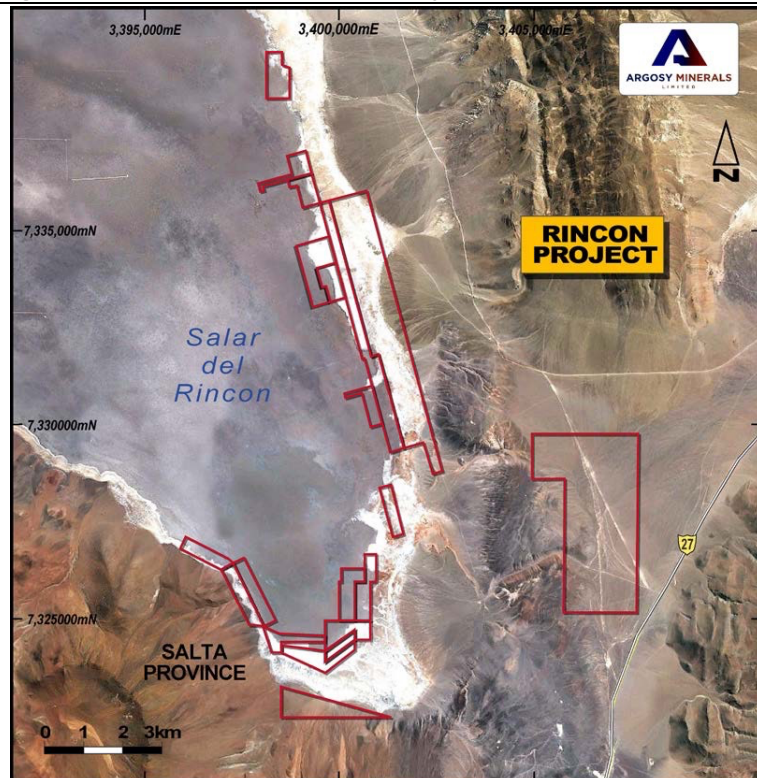
The flagship Rincon Lithium Project is located within the world renowned “Lithium Triangle”, host to the world’s largest lithium resources.

Figure 3.1 – Rincon Lithium Project Location Map



Source: AGY

Figure 3.2 – Rincon Lithium Project Tenement Map

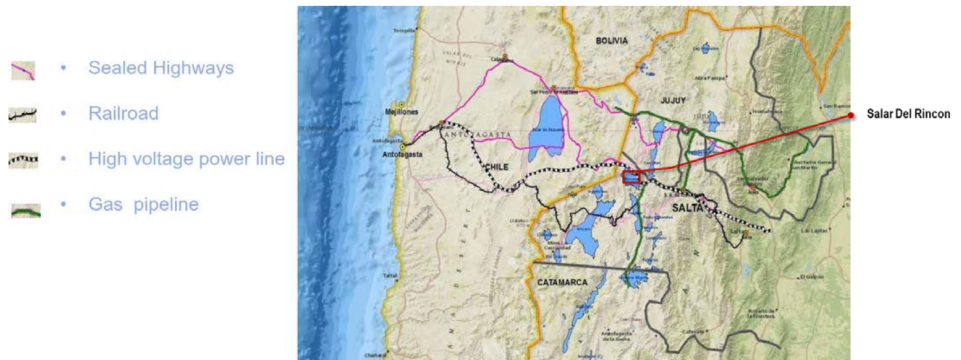


Source: AGY

Infrastructure and Logistics

The Rincon Project area in the Salar del Rincón is in close proximity to existing utility and transportation infrastructure. It is serviced by all-seasons roads, electrical power, a natural gas pipeline terminus, and road and railway access to the Chilean port facilities of Antofagasta.

Figure 3.3 – Infrastructure servicing the Salar del Rincon



Source: AGY

The LCE product is expected to be produced at the project site, with such product to be packaged into 25kg bags or ~1 tonne bulka-bags, for ease of transport. This product will be freighted via road or rail (if available) in containers to the Antofagasta port facility in Chile, similar to Allkem (ASX: AKE) and Livent’s (NYSE: LTHM) current LCE product operations in Argentina, and then shipped to Argosy’s potential customers.

Mineral Resource

Argosy has drilled 21 brine investigation bores to depths of up to 147 metres in the south east of the Salar del Rincon. A sum total of 1,662 metres of drilling has been completed. The bores have an average spacing of 950 metres and comprise mineral exploration bores and test-production bores. Pumping tests and laboratory analysis on core have allowed determination of the hydraulic properties of the aquifer.

The bores have delineated an aquifer containing hypersaline brine with total dissolved solids ranging between 310mg/L and 350mg/L; the brine is enriched with respect to lithium. The aquifer sequence has a weighted mean average lithium concentration of 325mg/L, with a maximum recorded concentration of 490mg/L.

The aquifer contains hyper-saline brine with water levels essentially at ground surface. It is estimated that the aquifer sequence within the boundaries of the Rincon Lithium Project tenements (to a vertical depth of 102.5 metres), contains an Indicated Mineral Resource estimate of 245,120 tonnes of Li₂CO₃, which is based on specific yield/drainable brine volumes (refer to Table 3.1).

Table 3.1 – Rincon Project Indicated Mineral Resource Estimate

Unit	Description	Aquifer Characteristics				Mineral Resource Characteristics			
		Aquifer Volume (Mm ³)	Average Thickness (m)	Porosity (%)	In-Situ Brine Volume (Mm ³)	Specific Yield (%)	Drainable Brine Volume (Mm ³)	Li (mg/L)	Li ₂ CO ₃ (T)
S1	Fractured Halite	161	10	21%	33	10.4%	17	333.6	29772
S2	Clay	387	24	48%	185	3.0%	12	320.3	19892
S3A	Mixed Clastics	570	35	42%	240	11.6%	66	312.8	110493
S3B	Clay	76	5	41%	32	1.0%	1	333.1	1361
S3C	Black Sand	360	22	38%	138	13.2%	48	315.6	80442
S3D	Sand and Gravel	1	0	20%	0	10.0%	0	306.6	235
S4	Competent Halite	138	8	3%	4	1.0%	1	397.8	2926
Total		1693	103		632		144	325	245120

Notes: All mineral resource estimates are based on specific yield (i.e. drainable porosity)
 Indicated MRE is based on Specific Yield/Drainable Brine Volumes
 Specific yield = "drainable porosity"
 Drainable Brine volume = total volume of brine contained in "specific yield"
 Li (mg/L) = weighted mean average concentration per unit as derived from modelling
 Li₂CO₃ = tonnes of LCE dissolved in drainable brine volume (at conversion rate of 5.347)

Source: AGY

The brine aquifer is bounded in the south and east by colluvial and alluvial deposits formed from the erosional detritus from the surrounding outcrop. Fresh groundwater is likely to be associated with these, particularly the alluvial deposits where recharge may occur following rare stream flow events. The aquifer continues to the west and north across the salar and beyond the project's tenement boundary. Brine aquifer water levels are sustained by a combination of groundwater inflow from the surrounding geology and recharge from surface water runoff; the latter is likely to be small.

Extraction

Nine pumping tests were completed at pumping rates ranging between 4L/s and 28L/s, for periods of 24 to 72 hours with water level declines of 1 metre to 9 metres. Pumping tests allowed determination of aquifer transmissivity and associated potential for brine- abstraction. The produced lithium concentration was consistent over the course of each pumping test and ranged between 299mg/L and 437mg/L between bores.

Process Design

The detailed process flowsheet and design are commercially sensitive and confidential and have not been provided to its engineering firm, Primero. With the production of battery grade lithium carbonate from the industrial scale pilot plant, Argosy considers this exclusive chemical process technology is effectively proven to be utilised for future development stages at the Rincon Lithium Project.

Evaporation Ponds

The brine is concentrated by solar evaporation to a suitable concentration such that the brine can be treated in the lithium carbonate production plant. Brine from the Salar aquifer is pumped from production wells to a series of evaporation ponds adjacent to the production facilities.

As the brine concentrates, salt is precipitated out and this also traps some of the lithium in the brine. Sodium and potassium levels decrease as the brine saturates and these elements precipitate out. Magnesium, sulphate and boron also decrease in concentration as the brine saturates, however a proportion of these elements also carry forward due to higher solubility and higher molecular weight.

Lithium Carbonate Plant

A typical lithium carbonate plant includes several refinement stages which are required to achieve or exceed the minimum 99.5% Li_2CO_3 concentrate specification targeted for battery grade lithium carbonate. The below information relates to typical processing routes.

The saturated lithium brine from the evaporation ponds requires magnesium, calcium and boron removal stages prior to carbonation.

Magnesium removal will be achieved through the addition of lime for magnesium hydroxide precipitation. Residual calcium in the brine will be precipitated as calcium carbonate with the addition of soda ash. Residual sulphate in the brine solution will be precipitated with barium chloride.

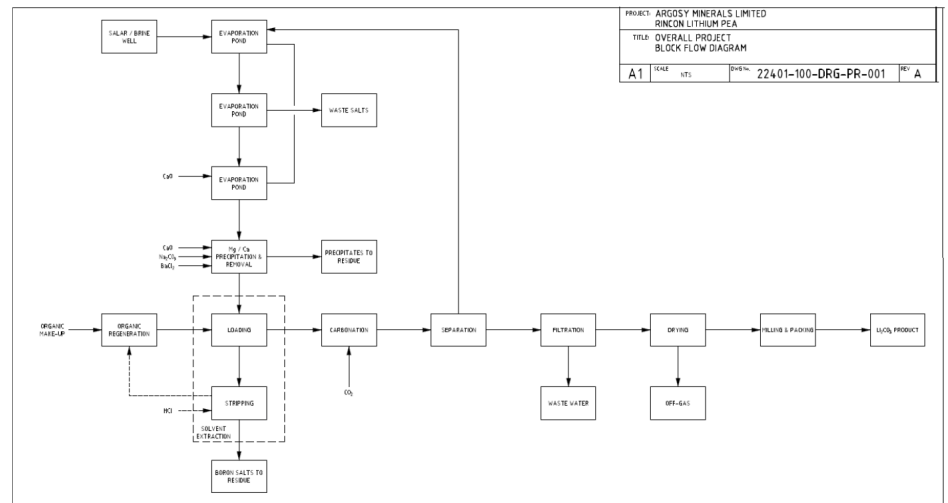
Boron removal will be achieved by solvent extraction and it is envisaged that this will be performed at low pH (acidic conditions) and result in an almost boron free brine.

Lithium carbonate will be precipitated from the brine by temperature control and carbonation initially with soda ash and subsequently with carbon dioxide gas to produce a lithium bicarbonate intermediate before conversion to the higher purity battery grade lithium carbonate product.

A thickening and filtration stage is required for the separation of precipitated lithium carbonate. The dewatered lithium carbonate filter cake reports to a dryer, prior to milling and product packaging.

The process flowsheet for the Rincon Project is outlined in Figure 3.4

Figure 3.4 – Rincon Project Process Flowsheet



Source: AGY

LCE Product Specification and Testing

The Rincon Project is targeting production of ‘battery quality’ lithium carbonate, which is generally defined as a dry, free-flowing white powder, typically with minimum 99.5% Li₂CO₃ by weight.

For future project development phases, further work may be required to define and confirm customer requirements and specifications for lithium carbonate product from the project as a basis to validate expected saleable prices and corresponding project economics.

Taxation

Taxable income from mining operations is subject to corporate income tax at the rate of between 25% to 35%.

4. Tonopah Lithium Project

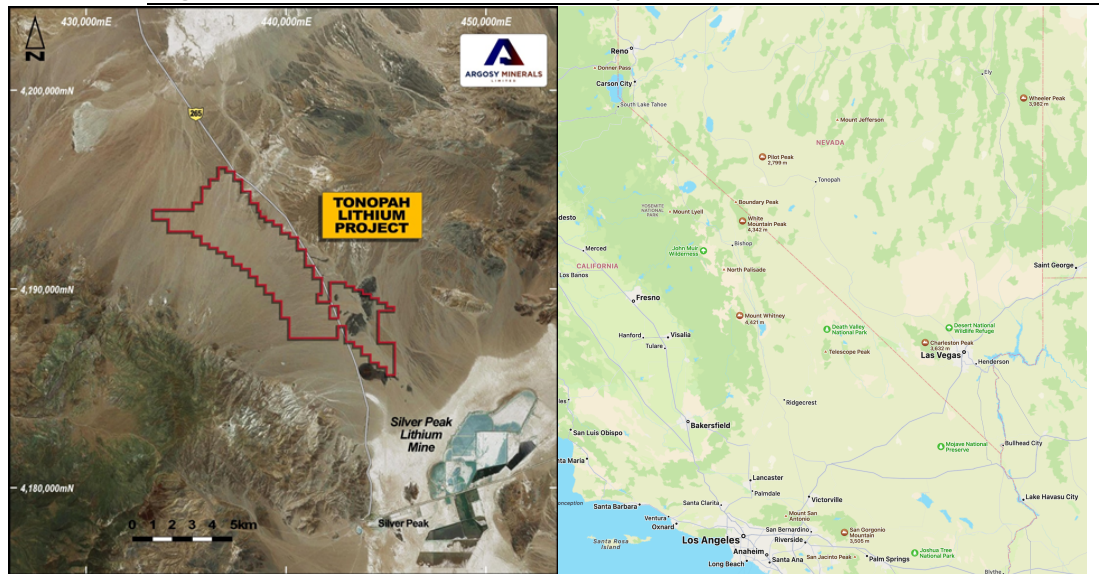
Location

The Tonopah Lithium Project is located within the Big Smokey Valley region in Nevada, USA, and comprises 425 claims covering an area of ~34.25km².

The project benefits from high quality regional and site infrastructure. It is 40 minute drive from the regional mining centre of Tonopah, located 336km from Las Vegas and 380km from Reno, Nevada. It is also strategically located in tier-1 mining jurisdiction where one of Tesla’s Gigafactory is operating at Sparks (immediately east of Reno).

The project is directly analogous to the neighbouring Silver Peak Lithium Mine deposit model, both geologically and structurally. The Silver Peak Lithium Mine is operated by Albermarle Corporation (NYSE: ALB). The mine is the only lithium carbonate producer in the USA and has been running for more than 50 years. In addition to lithium carbonate, Albermarle also produces special lithium hydroxide grades.

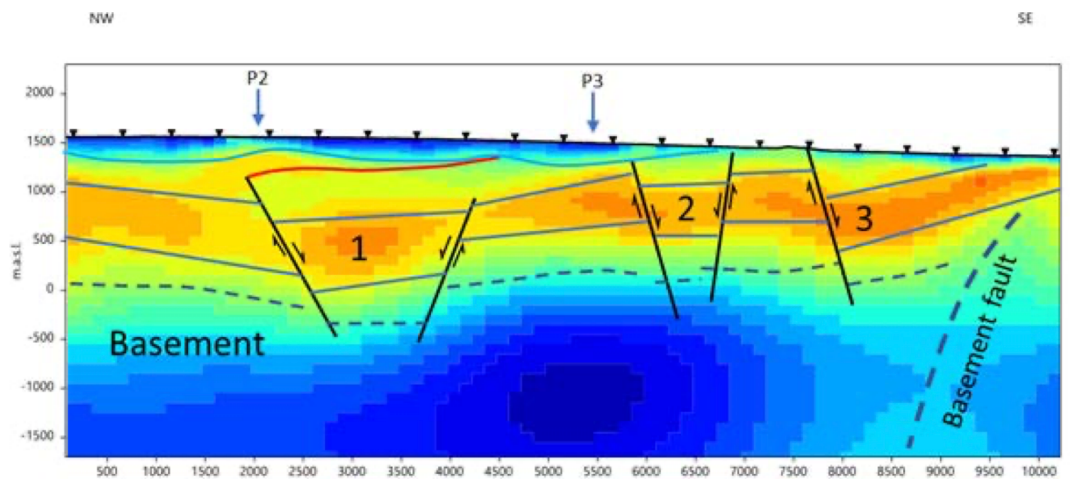
Figure 4.1 – Tonopah Lithium Project



Source: AGY, Evolution Capital

Latest Exploration Activity

Figure 4.2 – Tonopah Lithium Project – MT interpretation



Source: AGY. 1, 2 and 3 are the MT targets

Argosy completed interpretation and analysis of the magneto-telluric (MT) resistivity survey data for Tonopah, with modelling works defining a major conductive anomaly – interpreted as a potential lithium brine aquifer, with depth to the top of this feature varying between 300m to 700m (along the profile).

The main anomaly identified three MT targets (refer Figure 4.2) that may constitute a closed basin with potential for lithium brine accumulation. Argosy has commenced preparation of next stage exploration targeting works to identify lithium brine prospectivity, and progress to drilling works to test the MT targets to determine the lithium brine potential at Tonopah.

5. Directors & Management Team

Alexander Molyneux, Non Executive Chairman

Alex is an experienced resources industry executive.

Alex currently serves as Director of Galena Mining Limited, Comet Resources Limited, and Tempus Resources Ltd. He was previously CEO of SouthGobi Resources, an Ivanhoe Mines Group company, and a Non-Executive Director of Goldrock Mines Corp.

Prior to his 10-year executive career in mining, Alex had a 10-year+ career as a natural resources investment banker, including as Managing Director, Head of Metals and Mining Investment Banking, Asia for Citigroup.

Alex holds a Bachelor degree in Economics from Monash University in Australia and a Graduate Diploma in Mineral Exploration Geoscience from Curtin University.

Jerko Zuvela, Managing Director

Jerko is a Chartered Professional Geologist having spent over 25 years in the mining and resources industry. Jerko has held executive management roles for private and public resources companies, with operational and corporate experience in various commodities covering exploration, project development, business development, finance, commercial and corporate activities involved with projects in Australia, Asia, Africa, North America and South America.

Jerko has considerable experience in building junior resources companies and understands the requirements working within this sector, including fundamental parameters, strategic drivers and market requirements within the junior resources industry.

Jerko is currently a director of ASX listed Discovery Alaska Limited and Ragusa Minerals Limited. He is a Chartered Professional (Geology) Member of the Australasian Institute of Mining and Metallurgy and holds a Bachelor of Science in Applied Geology from Curtin University in Western Australia.

Mal Randall, Non-Executive Director

Mr Randall holds a Bachelor of Applied Chemistry and has more than 45 years' of extensive experience in corporate, management and marketing in the resources sector, including more than 25 years with the Rio Tinto group of companies. His experience has covered a diverse range of commodities including potash (brine), iron ore, base metals, uranium, mineral sands and coal. He has a proven track record in managing and supporting financial and corporate activities and this experience has afforded him significant exposure to the investment, broking and analyst community.

Mr Randall has held the position of chairman and director of a number of ASX listed companies, with current directorships including Ora Gold Limited, Hastings Technology Metals and Magnetite Mines Limited. Past directorships include Kalium Lakes Limited, Summit Resources Limited, Consolidated Minerals Limited, Titan Resources Limited, Northern Mining Limited, Iron Ore Holdings Limited, United Minerals Corporation NL and MZI Resources Limited.

Andrea Betti, Company Secretary

Andrea is an accounting and corporate governance professional with over 18 years experience in accounting, corporate governance, finance and corporate banking. She has a Bachelor of Commerce, Graduate Diploma in Corporate Governance, Graduate Diploma in Applied Finance and Investment and a Masters of Business Administration. Andrea Betti has served as Chief Financial Officer and Company Secretary for companies in the private and public sector, as well as senior executive roles in the banking and finance industry.

6. Investment Risks

AGY is exposed to a number of risks including:

- **Geological risk:** the actual characteristics of an ore deposit may differ significantly from initial interpretations.
- **Resource risk:** all resource estimates are expressions of judgement based on knowledge, experience and industry practice. Estimates, which were valid when originally calculated may alter significantly when new information or techniques become available. In addition, by their very nature, resource estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate.
- **Commodity price risk:** the revenues AGY will derive mainly through the sale of lithium products exposing the potential income to metal price risk. The price of lithium fluctuates and is affected by many factors beyond the control of AGY. Such factors include supply and demand fluctuations, technological advancements and macro-economic factors.
- **Exchange Rate risk:** The revenue AGY derives from the sale of metal products exposes the potential income to exchange rate risk. International prices of lithium are denominated in United States dollars, whereas the financial reporting currency of AGY is the Australian dollar, exposing the company to the fluctuations and volatility of the rate of exchange between the USD and the AUD as determined by international markets.
- **Mining risk:** A reduction in mine production would result in reduced revenue.
- **Processing risks:** A reduction in plant throughput would result in reduced revenue. In all processing plants, some metal is lost rather than reporting to the valuable product. If the recovery of metal is less than forecast, then revenue will be reduced.
- **Operational cost risk:** an increase in operating costs will reduce the profitability and free cash generation of the project.
- **Management and labour risk:** an experienced and skilled management team is essential to the successful development and operation of mining projects.

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