

Lithium Ionic Corp.

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Rating: Buy, Risk: Speculative, Target: C\$5.25

LTH C\$1.72, TSX-V

PEA and resource update reinforce the attractiveness of Bandeira

The Desjardins Takeaway: Positive

This morning, Lithium Ionic published a preliminary economic assessment (PEA) and updated resource estimate for its Bandeira deposit in Brazil. We view the announcements positively as: (1) the PEA results compare favourably with our expectations on several fronts; and (2) Bandeira's resource estimate was increased significantly, including the M&I category. In addition, the PEA supports our view that Bandeira can be a relatively low-cost project compared with those in other countries, as mentioned in our [initiation report](#).

Resource estimate increased. We are pleased that LTH's aggressive drill program resulted in an increase of the resource estimate at Bandeira to 29.5mt at 1.37% Li₂O, up from the maiden estimate in June 2023 of 16.0mt at 1.41% Li₂O. 13.7mt at 1.40% Li₂O are in the M&I category (was 4.6mt at 1.35%) and 15.8mt at 1.34% Li₂O are inferred (was 11.4mt at 1.43%).

Project after-tax NPV of US\$1.6b, IRR of 121% and payback of 14 months. The Bandeira NPV shown in the PEA is well ahead of our US\$0.8b estimate (IRR 82%), due in part to higher tonnes, lower operating costs, a higher recovery rate, higher pricing and a lower discount rate (8% vs our 12%). At an 8% discount rate, our NPV for Bandeira would have been ~US\$1.2b.

Highlights from the PEA:

1. **Underground mine scenario processing 1.3mtpa** of ore vs our 1.25mtpa forecast.
2. **Minelife of 20 years**, longer than our 14-year assumption, due mainly to the resource update.
3. **Average LOM production of ~217,700tpa of 5.5%-equivalent spodumene concentrate** vs our ~190,000tpa forecast.
4. **Operating costs** of US\$349/t excluding transportation. This moves to US\$469/t when including transportation vs our US\$487/t forecast.
5. **Project capital costs of US\$233m, or US\$186m when excluding a 25% contingency** vs our US\$140m forecast.
6. **Long-term spodumene concentrate (5.5%) price of US\$1,859/t** vs our US\$1,500/t forecast.

LTH remains a catalyst-rich story. Potential upcoming catalysts include drill results, a feasibility study, permitting and strategic partnerships. A definitive feasibility study and environmental impact assessment are expected by the end of 2023, kicking off the environmental permitting process.

Valuation. LTH trades at 0.29x P/NAV, a discount to the hard rock peer average of 0.45x.

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Lithium Ionic Corp. Rating History as of 10-18-2023

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