

Lithium Ionic Corp.

LTH-TSX.V: \$0.74

Rating: Speculative Buy

Target: \$8.00 (was \$7.75)

Lithium Ionic Corp. (LTH-TSX.V)

Stock Data	
Previous Close (C\$)	\$0.74
52-Week High-Low	\$3.05 / \$0.69
Avg. Daily Volume (3M)	391,244
Basic SO (MM)	138
Fully Diluted SO (MM)	145
Market Cap. (C\$ MM)	\$102
Cash (C\$ MM)	\$10
Enterprise Value (C\$ MM)	\$92
Clarus Estimates	
NAVPS (C\$/share)	\$8.05
P/NAV	0.06x
Potential Return	981%

Company Information

Projects (flagship)	Bandeira
Project Location	Minas Gerais, Brazil
Resource (100% basis)	60.1 Mt
Grade (Li ₂ O %)	1.28% Li ₂ O

Management

CEO	Blake Hylands
President	Helio Diniz



Company

Lithium Ionic (LTH) has interests in 14,182 ha in Brazil's only lithium producing belt in Minas Gerais, the country's most mining friendly jurisdiction. The flagship claims are located within 800 m of the CBL Mine (private) that has been in production for multiple decades (since 1993, 36k tpy of SC5.5%) and <4 km from near-term producer, SGML (@ ~34k tpy LCE in SC6% from 2023). In June 2023, LTH announced 19.4 Mt at 1.42% and rapidly grew it by 84% to 32.3 Mt at 1.38% in October 2023. In April 2024 the resource stood at ~60 Mt with the inclusion of Salinas (next to 70 Mt Conina deposit, LRS-ASX) and expansion of Bandeira resource. The company continues to explore while advancing the flagship Bandeira project towards production in an underground scenario, potentially in H2/2025. October 2023 PEA at Bandeira est. an NPV8% of US\$1.6 Bn and 121% IRR based on a US\$233 MM capex and 20 year mine life.

Bandeira Grows by Another 42%; LTH Remains Cheapest Brazilian Li Play Despite Comparable Size and Speed to Market

April 15, 2024

Bandeira resource increases by 42%:

- M&I resource at Bandeira increased by an impressive 74% to 23.7 Mt at 1.34% Li₂O;
- 16% increase in the inferred category to 18.3 Mt at 1.37% Li₂O;
- Global resource at Bandeira now stands at 41.9 Mt at 1.35% Li₂O - this is an impressive 42% increase in ~6.5 months from the last resource update in October which itself was an 84% increase in just ~3.5 months from the maiden resource;
- The rapid pace of resource growth is indicative of the prospectivity of Brazil's 'Lithium Valley' that also hosts Sigma's deposits (~109 Mt global resource) that is the largest North American spodumene producer as well as Latin's Colina deposit (~70 Mt global resource). We note that LTH's deposits are strategically located with Bandeira next to Sigma's Barreiro, Salinas next to Latin's Colina and Galvani is proximal to the Sigma's producing Xuxa deposit;
- This resource update is based on 233 drill holes (50,760 m) drilled between April 2022 and March 2024;
- We expect continued resource growth at Bandeira with additional drilling;
- Companywide resource now stands at 60.1 Mt at 1.28% across Bandeira (41.9 Mt), Salinas (14.8 Mt) & Galvani (3.4 Mt). From prior to recent resource updates at Salinas and Bandeira, the resource has grown by 83% (from ~33 Mt in October 2023).

Resource growth highlights potential for multiple production fronts, mine life extensions and optionality to commodity price:

- 2023 PEA assumed ~23 Mt of mineable inventory for ~20 year mine life and estimated compelling economics with NPV of US\$1.6 Bn and 121% IRR;
- Currently, the M&I alone stands at 23.7 Mt and there is another 18.3 Mt in the inferred which upon conversion could extend the mine life by up to another 14 years or up to 34 years of mine life (keep in mind that the upcoming Bandeira DFS may not have all of the M&I from the updated resource in the mine plan but we see strong potential for eventually including them in future updates). In addition, there is potential for continued resource growth for further mine life extensions
- In addition, we highlight that the companywide resource of 60 Mt is comprised within ~5% of the total land package of 14,182 ha, all within the highly prospective 'Lithium Valley';

- Last week's maiden resource at Salinas of 14.8 Mt was only a starting point and mgmt. sees potential for an additional 10 - 15 Mt to grow the resource towards 25 - 30 Mt with additional drilling at Salinas;
- Many more regional targets to remain largely untested and could add to the companywide resource tremendously;
- Overall, we see potential for multiple production fronts as the company continues to discover new resources, adding to the production profile while also expanding mine life and potentially providing exposure to multiple commodity cycles.

Attractive Valuation:

- At C\$102 MM mkt cap, we highlight that LTH has the cheapest valuation of all the players in the region – Atlas at C\$312 MM, Latin at C\$511 MM, Sigma at C\$2.2 Bn;
- We believe LTH's secondary asset, Salinas, alone could justify the current market cap based on its resource growth potential, strategic location (next to 70 Mt Colina) and an average EV/Resource valuation of C\$405/t for peers;
- Additionally, LTH's strategy of developing Bandeira as an underground mine puts it on a fast-tracked permitting path (LAC) as compared to Colina (LRS-ASX) that is designed as a large open pit operation requiring a longer permitting process. As a result, LTH is likely ahead of LRS to be first in production with our expected initial production in 2026 from Bandeira;
- Yet, LTH is trading at C\$124/t on an EV/Resource (Global) basis, a steep discount to the average for developer peers of C\$405/t;
- With a number of near-term catalysts we think LTH is poised to re-rate strongly: ~3x on catch to peers.

Valuation Updated

We have updated our LTH valuation model by including the expanded Bandeira resource in our in-situ valuation. We have left our Bandeira mine model unchanged, which remains in line with the 2023 PEA estimates. Our in-situ valuation accounts for the resource that is not included in the mine plan. As a result we are now modelling 35 Mt at 1.3% Li₂O (prior 23 Mt at 1.3% Li₂O) in our in-situ valuation and we use C\$325/t LCE for valuing the in-situ resource. This results in our revised target price of \$8.00 per share (was \$7.75/share).

Catalysts

1. Bandeira FS – May;
2. Total 50,000 m of drilling planned for 2024. Drill results – Salinas, Bandeira, regional;
3. Construction permit approval – Q3 2024;
4. Salinas resource update – Q3 2024;
5. Salinas PEA – H2/2024.

Figure 1: LTH's Bandeira Project Resource Update

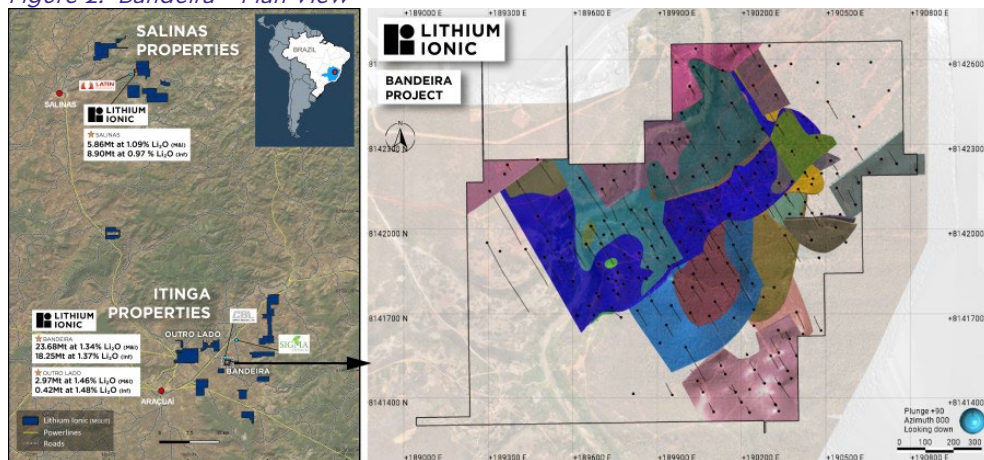
Bandeira Resource	NEW				PRIOR				VARIANCE			
	Mt	Li ₂ O %	Li ₂ O kt	LCE (kt)	Mt	Li ₂ O %	Li ₂ O kt	LCE Kt	Mt	Li ₂ O %	Li ₂ O kt	LCE Kt
M&I	23.7	1.34%	317	784	13.7	1.40%	192	474	73%	-4%	65%	65%
Inferred	18.3	1.37%	250	618	15.8	1.34%	212	523	16%	2%	18%	18%
Global	41.9	1.35%	567	1,401	29.5	1.37%	404	997	42%	-1%	41%	41%

Lithium Ionic - (100% basis) Companywide Global Resource (M&I & Inferred)

	Mt	NEW		Mt	PRIOR		VARIANCE		
		Li ₂ O %	LCE (kt)		Li ₂ O %	LCE	Mt	Li ₂ O %	LCE
Bandeira	41.9	1.35%	1,401	29.5	1.37%	997	42%	-1%	41%
Galvani	3.4	1.46%	122	3.4	1.46%	122	0%	0%	0%
Salinas	14.8	1.02%	372	14.8	1.02%	372	0%	0%	0%
Total	60.1	1.28%	1,896	47.7	1.27%	1,491	26%	1%	27%

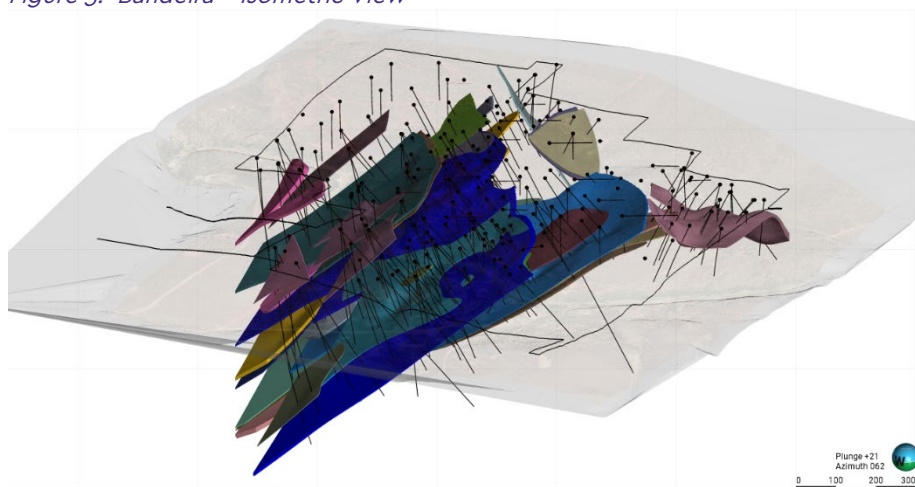
Source: Company Reports

Figure 2: Bandeira – Plan View



Source: Company Reports

Figure 3: Bandeira – Isometric View



Source: Company Reports

Figure 4: LTH Comps

Hard Rock Lithium Comps										VALUATION										
Company	Ticker	Price (Local)	Mkt. Cap. (C\$MM)	EV (C\$MM)	Project	Type	Location	Stage	GLOBAL RESOURCE			LOM PARAMETERS				EV / Resource		EV/Prod.		
									Attri. kt LCE	Attri. kt Li ₂ O	Grade Li ₂ O %	Prod. kt SC/yr	AISC US\$/t Spod Con	Capex US\$ MM	Capital US\$/t (Mtpa)	Intensity US\$/t (SC)	EV/t (C\$/t LCE)	EV/t (C\$/t Li ₂ O)	(C\$/t LCE Prod.)	P/NAV
EXPLORERS																				
Atlas Lithium Corp	ATLX-NASDAQ	15.46	\$312	\$290	Minas Gerais	SC	Brazil	Expl.	NA	NA	NA	150	NA	\$50	NA	\$330	NA	NA	\$14,221	NA
Brunswick Exploration Inc	BRW-TSX.V	0.54	\$105	\$93	Mirage	SC	Quebec	Expl.	NA	NA	NA						NA	NA	NA	NA
Delta Lithium Ltd	DLI-ASX	0.29	\$184	\$79	Mt. Ida	SC	Australia	Expl.	366	148	1.20%						\$215	\$531	NA	0.27x
Grid Metals Corp	GRDM-TSX.V	0.08	\$16	\$12	Donner Lake	SC	Manitoba	Expl.	234	95	1.39%						\$52	\$128	NA	0.10x
Li-FT Power Ltd	LIFT-TSX.V	2.75	\$108	\$91	Yellowknife	SC	NWT	Expl.	NA	NA	NA						NA	NA	NA	0.00x
Patriot Battery Metals Inc	PMET-TSX	7.34	\$844	\$738	Corvette	SC	Quebec	Expl.	3,832	1,551	1.42%						\$193	\$476	NA	0.35x
Global Lithium Resources Ltd	GLI-ASX	0.50	\$115	\$83	Marble, Manna	SC	Australia	Expl.	482	195	1.10%						\$172	\$424	NA	NA
Group Average			\$241	\$198					1,228	497	1.37%						\$158	\$390	\$14,221	0.18x
DEVELOPERS																				
Atlantic Lithium Ltd	ALLA-LSE	0.19	\$216	\$208	Ewoyaa	SC	Ghana	DFS	795	322	1.27%	352	\$610	\$185	\$69	\$525	\$261	\$645	\$8,678	0.51x
International Lithium Corp	ILC-TSX.V	0.03	\$7	\$3	Raleigh Lake	SC	Ontario	Expl.	92	37	0.60%	46	\$767	\$83	\$151	\$1,798	\$33	\$81	\$441	NA
Latin Resources Ltd	LRS-ASX	0.21	\$511	\$464	Salinas	SC	Brazil	PEA	2,205	893	1.27%	472	\$599	\$308	\$86	\$652	\$210	\$520	\$7,236	0.29x
Leo Lithium Ltd	LLL-ASX	0.51	\$444	\$386	Goulamina	SC	Mali	DFS	3,570	1,445	1.37%	792	\$365	\$318	\$80	\$402	\$108	\$267	\$8,436	0.27x
Frontier Lithium Inc	FL-TSX.V	0.88	\$200	\$185	PAK	SC, Int.	Ontario	PFS	2,122	859	1.47%	153					\$87	\$215	\$8,888	0.19x
Rock Tech Lithium Inc	RCK-TSX.V	1.14	\$115	\$101	Georgia, Guben	SC, Conv.	ON; Germany	PEA/Eng.	357	144	1.09%	245					\$284	\$701	\$3,037	0.25x
Group Average			\$249	\$224					1,523	617	1.34%	343	\$487	\$223	\$82	\$502	\$164	\$405	\$6,119	0.30x
EMERGING PRODUCERS																				
AVZ Minerals Ltd	AVZ-ASX	0.78	\$2,450	\$2,445	Manona	SC	DRC (Congo)	DFS	12,257	4,962	1.65%	1,239	\$306	\$546	\$121	\$440	\$199	\$493	\$19,373	0.78x
Core Lithium Ltd	CXO-ASX	0.16	\$304	\$194	Finniss	SC	Australia	Prod.	616	249	1.32%	175	\$450	\$127	\$127	\$728	\$315	\$779	\$8,192	0.17x
Critical Elements Lithium Corp	CRE-TSX.V	0.66	\$144	\$118	Rose	SC	Quebec	FS	826	335	0.98%	271	\$639	\$471	\$293	\$1,738	\$143	\$354	\$3,217	NA
Liontown Resources Ltd	LTR-ASX	1.30	\$2,795	\$2,577	Kathleen	SC	Australia	Constr.	5,394	2,184	1.40%	627	\$452	\$331	\$83	\$528	\$478	\$1,180	\$30,235	0.56x
Sigma Lithium Corp	SGML-TSX.V	20.09	\$2,221	\$2,310	GDC	SC	Brazil	Prod.	2,904	1,176	1.43%	766	\$523	\$286	\$68	\$373	\$795	\$1,964	\$22,194	0.43x
Piedmont Lithium Inc	PLL-NASDAQ	12.68	\$336	\$241	Multiple	SC, Int.	USA, Ghana	Prod.	2,420	980	1.09%	669					\$99	\$246	\$2,645	NA
Sayona Mining Ltd	SYA-ASX	0.04	\$357	\$229	Multiple	SC	Quebec	Prod.	2,428	983	1.05%	276					\$94	\$233	\$6,106	0.15x
Group Average			\$1,230	\$1,159					3,835	1,553	1.44%	575	\$427	\$352	\$115	\$572	\$304	\$750	\$13,137	0.42x
Lithium Ionic Corp	LTH-TSX.V	0.74	\$102	\$92	Galvani	SC	Brazil	PEA	1,840	745	1.29%	218	\$550	\$233	\$179	\$1,068	\$50	\$124	\$3,123	0.06x

Source: Refinitiv Eikon; Company Reports; Clarus Securities Inc.

Price Target Calculator: Our 12-month target price is based on a 0.60x multiple of our estimated fully funded corporate NAV. Our corporate NAV includes a DCF based NPV8% for Bandeira and in-situ valuation at C\$325/t for 35 Mt at 1.3% Li₂O for the combined resource at Galvani, Bandeira and Salinas outside of our mine model. In addition, we account for corporate adjustments, including our long-term debt assumption and ITM options and warrants.

Key Risks to Target Price: Please refer to the risks disclosed in the initiating report dated March 17, 2023.

Lithium Ionic Corp. (LTH-TSX.V), SPECULATIVE BUY, Target: C\$8.00

Rating	SPECULATIVE BUY	Target Price	\$8.00	Basic Shares O/S (pro-forma)	138.2
12-Month Return	981%	Previous Close	\$0.74	Market Cap., C\$ MM	\$102
				EV, C\$ MM	\$92

All dollar amounts in USD, unless otherwise noted

CAPITAL STRUCTURE	Strike Price \$/share	Shares (MM)
Basic Shares Outstanding		138.2
ITM Warrants Outstanding	\$0.69	0.4
ITM Options Outstanding	\$0.70	6.1
Assumed Equity Raise		47.1
FD Shares		191.8

NET ASSET VALUE

Asset NAV	Discount rate	C\$ MM	C\$/share
Bandeira Underground (100.0%), Brazil	8%	\$2,046	\$10.67
Asset NAV Sub-Total		\$2,046	\$10.67
Target Setting Multiple on Asset NAV	0.60x	\$1,228	\$6.40

In-Situ Valuation (resource not incl. in mine model)

Galvani, Bandeira & Salina:	Mt	Li ₂ O Grade	LCE			
	35.0	1.32%	1.1 Mt	@ C\$325 /t	\$372	\$1.94
In-situ Valuation Sub-total					\$372	\$1.94

Corporate Adjustments

Current Cash	\$10	\$0.05
Value of ITM Instruments	\$5	\$0.02
Long-term Debt	-\$212	-\$1.11
Future Equity Capital Additions	\$141	\$0.74
Corporate Adjustments Sub-total	-\$56	-\$0.29
Total Corporate NAV (50% wt.)	C\$ \$1,543	\$8.05

Target Price	C\$/share	\$8.00
P/NAV		0.06x

PRODUCTION ESTIMATES (100% basis)

CALENDAR YEAR		2025E	2026E	2027E	2028E	2029E
Bandeira Underground	kt SC5.5% Eq.	-	152	196	212	206
Others	kt SC6%	-	-	-	-	-
Companywide	kt SC6%	-	152	196	212	206

COST ESTIMATES (US\$/oz Au)

CALENDAR YEAR		2025E	2026E	2027E	2028E	2029E
Total Cash Costs	US\$/t SC6%	\$ -	\$ 558	\$ 526	\$ 517	\$ 518
Sustaining Capex	US\$/t SC6%	\$ -	\$ 66	\$ 63	\$ 62	\$ 62
AISC (site-level)	US\$/t SC6%	\$ -	\$ 624	\$ 590	\$ 579	\$ 580

Source: Clarus Securities Inc.

FINANCIAL SUMMARY

CALENDAR YEAR	2023E	2024E	2025E	2026E	2027E
<i>Spodumene Concentrate: Clarus Price Deck</i>					
SC5.5% (US\$/t)	\$2,400	\$1,800	\$1,800	\$1,800	\$1,800
SC3% (US\$/t)	\$865	\$800	\$800	\$800	\$800
EPS	(\$0.01)	(\$0.02)	(\$0.02)	\$0.80	\$1.05
P/EPS	nm	nm	nm	0.7x	0.5x
CFPS	(\$0.01)	(\$0.02)	(\$0.02)	\$1.08	\$1.42
P/CFOPS	nm	nm	nm	0.5x	0.4x
Target/CFPS	nm	nm	nm	5.4x	4.1x
Income Statement					
Revenue	\$0	\$0	\$0	\$273	\$353
Operating Expenses	\$0	\$0	\$0	(\$85)	(\$107)
Depreciation	\$0	\$0	\$0	(\$9)	(\$12)
General & Adm.	(\$1)	(\$1)	(\$1)	(\$9)	(\$12)
Exploration Exp.	(\$1)	(\$2)	(\$2)	(\$2)	(\$3)
Net Interest Expense	\$0	\$0	\$0	\$0	\$0
Taxes Expense	\$0	\$0	\$0	(\$57)	(\$75)
Net Income	(\$2)	(\$3)	(\$3)	\$111	\$145
Cash Flow Statement					
Operating CF	(\$2)	(\$3)	(\$3)	\$150	\$196
Financing CF	\$0	\$268	\$0	\$0	(\$59)
<i>Borrowings</i>	\$0	\$161	\$0	\$0	\$0
<i>Repayments</i>	\$0	\$0	\$0	\$0	(\$59)
<i>Share Issuance</i>	\$0	\$107	\$0	\$0	\$0
Investing CF	\$0	(\$58)	(\$175)	(\$10)	(\$12)
Change in Cash	(\$1)	\$207	(\$178)	\$140	\$125
Free Cash Flow (bef debt repay.)	(\$1)	(\$61)	(\$178)	\$140	\$184
Free Cash Flow Yield	-1%	-91%	-265%	208%	274%
Balance Sheet					
Cash & Equivalents	\$14	\$221	\$43	\$183	\$307
Current Assets	\$119	\$221	\$43	\$183	\$307
Current Debt	\$0	\$0	\$0	\$15	\$59
Current Liabilities	\$90	\$1	\$1	\$59	\$59
Long-term Debt	\$0	\$0	\$164	\$155	\$103
Shareholder Equity	\$781	\$104	\$98	\$320	\$610

MODELLED MINEABLE INVENTORY

Spodumene	Mt	Li ₂ O %	kt Li ₂ O	Life (yr)
Bandeira Underground (100.0%), Brazil	22.91	1.23%	281.8	20.3

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Under review: Pending additional review and/or information. No rating presently assigned.

Tender: Company subject to an acquisition bid: accept offer.

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