



Lithium Ionic

LTH-TSXV

 Rating
Outperform

 Price: Apr-11
\$0.76

 Target
\$3.00

 Total Rtn
295%

Exploration Continues to Deliver Resource Growth; Bandeira Increases to 42Mt

Bottom Line:

Positive. LTH announced an updated mineral resource for its Bandeira project to 41.9Mt, comprised of M&I resources of 23.7Mt at 1.34% Li₂O (783kt LCE) and inferred resources of 18.3Mt at 1.37% Li₂O (618kt LCE). Combined with the initial resource for its 85%-owned Salinas property announced last week ([link to our note](#)), this increases LTH's global attributable resources to 57Mt containing ~1.8Mt LCE. This exceeds our expectation of 50Mt for near-term resource growth.

Key Points

Bandeira resource increased to 41.9Mt at 1.35% Li₂O (M&I+I) from 29.5Mt at 1.37% Li₂O previously. The updated resource is now based on 233 drill holes (50,760m) drilled between April 2022 and March 2024. Within approximately two years, LTH has demonstrated meaningful resource growth, and we expect that further exploration work will continue to provide resource upside – the Bandeira property covers just ~1% of the overall 14,182 hectare land package. Today's update brings LTH's global attributable resource to 57Mt, exceeding our expectation of 50Mt for near-term resource growth.

Potential for upcoming feasibility study to demonstrate increased production/longer mine life vs. PEA. Given the expanded Bandeira resource, with the bulk of the increase coming in the M&I category (+10Mt), we see potential that the upcoming feasibility study could demonstrate increased production scale/longer mine life vs. the 2023 PEA, which outlined average annual spodumene concentrate production of ~218 ktpa over a 20-year mine life. Management reiterated that the updated feasibility study is expected in May.

On an EV/tonne LCE basis, LTH is trading at a discount to lithium developer peers. Incorporating the recent resource updates, we see LTH currently trading at ~US\$40/t LCE vs. the developer peer average of ~US\$100/t LCE. With a number of catalysts on the horizon including: (i) Bandeira feasibility study (May), (ii) the expected receipt of Bandeira environmental permit (Q3/24), (iii) an updated Salinas resource (Q4/24), and (iv) Salinas PEA (H2/24), we see opportunity for this gap to close.

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Company Description

Lithium Ionic Corp. is a hard rock lithium developer focused on advancing its 100%-owned flagship Itinga Projects and its 85%-owned Salinas Project, located in Minas Gerais State, Brazil. A 2023 PEA on the company's Bandeira project outlined a low capital, low-cost underground operation expected to benefit from an accelerated permitting process and timeline to production.


 LTH-TSXV
 Research


Glossary


 Company
 Models

Lithium Ionic Corp. Rating History as of 04/11/2024



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Methodology and Risks to Target Price/Valuation for Lithium Ionic Corp. (LTH-TSXV)

Methodology: We use a NAV-based methodology to value Lithium Ionic shares consistent with other developers in the mining sector. We apply a 0.60x multiple to our calculated NAV, appropriate in our view for an early-stage development company with a low-capital project in an attractive jurisdiction and balanced by the current market environment.

Risks: (1) The company’s projects are early-stage and its ability to continue growing and improving the confidence of the resource base and further defining the project economics are key to its overall growth story, in our view. (2) The Bandeira PEA assumes the mining of inferred mineral resources. No mineral reserves have been estimated for the project and there is no certainty these inferred resources will have economic viability. (3) Delays in advancing the project through permitting in a timely manner could impact our assumed production start-up and negatively impact our NAV per share estimate. (4) The presence of a river over portion of the Outro Lado deposit requires further study. A river passes over a portion of the Outro Lado deposit and will not allow for open pit mining of this area. Underground mining is contemplated, and additional mine design study is required, which could adversely affect the current mineral resource estimate for this area (3.4 Mt at 1.47% Li2O). (5) Weakness in lithium and spodumene demand and commodity prices could negatively impact share price performance.

Distribution of Ratings (April 11, 2024)

Rating category	BMO rating	BMOCM US Universe*	BMOCM US IB Clients**	BMOCM US IB Clients***	BMOCM Universe****	BMOCM IB Clients*****	StarMine Universe~
Buy	Outperform	49.1 %	18.9 %	46.2 %	55.6 %	57.1 %	57.7%
Hold	Market Perform	48.5 %	21.4 %	51.6 %	42.9 %	42.0 %	37.5%
Sell	Underperform	2.4 %	18.2 %	2.2 %	1.4 %	0.9 %	4.8%

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(April 2013 - October 2016)

http://researchglobal.bmocapitalmarkets.com/documents/2013/rating_key_2013_to_2016.pdf

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