



Lithium Ionic

LTH-TSXV

 Rating
Outperform

 Price: Apr-4
\$0.71

 Target
\$3.00

 Total Rtn
323%

Salinas Initial Resource; Bandeira Feasibility Study Now Expected in May

Bottom Line:

LTH announced an initial mineral resource for its 85%-owned Salinas project — 5.86Mt at 1.09% Li2O (159kt LCE) M&I and 8.90Mt at 0.97% Li2O (215kt LCE) (inferred) on a 100% basis. This raises LTH's global resources from 33Mt to 45Mt (+38%), on an attributable basis. Work on a Salinas PEA has been initiated (expected H2/24). The Bandeira feasibility study, while tracking in-line with management expectations, requires additional work to complete and is now expected in May.

Key Points

Salinas initial resource highlights exploration potential of large land package.

The initial resource is based on 122 drill holes (27,030m) drilled between May and November 2023 adding an attributable ~317kt LCE. An additional 24 holes (6,001m) have since been drilled with work continuing over the course of 2024 and an updated resource expected in Q4. LTH highlighted the potential of the Noé target ([plan view](#)), believed to be the northeast extension of an outcropping pegmatite body ~15m thick over a 210m strike length, to contribute an additional 10-15Mt grading between 1.0-1.3% Li2O (~210-410kt LCE attributable), but noted this was conceptual and additional exploration work is needed. Our NAV assumes incremental ~580kt LCE additions in the near term, and we expect that with today's initial Salinas resource and further resource growth at both Salinas and Bandeira during 2024, LTH will achieve that mark.

Bandeira feasibility study delayed to May; environmental license on track. While results of the feasibility study are in-line with management guidance and expectations, "certain aspects of the study require additional work to meet the standard of accuracy expected at a feasibility study level." Additional detail is being prepared on installed equipment costs to support the precision needed for project financing. Management does not expect capex to be materially different from the PEA (US\$233M vs. BMOe of US\$280M). LTH is using the time to complete additional metallurgical test work to optimize DMS recoveries and maximize recovery of product fines and project economics. The environmental license review process remains on track and discussions with the state's Department of Environment have not identified any significant concerns. LTH expects the license to be granted in early Q3/24, which would allow for start of construction.

Catalyst-heavy 2024 expected: Bandeira feasibility study (May) and environmental permit (Q3/24), updated Salinas resource (Q4/24), Salinas PEA (H2/24).

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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 04/03/2024



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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 03, 2024)

Rating category	BMO rating	BMOCM US Universe*	BMOCM US IB Clients**	BMOCM US IB Clients***	BMOCM Universe****	BMOCM IB Clients*****	StarMine Universe~
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Hold	Market Perform	48.0 %	21.6 %	51.6 %	43.1 %	42.5 %	37.5%
Sell	Underperform	2.6 %	16.7 %	2.2 %	1.6 %	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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