

[Open Full Report](#)
[Open PDF](#)

**Lithium Ionic Corp (LTH CN) | C\$1.80 | Speculative Buy | Target: C\$5.50 |
Market Cap (mm): C\$274.1**

Positive PEA represents a permittable, buildable, and speedy starting point

CHANGES	PREVIOUS	CURRENT
Rating	-	Speculative Buy
Target Price	C\$5.00	C\$5.50

Summary

Lithium Ionic has released a PEA for their Bandeira Project in Minas Gerais, Brazil. The PEA proposes an all-underground operation that would produce an average of 217kt 5.5% spodumene concentrate Eq annually over a 20-year LoM, resulting in an NPV_{8%} of \$1.6B and IRR of 121%. We view today's announcement as a positive, with the PEA better than our estimates on most metrics, with the exception of capex. We continue to emphasize LTH's potential to build value via rapid project advancement, resource growth, and a strategic location in an unconsolidated emerging region of western hemisphere lithium production. Lithium Ionic currently trades at a P/NAV multiple of 0.24x, a discount to peers at 0.39x.

Dual track resource growth + project advancement thesis on track: Two highlights emerge from today's announcement:

1. A standalone, robust PEA on Bandeira, sporting a US\$1.6B NPV_{8%} via a 20 year LoM (us @ 13), average SC5.5Eq production of 217ktpa (us at 205ktpa), capex of US\$233MM (including 25% contingency, us at \$192MM), anchored by ...
2. 64% growth in contained LCE since June to 33MMt @ 1.38% Li₂O for 1.12MMt contained LCE. Lithium-bearing pegmatites have clustered morphology in Araçuaí, as evidenced by neighboring SGML +485% and LRS 241% LCE growth since maiden resource, and we think dollars allocated to the drill bit have the ability to provide needle moving tonnage.

Underground development plan minimizes waste, disturbance, and permitting timeline. The all-underground operation proposed in the PEA fits the criteria for a small-footprint mine not requiring deforestation. In Brazil, this translates to a faster permitting path that could see environmental licensing as early as May 2024, with construction commencing thereafter.

Strategic Location: Proximal infrastructure plus potential logistical routes that provide a western hemisphere mirror to the Australia/China mine/refine model means that the region is well-situated to feed the global emerging EV supply chain. Consequently, we believe the region's assets will increasingly attract attention from lithium incumbents, mining majors, and OEMs looking to secure feedstock in the still-unconsolidated belt.

What's Next? A Definitive Feasibility and Environmental Impact Assessment are expected in the coming months, which will allow the commencement of the environmental permitting process.

Our Take: Taking a view that this PEA represents the starting point of an ultimately scaled up project in years to come, we model the project accordingly. We use the PEA as a basis point for our assumed phased development scenario, seeing an envisioned Phase 1 emblematic of the PEA in terms of scope and cost. We view the 64% resource growth in six months as evidence for LTH's ability to yield further discovery, and thus a scaled up Phase 2 drawing from further afield deposits that have already yielded tonnage (*Outro Lado current resource at @ 3.4MMt @ 1.46% Li₂O*) or discovery (*Itira, with initial drilling of 1.64% over 5.9m in hole EXDD-23-010*). As such, we model a total minable base of 33MMt @ 1.23% Li₂O, for an average of 282ktpa SC5.5 Equivalent over a 20 year LoM. Via LT SC5.5/SC3.0 pricing of \$1,500/\$600 per tonne, respectively, we arrive at Itinga NAV_{10%} of C\$1.4B, or C\$6.17/sh, and after adjustments and a 0.75x multiple we arrive at a target price of C\$5.50/sh.

Valuation. While our model is conservative on cost versus the PEA, we are optimistic on resource growth and scalable project potential for LTH, which represent company driven value drivers independent of the current pricing environment. LTH currently trades at a P/NAV multiple of 0.24x, a discount to peers at 0.39x. On an EV/t LCE basis using today's mineral resource estimate, LTH trades at just \$129/t LCE. This compares to \$209/t for lithium hardrock developers in Canada and \$447/t for Australian peers.

Cole McGill, Vice President | (416) 943-6631 | cmcgill@stifel.com

Derek Rosin | (416) 941-0208 | drosin@stifel.com

[Access Stifel Research Here](#)