

Rating  
**SPECULATIVE BUY**

 Price Target  
**C\$5.00**

LTH-TSXV

 Price  
**C\$1.72**
**Market Data**

52-Week Range (C\$) :	1.28 - 3.05
Avg Daily Vol (000s) :	386.51
Shares Out. (M) :	119.7
Market Cap (C\$M) :	205.9
Dividend /Shr (C\$) :	0.00
Dividend Yield (%) :	0.0



Priced as of close of business 18 October 2023

Lithium Ionic is an exploration and development company that is steadily advancing its flagship Itinga project (19.4Mt at 1.42% Li<sub>2</sub>O and growing) in Minas Gerais state, Brazil, in addition to the earlier stage Salinas project.

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## Bandeira PEA + resource update - first look

**This morning, Lithium Ionic released a maiden Preliminary Economic Assessment (PEA) and updated mineral resource estimate for its Bandeira Project in Minas Gerais state, Brazil.**

**Larger mineral resource bolsters mine life:** The operating results of the maiden PEA came in largely in line with our expectations, with the exception of a higher-than-expected capital cost (+75% vs. CGe). However, we expect this to be largely offset by the significantly larger mineral resource, which has led to a longer mine life, with Bandeira now ~78% larger on a LCE contained basis (more details below).

Overall, we remain optimistic about LTH's potential, given the company's rapid pace of advancement to date, and the positive results demonstrated from just one of the company's several targets. Assuming LTH can continue to replicate its success to date at Salinas, Outro Lado, and Itira (as well as any other additional discoveries made through ongoing exploration), the company is well positioned to replicate the multi-phase approach modelled by nearby Sigma Lithium.

### PEA highlights vs. CG estimates:

- **Mine life:** 20 years vs. our assumption of 13 years (+54%).
  - Driven by the materially larger MRE at Bandeira.
- **Production:** Average annual production of 187kt 5.5% spodumene concentrate vs. our estimate of 188kt (-1%).
  - However, the PEA also considers the production of 56.8kt 3.0% spodumene tails concentrate per year (Figure 2).
  - On a 5.5% concentrate equivalent basis, this increases average annual production to 218ktpa (+15% from our estimate).
- **Capex:** US\$233 million (~C\$306 million) vs. our estimate of C\$175 million (+75%).
  - Given the change to fully underground vs. OP/UG (our previous base case), we view this as reasonable and acknowledge that it is still a very low capital intensity vs. peers (ex-Brazil).
- **Opex:** US\$349/t concentrate on an all-in basis vs. our estimate of US\$445/t (-22%).
  - We had modelled higher mining costs (US\$80/t ore vs. US\$45/t, respectively).

As alluded to above, LTH has also now confirmed its intent to mine Bandeira as an underground only operation. At the time of our initiation, the company was assessing both open pit and underground (our previous base case, which was based on ~63% open pit material per the previous mineral resource). In contrast, the updated mineral resource is now divided into two distinct mines, the Bandeira Sublevel Mine and the Bandeira Room and Pillar mine (Figure 3). Management expects this project engineering design to create a significantly smaller surface disturbance and environmental footprint, that may simplify and accelerate permitting timelines.

**Updated Bandeira resource – +78% contained LCE:** Bandeira now contains a total mineral resource (M&I+I) of 29.5Mt grading 1.37% Li<sub>2</sub>O, a 78% increase in contained lithium vs. the June 2023 maiden resource (16Mt at 1.41% Li<sub>2</sub>O). A full breakdown of the updated resource is provided in Figure 4.

**Maintain SPEC BUY; C\$5.00/sh TP:** Our estimates remain unchanged at this time pending review of the full technical report. We maintain our C\$5.00/sh TP and SPEC BUY rating. Our target remains based on 1.0x NAV, forecast as at July 1, 2024. LTH continues to trade at a discount to peers at 0.35x NAV vs. peers at 0.45x (LRS 0.39x and SGML 0.73x). We expect LTH to re-rate higher over the next 12 months as management looks to publish another resource estimate (Salinas), a DFS for Bandeira, as well as regional exploration results, which we believe will define new deposits.

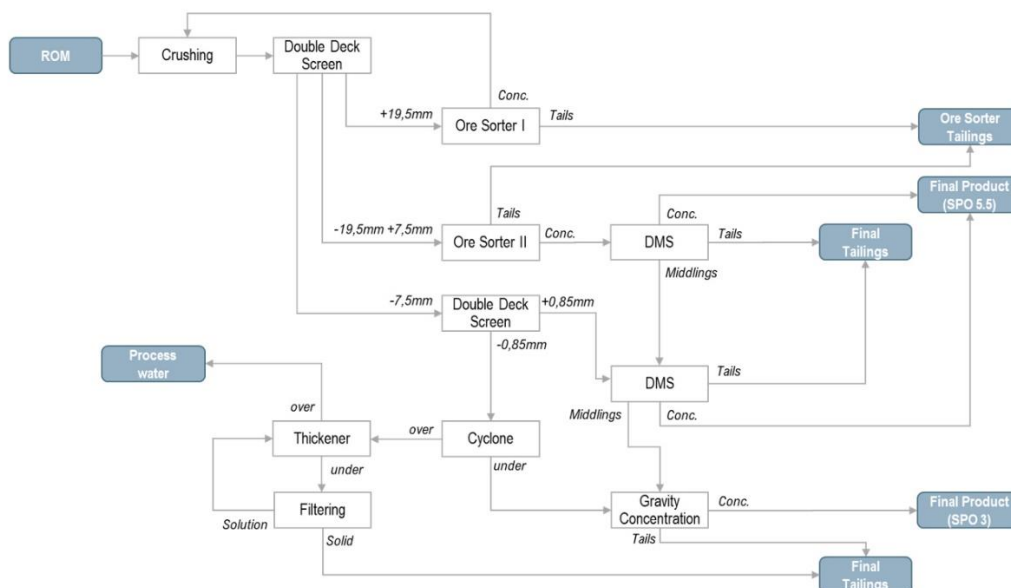
**Figure 1: Bandeira PEA vs. CG estimates**

Operating Assumptions			CG Estimate	LTH PEA	Variance
<b>Open Pit</b>					
Mine life		years	9		
Waste mined	LOM Total	mt	132.0		
Ore mined	LOM Total	mt	10.2		
Grade	LOM Avg	%	1.40%		
Strip ratio	LOM Avg	w:o	13.0		
<b>Underground</b>					
Mine life		years	5	20	300%
Ore mined	LOM Total	kt	5,887	22,900	289%
	LOM Avg	kt	1,177	218	-82%
Grade	LOM Avg	%	1.40%	1.23%	-12%
Ore processed	LOM Avg	kt	1,234	1,260	2%
Grade processed	LOM Avg	Li <sub>2</sub> O %	1.40%	1.23%	-12%
Recovery	LOM Avg	%	60%	67%	12%
Production - 5.5% Li <sub>2</sub> O concentrate	LOM Total	kt	2,450.3	3,740.0	53%
	LOM Avg	kt	188.5	187.0	-1%
Production - 3.0% Li <sub>2</sub> O concentrate	LOM Total	kt	0.0	12,191.2	NA
	LOM Avg	kt	0.0	56.0	NA
Operating cost	LOM Avg	US\$/t conc	\$445	\$349	-22%
Initial capex	LOM Total	US\$MMs	\$133.0	\$233.0	75%
Construction start date			2025		
Production start date			2027		
Financial Assumptions			CG Estimate	LTH PEA	Variance
LT 5.5% spodumene price		US\$/t	\$1,500	\$1,859	24%
LT 3.0% spodumene price		US\$/t	NA	\$865	NA
Discount rate		%	8.0%	8.0%	0%
NPV - from start of construction		C\$MMs	1,303	2,105	62%
NPV - from start of construction		US\$MMs	978	1,600	64%
Project IRR - from start of construction		%	109%	121%	12%

\*assumes fx rate 0.76

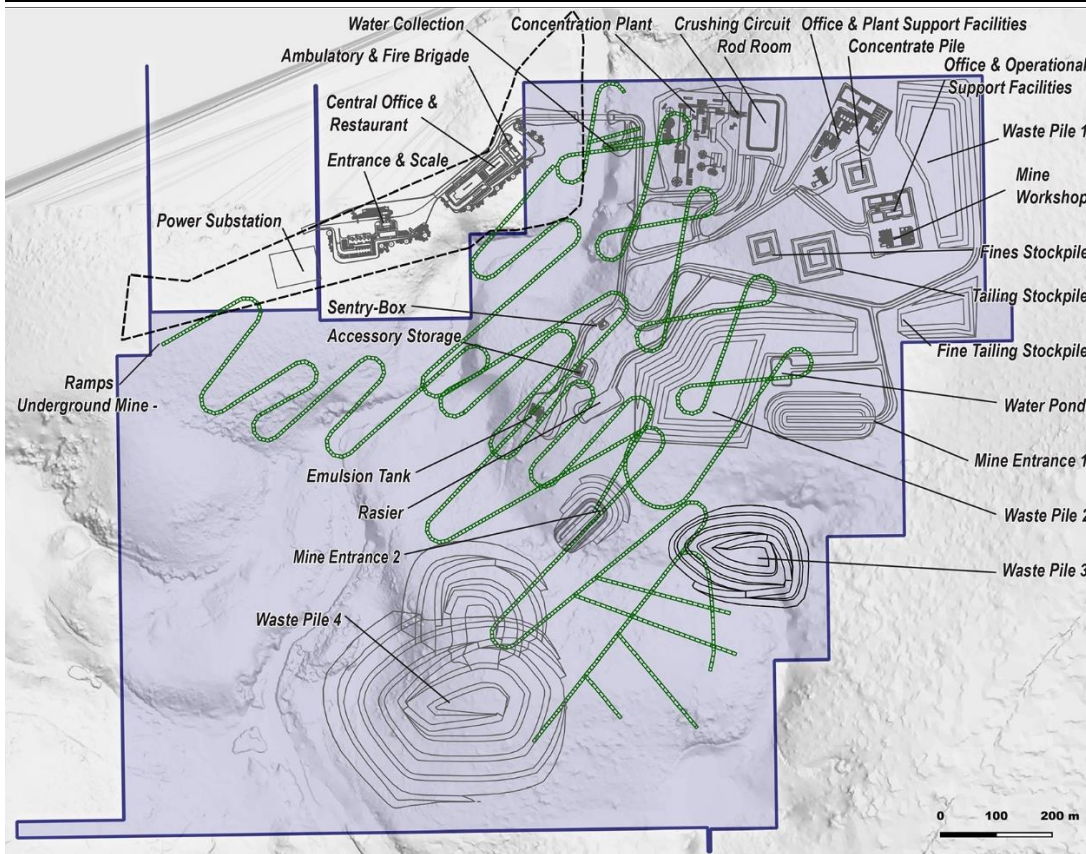
Source: Company Reports, Canaccord Genuity estimates

**Figure 2: Proposed Bandeira flowsheet**



Source: Company Reports

**Figure 3: Proposed Bandeira site layout**



Source: Company Reports

**Figure 4: Bandeira mineral resource estimate – current vs. previous**

M&I Resources	Tonnes (Mt)	Li <sub>2</sub> O %	Contained (kt LCE)
Current - October 2023	13.72	1.40%	474.9
Previous - June 2023	4.60	1.35%	153.6
<b>Δ vs Previous</b>	<b>198%</b>	<b>4%</b>	<b>209%</b>

Inferred Resources	Tonnes (Mt)	Li <sub>2</sub> O %	Contained (kt LCE)
Current - October 2023	15.79	1.34%	523.1
Previous - June 2023	11.44	1.43%	406.4
<b>Δ vs Previous</b>	<b>38%</b>	<b>-7%</b>	<b>29%</b>

Total Resource	Tonnes (Mt)	Li <sub>2</sub> O %	Contained (kt LCE)
Current - October 2023	29.51	1.37%	998.0
Previous - June 2023	16.04	1.41%	559.9
<b>Δ vs Previous</b>	<b>84%</b>	<b>-3%</b>	<b>78%</b>

Source: Company Reports, Canaccord Genuity

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## **Sector Coverage**

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## **Investment Recommendation**

Date and time of first dissemination: October 19, 2023, 13:13 ET

Date and time of production: October 19, 2023, 13:13 ET

## **Target Price / Valuation Methodology:**

Lithium Ionic Corp. - LTH

Our target price is based on 1.0x NAV, measured as at July 1, 2024.

## **Risks to achieving Target Price / Valuation:**

Lithium Ionic Corp. - LTH

### **Exploration risk**

Exploration is subject to a number of risks and can require a high rate of capital expenditure. Risks can also be associated with the conversion of inferred resources and lack of accuracy in the interpretation of geochemical, geophysical, drilling and other data. No assurances can be given that exploration will delineate mineral resources or that the company will be able to convert mineral resources into minable reserves.

### **Financing risk**

As an exploration and development company with no operating cash flow, Lithium Ionic is reliant upon the capital markets to fund the development of its assets and the continuing business development activities. There is no guarantee that LTH will continue to be able to access capital markets should there be changes in market sentiment and/or pricing.

### **Permitting risk**

Our estimates and valuation assume the successful receipt of permits for the company's projects; however, there is no guarantee that this will be the case, or that permits will be received within our assumed timelines.

### **Operating risk**

If and when in production, the company will be subject to risks such as plant and equipment breakdowns, metallurgical (meeting design recoveries), materials handling and other technical issues. An increase in operating costs could reduce the profitability and free cash generation from the operating assets considerably and negatively impact valuation. Furthermore, the actual characteristics of an ore deposit may differ significantly from initial interpretations, which can also materially impact forecast production from original expectations.

### **Jurisdictional risk**

Investments in emerging markets such as Brazil pose a greater degree of risk as they are more susceptible to destabilization. As a result, Lithium Ionic's operations could be adversely impacted by political and economic instability and/or changes in government policy that could affect the ownership of assets, mining activities, exchange rates, and taxation, among others. Given heightened jurisdictional risk and technical risk (pre-resource), we assume an elevated discount rate to value Itinga vs. the typical 8% used to value operating lithium assets in safe jurisdictions.

### **Commodity price and currency fluctuations**

As with any mining company, LTH is directly exposed to commodity price and currency fluctuations. Commodity price fluctuations are driven by many macroeconomic forces, including inflationary pressures, interest rates and supply and demand factors. These factors could reduce the profitability, costing and prospective outlook for the business.

**Distribution of Ratings:**

**Global Stock Ratings (as of 10/19/23)**

Rating	Coverage Universe		IB Clients
	#	%	%
Buy	613	67.29%	23.00%
Hold	120	13.17%	10.00%
Sell	14	1.54%	7.14%
Speculative Buy	154	16.90%	49.35%
	911*	100.0%	

\*Total includes stocks that are Under Review

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**SPECULATIVE:** Stocks bear significantly higher risk that typically cannot be valued by normal fundamental criteria. Investments in the stock may result in material loss.

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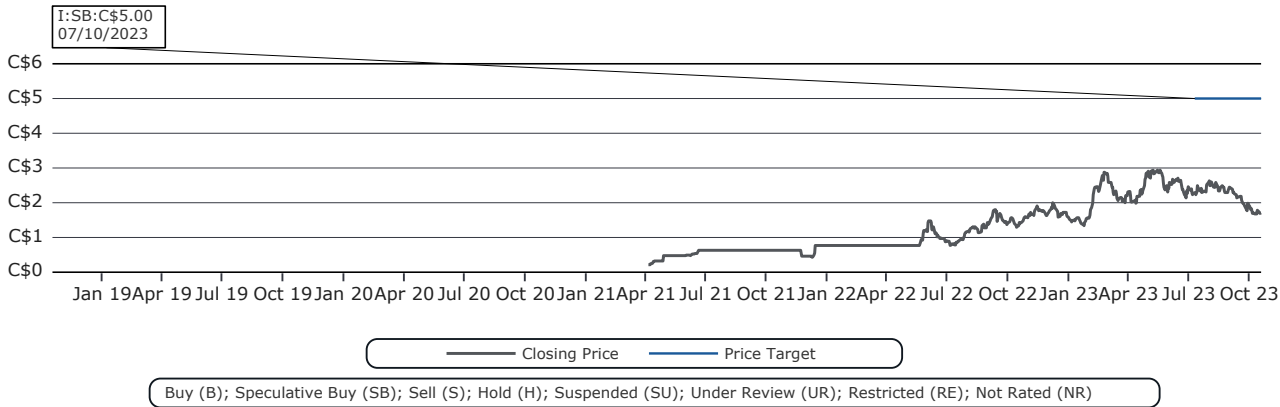
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An analyst has visited the material operations of Lithium Ionic Corp.. No payment was received for the related travel costs.

An analyst has visited the material operations of Lithium Ionic Corp.. Full payment was received for the related travel costs.



**Lithium Ionic Corp. Rating History as of 10/18/2023**



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