

Lithium Ionic Corp.

LTH-TSX.V: \$0.71

Rating: Speculative Buy

Target: \$7.75 (was \$7.25)

Lithium Ionic Corp. (LTH-TSX.V)

Stock Data

Previous Close (C\$)	\$0.71
52-Week High-Low	\$3.05 / \$0.69
Avg. Daily Volume (3M)	297,885
Basic SO (MM)	138
Fully Diluted SO (MM)	145
Market Cap. (C\$ MM)	\$98
Cash (C\$ MM)	\$10
Enterprise Value (C\$ MM)	\$88

Clarus Estimates

NAVPS (C\$/share)	\$7.82
P/NAV	0.06x
Potential Return	992%

Company Information

Projects (flagship)	Bandeira
Project Location	Minas Gerais, Brazil
Resource (maiden)	47.7 Mt
Grade (Clarus est.)	1.27% 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 ~47 Mt with the inclusion of Salinas (next to 70 Mt Conina deposit, LRS-ASX). 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.

Salinas Maiden Resource at the High End of Expectation; Bandeira Progressing Towards Production with FS Expected in May

April 5, 2024

Companywide resource bolstered by 45% from just 8 months of drilling at Salinas: The maiden global resource at Salinas came in at an impressive 14.76 Mt at ~1.02% Li₂O (MRE prepared by GE21):

- This was at the high end of expectation of 10 – 15 Mt;
- ~40% of the resource is in the M&I category with 5.86 Mt at 1.09% Li₂O and the remaining 8.9 Mt in inferred at 0.97% Li₂O;
- ~65% or ~9.6 Mt of the resource is considered open pit;
- The resource is comprised in a series of NE trending, moderately SE dipping pegmatite veins extending up to 1.2 km along strike, from surface to a depth of ~300 m;
- The estimate is based on 122 drill holes, or 27,030 m, drilled between May and November 2023;
- The Salinas maiden resource has bolstered the companywide resource by 45% to ~47.7 Mt at 1.27% Li₂O.

Significant exploration upside could add 10 – 15 Mt at Salinas:

- We think there is plenty of resource growth potential from additional spodumene mineralization at Salinas, including the recently discovered Noe target (incl. 1.63% over 5.6 m in Feb. 2024);
- The Noe target is believed to be the NE extension of an outcropping pegmatite, Lavra do Zoe, that was mined for spodumene intermittently over several decades;
- The resource consultant, GE21, estimates Noe has a near-term conceptual potential of 10 – 15 Mt at 1% – 1.3% Li₂O, contingent on future drilling success. If successful, the Salinas resource could grow towards ~25 – 30 Mt.

Continued drilling and resource update expected in Q4 at Salinas:

- An additional 24 holes (6,001 m) have already been drilled at Salinas since the cut-off date in November 2023;
- Mgmt. plans to continue drilling Salinas throughout 2024 with a potentially expanded and upgraded resource update expected in Q4/24.

Enhancing Salinas's strategic value & optionality:

- Salinas is located next to the Colina deposit where Latin (LRS-ASX) recently announced a large, 70 Mt resource;
- We think a portion (~5–10 Mt) of the Colina resource may not be extractable due to its proximity to the claim boundary with Salinas. As a result, we believe a material resource at Salinas significantly increases its strategic value to LRS;

- The avg. valuation of C\$390/t Li₂O (EV/Resource basis) for global developer peers, implies a value of ~C\$60 - \$117 MM for Salinas on a ~15 – 30 Mt resource (vs LTH current mkt cap of C\$98 MM);
- Absent a strategic property acquisition by LRS, we expect the Salinas resource to continue to grow with future drilling, rapidly achieving critical mass (~25 – 30 Mt) for a standalone mine development under LTH thereby adding a second production front for the Company, beyond Banderia;
- LTH has engaged GE21 to carry out a PEA for Salinas that is expected to be completed in H2/24;
- Additionally, LTH is also in the process of selecting a consultant for carrying out an EIA for the Salinas mine permitting process with completion expected in Q1/2025.

Bandeira de-risking towards production underway, FS now expected in May:

- FS for Banderia is being finalized by the consultant AtkinsRéalis (formerly SNC-Lavalin);
- Mgmt. noted that while the results from the FS were in line with its expectation, the study requires additional work by the consultants (4 – 6 weeks) to meet the FS requirement on confidence level around the costs – expect FS to be out in May;
- Mgmt. does not expect the capex for the project to be materially different from the 2023 PEA (US\$233 MM), and the additional work is expected to result in more certainty around the estimates in the FS;
- LTH is capitalizing on this additional time to complete further metallurgical process tests to optimize dense media recoveries;
- As a reminder, LTH had submitted the mine permit application (LAC) in Nov. 2023 and the review process for the application is well underway by the State Department, Minas Gerais (SEMAD) – SEMAD has not highlighted any significant concerns or issues with the application;
- LTH expects granting of the license in early Q3/2024, allowing construction to commence shortly thereafter.

Attractive Valuation:

- At C\$98 MM mkt cap, we highlight that LTH has the cheapest valuation of all the players in the region – Atlas (ATLX-NASDAQ) at C\$345 MM, Latin (LRS-ASX) at C\$435 MM, Sigma (SGML-TSX.V) at C\$2.1 Bn;
- We believe LTH's secondary asset, Salinas, alone can justify the current market cap based on the resource growth potential highlighted in the maiden resource as well as its strategic location, next to the 70 Mt Colina deposit.

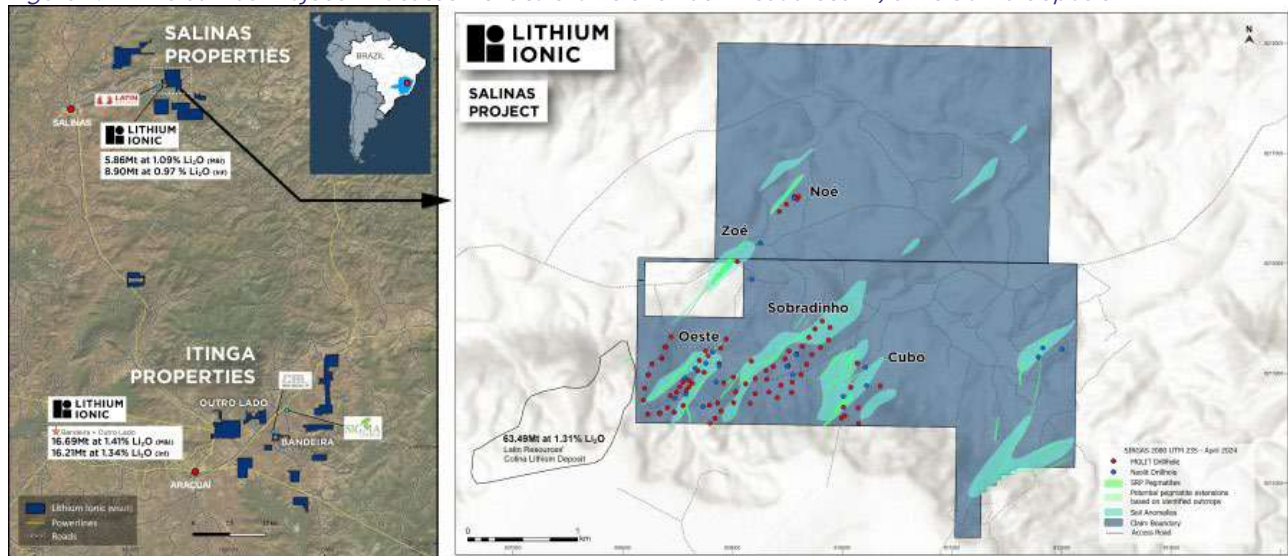
Valuation Updated:

We have included the Salinas maiden resource in our LTH valuation model based on an in-situ valuation of C\$400/t Li₂O (in-line with avg. for peers) for 14.76 Mt at 1.02% Li₂O. This results in our revised target price of \$7.75 per share (was \$7.25/share).

Catalysts

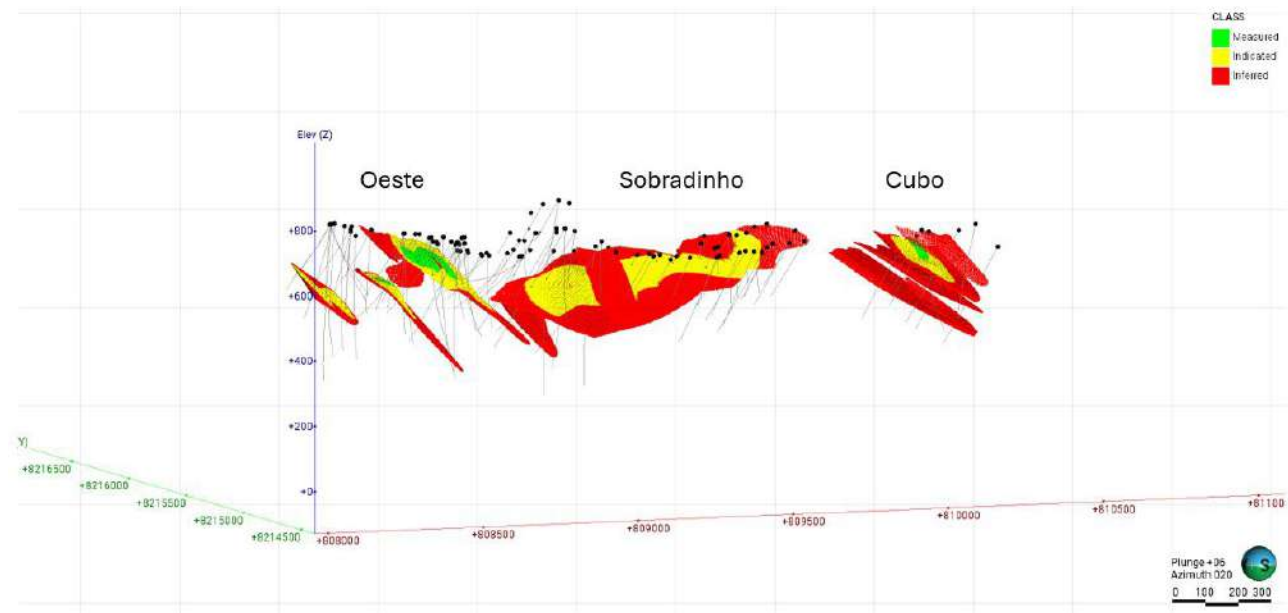
1. Bandeira FS - May;
2. Total 50,000 m of drilling planned for 2024. Drill results - Salinas, Bandeira, regional;
3. Construction permit approval - Q3 2024;
4. Salinas resource update - Q3 2024;
5. Salinas PEA - H2/2024.

Figure 1: LTH's Salinas Project - Located next to & on trend Latin Resources' +70 Mt Colina deposit



Source: Company Reports

Figure 2: Salinas - Isometric view of the deposit



Source: Company Reports

Figure 3: LTH Comps

Hard Rock Lithium Comps													VALUATION																						
Company	Ticker	Price (Local)	Mkt. Cap. (\$MM)	EV (\$MM)	Project	Type	Location	Stage	P+P	M+I	Inferred	GLOBAL RESOURCE			LOM PARAMETERS				EV / Resource		EV/Prod.		P/NAV												
												Attr. kt LCE	Attr. kt Li ₂ O	Grade Li ₂ O %	Prod. kt SC/yr	AISC US\$/t Spod Con	Capex US\$ MM	Capital Intensity US\$/t (Mtpa)	Intensity US\$/t (SC)	EV/t (C\$/t LCE)	EV/t (C\$/t Li ₂ O)	(C\$/t LCE Prod.)		(C\$/t LCE Prod.)											
EXPLORERS																																			
Atlas Lithium Corp	ATLX-NASDAQ	17.17	\$340	\$318	Minas Gerais	SC	Brazil	Expl.				NA	NA	NA	150	NA	\$50	NA	\$330	NA	NA	\$15,609	NA	NA											
Brunswick Exploration Inc	BRW-TSX.V	0.47	\$90	\$78	Mirage	SC	Quebec	Expl.				NA	NA	NA						NA	NA	NA	NA	NA											
Delta Lithium Ltd	DLI-ASX	0.29	\$184	\$78	Mt. Ida	SC	Australia	Expl.			366	366	148	1.20%						NA	\$528	NA	NA	0.27x											
Grid Metals Corp	GRDM-TSX.V	0.08	\$16	\$12	Donner Lake	SC	Manitoba	Expl.			366	234	95	1.39%						\$52	\$128	NA	NA	0.10x											
Li-FT Power Ltd	LIFT-TSX.V	3.67	\$145	\$145	Yellowknife	SC	NWT	Expl.			366	NA	NA	NA						NA	NA	NA	NA	0.00x											
Patriot Battery Metals Inc	PMET-TSX	8.01	\$921	\$815	Corvette	SC	Quebec	Expl.				3,832	1,551	1.42%						\$213	\$526	NA	NA	0.38x											
Global Lithium Resources Ltd	GLI-ASX	0.51	\$118	\$86	Marble, Manna	SC	Australia	Expl.				482	195	1.10%						\$178	\$441	NA	NA	NA											
Group Average			\$259	\$219								1,228	497	1.37%						\$164	\$406	\$15,609	NA	0.19x											
DEVELOPERS																																			
Atlantic Lithium Ltd	ALLA-LSE	0.19	\$213	\$204	Ewoyaa	SC	Ghana	DFS				795	322	1.27%	352	\$610	\$185	\$69	\$525	\$257	\$635	\$8,545	0.50x												
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	0.18	\$435	\$388	Salinas	SC	Brazil	PEA			394	2,205	893	1.27%	472	\$599	\$308	\$86	\$652	\$176	\$435	\$6,052	0.25x												
Leo Lithium Ltd	LLL-ASX	0.51	\$443	\$385	Goulamina	SC	Mali	DFS				3,570	1,445	1.37%	792	\$365	\$318	\$80	\$402	\$108	\$266	\$8,411	0.27x												
Frontier Lithium Inc	FL-TSX.V	0.90	\$205	\$189	PAK	SC, Int.	Ontario	PPS				2,122	859	1.47%	153					\$89	\$220	\$9,107	0.19x												
Rock Tech Lithium Inc	RCK-TSX.V	1.14	\$115	\$101	Georgia, Guben	SC, Conv.	ON; Germany	PEA/Eng.		165	191	357	144	1.09%	245					\$282	\$698	\$3,021	0.25x												
Group Average			\$236	\$212								1,523	617	1.34%	343	\$487	\$223	\$82	\$502	\$158	\$389	\$5,930	0.29x												
EMERGING PRODUCERS																																			
AVZ Minerals Ltd	AVZ-ASX	0.78	\$2,444	\$2,439	Manona	SC	DR Congo	DFS				12,257	4,962	1.65%	1,239	\$306	\$546	\$121	\$440	\$199	\$491	\$19,324	0.78x												
Core Lithium Ltd	CXO-ASX	0.16	\$304	\$193	Finniss	SC	Australia	Prod.				616	249	1.32%	175	\$450	\$127	\$127	\$728	\$314	\$776	\$8,160	0.17x												
Critical Elements Lithium Corp	CRE-TSX.V	0.68	\$148	\$123	Rose	SC	Quebec	FS	598	770	57	826	335	0.98%	271	\$639	\$471	\$293	\$1,738	\$149	\$367	\$3,335	NA												
Liontown Resources Ltd	LTR-ASX	1.21	\$2,604	\$2,384	Kathleen	SC	Australia	Constr.				5,394	2,184	1.40%	627	\$452	\$331	\$83	\$528	\$442	\$1,092	\$27,981	0.53x												
Sigma Lithium Corp	SGML-TSX.V	18.57	\$2,053	\$2,142	GDC	SC	Brazil	Prod.	1,941	2,600	304	2,904	1,176	1.43%	766	\$523	\$286	\$68	\$373	\$737	\$1,821	\$20,580	0.39x												
Piedmont Lithium Inc	PLL-NASDAQ	13.15	\$342	\$247	Multiple	SC, Int.	USA, Ghana	Prod.				2,420	980	1.09%	669					\$102	\$252	\$2,713	NA												
Sayona Mining Ltd	SYA-ASX	0.04	\$384	\$256	Multiple	SC	Quebec	Prod.				2,428	983	1.05%	276					\$105	\$260	\$6,814	0.16x												
Group Average			\$1,183	\$1,112								3,835	1,553	1.44%	575	\$427	\$352	\$115	\$572	\$293	\$723	\$12,701	0.41x												
Lithium Ionic Corp	LTH-TSX.V	0.71	\$98	\$88	Galvani	SC	Brazil	PEA				1,491	604	1.27%	218	\$550	\$233	\$179	\$1,068	\$59	\$146	\$2,983	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\$400/t for 24.7 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\$7.75

Rating	SPECULATIVE BUY	Target Price	\$7.75	Basic Shares O/S (pro-forma)	138.2
12-Month Return	992%	Previous Close	\$0.71	Market Cap., C\$ MM	\$98
				EV, C\$ MM	\$88

All dollar amounts in USD, unless otherwise noted

CAPITAL STRUCTURE		Strike Price	Shares	FINANCIAL SUMMARY					
		\$/share	(MM)	CALENDAR YEAR	2023E	2024E	2025E	2026E	2027E
Basic Shares Outstanding			138.2	<i>Spodumene Concentrate: Clarus Price Deck</i>					
ITM Warrants Outstanding		\$0.69	0.4	SC5.5% (US\$/t)	\$2,400	\$1,800	\$1,800	\$1,800	\$1,800
ITM Options Outstanding		\$0.70	6.1	SC3% (US\$/t)	\$865	\$800	\$800	\$800	\$800
Assumed Equity Raise			47.1	EPS	(\$0.01)	(\$0.02)	(\$0.02)	\$0.80	\$1.05
FD Shares			191.8	P/EPs	nm	nm	nm	0.7x	0.5x

NET ASSET VALUE			
	Discount rate	C\$ MM	C\$/share
Asset NAV			
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)

	Mt	Li ₂ O Grade	LCE			
Galvani, Bandeira & Salina:	24.7	1.30%	0.8 Mt	@ C\$400 /t	\$318	\$1.66
In-situ Valuation Sub-total					\$318	\$1.66

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\$	\$1,490
			\$7.77

Target Price	C\$/share	\$7.75
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	5.3x	4.0x

Income Statement					
	2023E	2024E	2025E	2026E	2027E
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					
	2023E	2024E	2025E	2026E	2027E
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%	-94%	-273%	214%	282%

Balance Sheet					
	2023E	2024E	2025E	2026E	2027E
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	Mine Life (yr)
Bandeira Underground (100.0%), Brazil	22.91	1.23%	281.8	20.3

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Accumulate: Attractively valued, but given the current market price, is expected to appreciate moderately over the next 12-18 months.

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