

# Lithium Ionic Corp.

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## Resource update; adding tonnes at a consistently high grade at Bandeira

### The Desjardins Takeaway

Resource expansion continues at LTH, with 27.2mt at grades >1% Li<sub>2</sub>O added in the span of one week. The latest update increased the mineral resource estimate for the flagship Bandeira deposit to 41.9mt at 1.35% Li<sub>2</sub>O. After updating our model, our target increases to C\$3.75 (from C\$3.50). Our Buy rating is unchanged—we view valuation as compelling, especially considering LTH's quick path to production, low costs, proximity to producers and infrastructure, and further resource growth potential.

### Highlights

**Bandeira's resource estimate increased to 41.9mt grading 1.35% Li<sub>2</sub>O (from 29.5mt at 1.37%).** We view the scale and high grade positively. The larger resource adds years to the back end of Bandeira's minelife in our model and our NAVPS increases ~5%.

**Expansion potential remains.** In the span of one week, a maiden resource for Salinas and the increased resource for Bandeira were announced, raising the company's consolidated resource to 60.1mt at 1.28% Li<sub>2</sub>O. Looking ahead, we see potential for additional positive updates as: (1) Bandeira covers only 1% of LTH's 14,182-hectare land package in Minas Gerais, Brazil; and (2) the majority of LTH's properties remain largely unexplored. The constructive resource outlook is supported by planned exploration programs at existing deposits—Bandeira, Salinas and Outro Lado—as well as other regional targets. Recall that the Noé target is believed to have potential to increase the mineral resource estimate at Salinas by 10–15mt at 1.0–1.3% Li<sub>2</sub>O by the end of 2024 following completion of additional drilling.

**LTH has several other potential catalysts,** including a feasibility study for Bandeira (expected in May 2024), receipt of construction permits at Bandeira (expected in early 3Q24), PEA for Salinas (expected in 2H24), updated resource estimate at Salinas (expected in 4Q24) and environmental impact assessment for Salinas (completion expected in 1Q25).

### Valuation

LTH trades at 0.16x P/NAV vs peers at 0.27x. We believe that valuation would benefit from the removal of a funding overhang (cash on hand is ~C\$10m), especially if dilution is limited or avoided. We see potential for the resource updates and/or upcoming Bandeira feasibility study to open up/accelerate opportunities to enhance the financial position. Our model update drives a target increase to C\$3.75 (from C\$3.50).

### Recommendation

We maintain our Buy–Speculative rating.

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<b>Rating</b>	<b>Buy</b>
<b>Risk</b>	<b>Speculative</b>
<b>12-month target</b>	<b>C\$3.75 ↑</b>

Symbol	LTH, TSX-V
Sector	Metals & Mining
Closing price (\$)	C\$0.74
Potential return (%)	406.8
52-week range (\$)	C\$0.69–3.05
Avg daily value traded (\$m)	C\$0.3
Shares O/S (m)	138.2
Market cap (\$m FD)	C\$102
Net debt (\$m)	C\$(10)
EV (\$m)	C\$92
NAVPS (\$)	C\$4.60
P/NAV (x)	0.16
Valuation (x)	0.8
Year-end	Dec-31

### Desjardins estimates

Annual	2022	2023E	2024E	2025E
Li prod'n (tonnes)	0	0	0	0
EPS (C\$)	(0.28)	(0.49)	(0.32)	(0.23) ↓
P/E (x)	NM	NM	NM	NM
CFPS (C\$)	(0.15)	(0.33)	(0.31) ↓	(0.21)
P/CFPS (x)	NM	NM	NM	NM
EBITDA (C\$m)	(26.6)	(64.1)	(54.0)	(57.3)
EV/EBITDA (x)	NM	NM	NM	NM

Key changes	Old	New
Target (C\$)	3.50	3.75 ↑
EPS 2025E (C\$)	(0.22)	(0.23) ↓
CFPS 2024E (C\$)	(0.30)	(0.31) ↓

### Thesis/key assumptions

- Resource expansion potential
- High-quality projects in a mining-friendly state
- Priority status should further accelerate project development
- We model first production at Bandeira in 2026

### Potential catalysts

- Drill results and resource updates
- Bandeira feasibility study
- Permitting approvals
- Partnerships, offtake, etc

### Risks

- Commodity, permitting, financing, jurisdictional and key personnel risk

Source: Desjardins Capital Markets, Bloomberg, FactSet

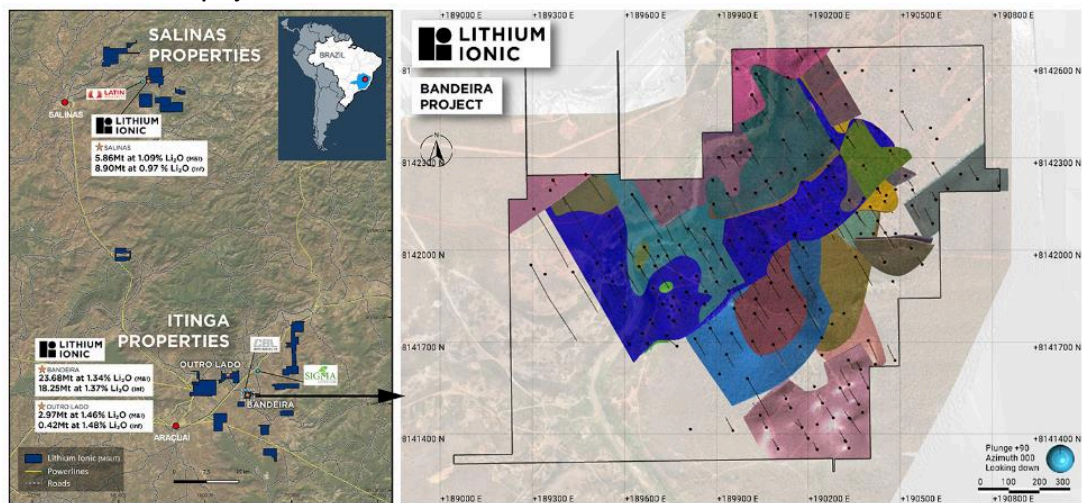
**Bandeira update**

**Exhibit 1: Mineral resource estimates**

Projects	M&I		Inferred		M&I+I		
	Size (mt)	Grade (% Li <sub>2</sub> O)	Size (mt)	Grade (% Li <sub>2</sub> O)	M&I+I (mt)	Grade (% Li <sub>2</sub> O)	Contained LCE (kt)
Bandeira	23.7	1.34	18.3	1.37	41.9	1.35	1,401.4
Outro Lado	3.0	1.46	0.4	1.48	3.4	1.46	122.8
Salinas	5.9	1.10	8.9	0.97	14.8	1.02	373.2
<b>Total</b>	<b>32.5</b>	<b>1.31</b>	<b>27.6</b>	<b>1.24</b>	<b>60.1</b>	<b>1.28</b>	<b>1,897.4</b>

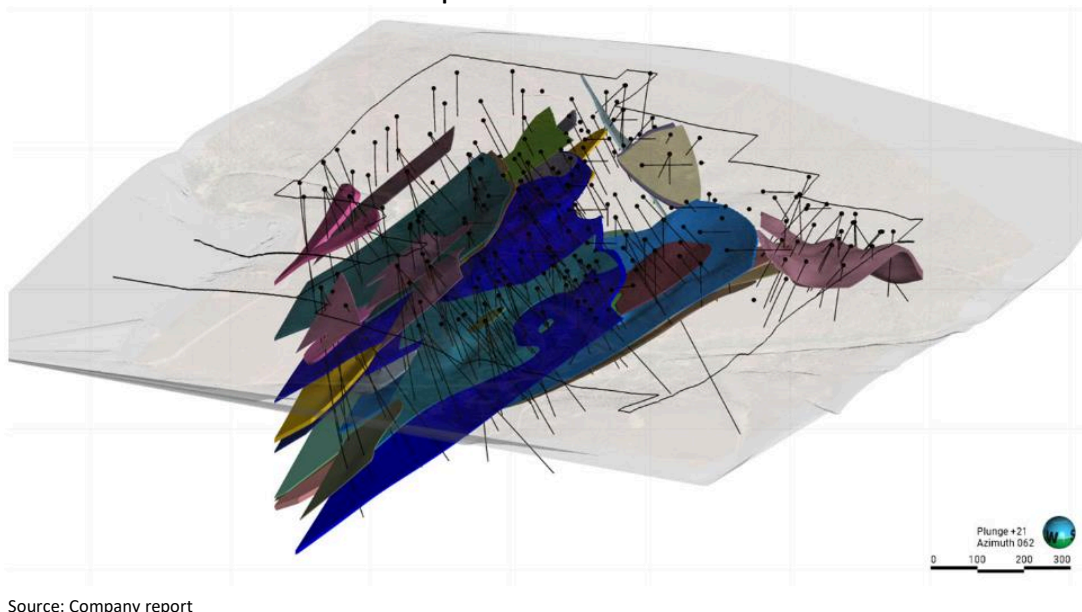
Source: Desjardins Capital Markets, company reports

**Exhibit 2: Bandeira project location**



Source: Company report

**Exhibit 3: Isometric view of the Bandeira deposit**

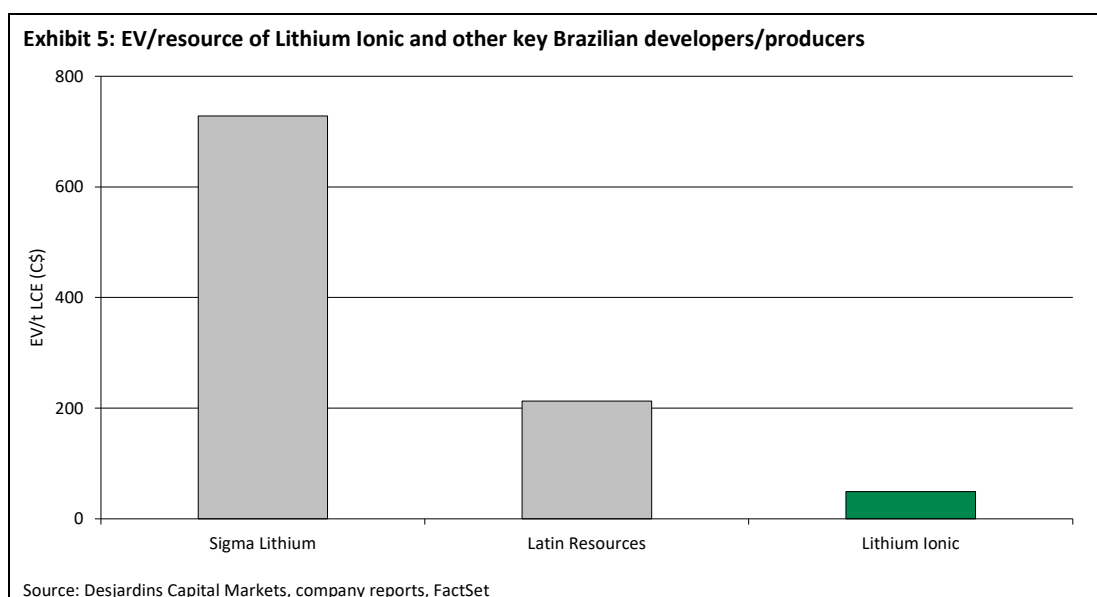


Source: Company report

**Valuation**

<b>Exhibit 4: Lithium Ionic Corp. NAV (12% discount rate)</b>				
	NAV (C\$m)	LTH's interest (%)	NAV to LTH (C\$m)	(C\$/share)
Itinga project	1,124	100	1,124	2.76
Salinas project	607	85	516	1.27
Cash and cash equivalents			10	0.02
Future equity issuances and exercise of warrants			262	0.64
Debt			0	0.00
Corporate G&A			-40	-0.10
<b>Total</b>			<b>1,872</b>	<b>4.60</b>
Shares, including future equity issuances (m)				406.7
<b>P/NAV (x)</b>				<b>0.16</b>
Target multiple (x)				0.8
<b>Target price</b>				<b>3.75</b>

Source: Desjardins Capital Markets, company reports



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Sell	Sell/Tender	3	2	3	2
<b>Total</b>		<b>164</b>	<b>100</b>	<b>127</b>	<b>100</b>

**Lithium Ionic Corp. Rating History as of 04-12-2024**

Powered by: BlueMatrix



**Chart legend:** TP: Top Pick, B: Buy, H: Hold, S: Sell, NR: Not Rated, I: Company initiation, T: Transfer of coverage, S: Coverage suspended, DC: Coverage dropped

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