

## Lithium Ionic

LTH-TSXV

Rating  
**Outperform**Price: May-28  
**\$1.00**Target ↑  
**\$3.75**Total Rtn  
**275%**

## Bandeira Feasibility Study — First Look

## Bottom Line:

LTH announced results of its Bandeira feasibility study, which outlines life-of-mine average spodumene concentrate production of 178ktpa over a 14-year mine life, after-tax NPV(8%) of US\$1.3B, and 40% after-tax IRR. Capex of US\$266M is ~5% below our estimate of US\$280M and slightly above the 2023 PEA at US\$233M. In our view, the results continue to show Bandeira is an attractive, low-capital project with potential for a short timeline to production and opportunities for further upside/optimization. We adjust our model, increasing our target price to C\$3.75, and maintain our Outperform rating.

## Key Points

**Bandeira is an attractive, low-capital project.** LTH stands out from peers with a low capital (US\$266M), high NPV-to-capex project (~5x vs. recent hard rock peer development studies at ~3x). Opex (excl. transportation and royalties) increased 27% vs. the PEA to US\$444/t, driven by higher processing costs. While we model opex of US\$613/t (including transportation and royalties), the project would generate margins of ~US\$400/t at current spot prices with leverage to rising spodumene prices.

**Production scale/mine life lower than PEA; opportunities for potential upside.**

LOM average production of 178ktpa SC5.5 is ~5% below the PEA at 187ktpa, and no longer includes production of a 3% concentrate given limited conviction on potential sales/pricing. We see several areas of potential upside: (1) the mine plan is based on the November 2023 resource and does not incorporate the April 2024 update ([link to note](#)), which we estimate could extend mine life by ~three years and add ~US\$100M of NPV; (2) potential to upgrade and incorporate shallow-depth inferred resources in the mine plan to smooth/enhance production in years 3-5; (3) optimize mine plan to process higher-grade material earlier in mine life; and (4) future processing of stockpiled fines to produce a low-grade concentrate as envisioned in the PEA.

**Environmental and installation license expected early-Q3/24** would provide authorization to begin construction activities. Management envisions initial mine development activities starting Q4/24 with the underground decline, construction starting Q3/25, with commissioning and initial production in Q3/26.

**Updating model, maintain Outperform, increasing target price to C\$3.75.** We are adjusting our model to reflect the updated production schedule, capital and operating cost assumptions. We now include an in-situ value for the Salinas resource at US\$75/t LCE, in line with the developer peer median. Our target price is based on a 0.65x multiple of our fully financed 8% NAV per share.

## Key Changes

Target	Estimates	2024E	2025E
\$3.75↑	EPS	\$(0.12)	\$(0.04)
\$3.00	Previous	\$(0.14)	\$(0.08)
	CFPS	\$(0.12)	\$(0.04)
	Previous	\$(0.14)	\$(0.06)

This report was prepared by an analyst(s) employed by BMO Nesbitt Burns Inc., and who is (are) not registered as a research analyst(s) under FINRA rules. For disclosure statements, including the Analyst Certification, please refer to page(s) 9 to 13.

## Battery Materials

## Greg Jones

gregory.jones@bmo.com

Max Yerrill, CFA

max.yerrill@bmo.com

Legal Entity: BMO Nesbitt Burns Inc.

Analyst

(416) 361-5480

Associate

(437) 214-3503



Company Data			in C\$
Dividend	\$0.00	Shares O/S (mm)	144.6
Yield	0.0%	Market Cap (mm)	\$145
NAV	\$5.62	P/NAV	0.2x

BMO Estimates					in C\$
(FY-Dec.)	2023A	2024E	2025E	2026E	
EPS	\$(0.51)	\$(0.12)↑	\$(0.04)↑	\$(0.05)↓	
CFPS	\$(0.35)	\$(0.12)↑	\$(0.04)↑	\$(0.03)↓	
Revenue	\$0	\$0	\$0	\$0↓	
EBITDA	\$(65)	\$(17)↑	\$(5)↑	\$(5)↓	

Consensus Estimates				
	2023A	2024E	2025E	2026E
EPS		\$(0.08)	\$(0.06)	\$0.01

Valuation				
	2023A	2024E	2025E	2026E
P/E	NM	NM	NM	NM
P/CFPS	NM	NM	NM	NM
EV/EBITDA	NM	NM	NM	NM

QTR. EPS		Q1	Q2	Q3	Q4
2023A		\$(0.22)	\$(0.10)	\$(0.09)	\$(0.10)
2024E		\$(0.04)	\$(0.04)	\$(0.02)	\$(0.02)
2025E		\$(0.01)	\$(0.01)	\$(0.01)	\$(0.01)
2026E		\$(0.01)	\$(0.01)	\$(0.01)	\$(0.02)

## Our Thesis

We rate LTH shares Outperform based on (1) its low-capex, feasibility-stage Bandeira project with potential for production in 2026, (2) its 85%-owned Salinas project, with a PEA underway, and (3) its position as the second-largest landholder in Brazil's Lithium Valley provides the potential for further resource growth over the large underexplored property.

**Lithium Ionic - Block Summary Model**

Commodity Prices & Fx	2023A	2024E	2025E	2026E
Spodumene conc. SC5.5 (US\$/t)	1,224	1,192	1,753	1,833
USD:CAD	0.741	0.748	0.770	0.778
Production	2023A	2024E	2025E	2026E
Spodumene conc. (t)	0.0	0.0	0.0	0.0
Cash Costs	2023A	2024E	2025E	2026E
Cash Costs (C\$/t conc.)	0	0	0	0
Key Financial Metrics (C\$M)	2023A	2024E	2025E	2026E
Free Cash Flow	(38)	(19)	(5)	(64)
Net Debt (Cash)	(11)	(68)	(63)	(71)
Net Debt/EBITDA	nmf	nmf	nmf	nmf
Shares Outstanding (M)	118	139	141	178
Summary Income Statement (C\$M)	2023A	2024E	2025E	2026E
Revenue	0	0	0	0
Gross Profit	0	0	0	0
G&A	(8)	(5)	(5)	(5)
EBITDA	(65)	(17)	(5)	(5)
Depreciation	(0)	0	0	(4)
Net Interest Expense	1	0	0	(1)
Income Taxes	0	0	0	0
Operating Net Income	(64)	(17)	(5)	(11)
Summary Cash Flow Statement (C\$M)	2023A	2024E	2025E	2026E
Cash from Operations	(45)	(16)	(5)	(6)
Capital Expenditures	(1)	0	0	(58)
Cash from Investing	7	(2)	0	(58)
Share Issuance	28	0	0	72
Debt Issuance	(0)	0	0	58
Cash from Financing	28	75	0	130
Year End Cash Balance	11	68	63	128

Source: BMO Capital Markets, Company Reports

New Scenarios

**Valuation**

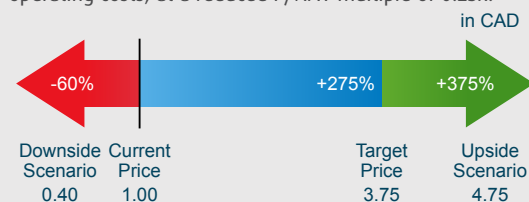
Our target price is set based on a 0.65x multiple of our fully financed 8% NAVPS. We apply an in-situ value for the current Salinas resource and exploration credit for the Noe target at US\$75/t LCE, in line with the developer peer median.

**Upside Scenario**
**\$4.75**

Our upside scenario considers capital and operating costs in line with the feasibility study, production starting in Q3/26, in line with management expectations, at an 8% discount rate and higher P/NAV multiple of 0.75x.

**Downside Scenario**
**\$0.40**

Our downside scenario pushes back first production to Q2/29 to reflect a delayed permitting / construction timeline and assumes 50% higher initial capital costs and operating costs, at a reduced P/NAV multiple of 0.25x.


**Key Catalysts**

Bandeira LAC approval for environmental and social license and authorization to begin construction (Q3/24), Salinas PEA (H2/24), start of Bandeira initial mine development (Q4/24). In addition, updates from LTH on its financing plans would be a key potential near-term catalyst.

**Company Description**

Lithium Ionic Corp. is a hard rock lithium developer focused on advancing its 100%-owned feasibility stage Bandeira project and its 85%-owned Salinas project, located in Minas Gerais State, Brazil. LTH is targeting first production from Bandeira in 2026.


 LTH-TSXV  
Research


Glossary


 Company  
Models

## Comparison of 2024 Feasibility Study to 2023 PEA and BMOe

**Exhibit 1: Comparison of 2024 Feasibility Study to 2023 PEA and BMOe**

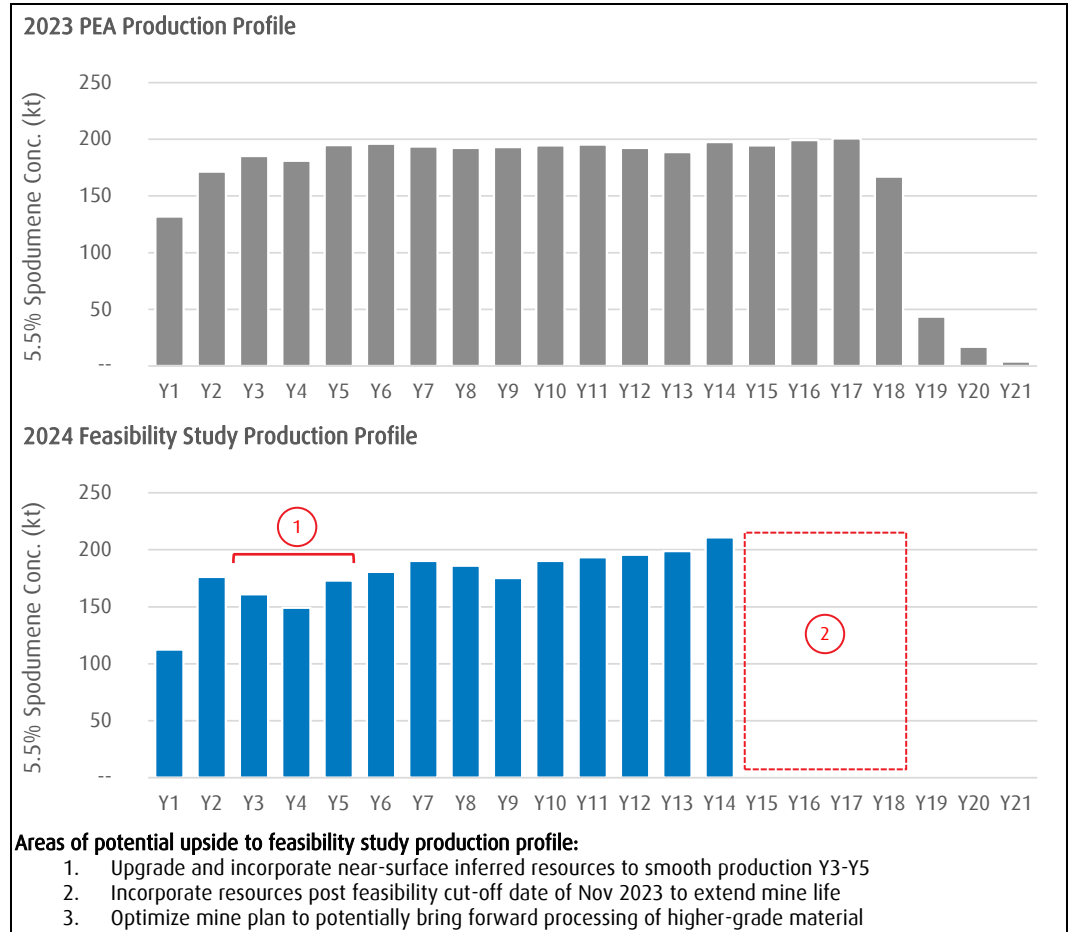
		Delta				
		2023 PEA	2024 FS	FS vs. PEA	Prior BMOe	New BMOe
<b>Project Economics</b>						
After-Tax NPV 8%	US\$M	\$1,586	\$1,310	(17%)	\$1,106 <sup>(1)</sup>	\$844
After-Tax IRR	%	120%	40%	(80%)	94%	75%
Payback	Months	14	41	193%	17	12
<b>Price Assumptions (LOM Avg.)</b>						
Spodumene 5.5%	US\$/t	\$1,859	\$2,277	22%	\$1,833	\$1,833
Spodumene 3.0%	US\$/t	\$865	nmf	nmf	\$1,000	nmf
<b>Production Profile</b>						
Mine Life	Years	20	14	(30%)	20	14
LOM Ore Mined	Mt	22.9	17.2	(25%)	22.9	17.2
Plant Capacity	Mtpa	1.3	1.3	--	1.3	1.3
ROM Grade	% Li2O	1.23%	1.28%	4%	1.23%	1.28%
Recovery	%	67.0%	68.9%	2%	67.0%	68.9%
Spod. 5.5% Production	ktpa	187	178	(5%)	187	178
Spod. 3.0% Production	ktpa	56	--	(100%)	56	--
Spod. 5.5% Equivalent Production	ktpa	218	178	(18%)	218	178
<b>Operating Costs (CIF China)<sup>(2)</sup></b>	US\$/t conc.	\$469	\$557	19%	\$548	\$613
<b>Initial Capex</b>	US\$M	\$233	\$266	14%	\$280	\$280
NPV/Capex	Ratio	6.8x	4.9x	(28%)	3.9x	3.0x

Source: BMO Capital Markets, company filings

1. Prior BMO NPV estimate was based on 10% discount rate.
2. Operating costs presented in the PEA and feasibility study exclude royalties; BMOe includes 2% gross revenue royalty to Brazilian government and additional 1% royalty assumed in PEA.

- **Project economics:** the feasibility study uses a price forecast provided by Fastmarkets with a LOM average price of US\$2,277/t (SC5.5) vs. the PEA study at US\$1,859/t and BMOe at US\$1,833/t. The feasibility study assumes lower prices persist for the next several years (e.g., US\$1,000-1,600/t for 2026-2028), which extends the assumed payback period relative to the PEA and BMOe.
- **Production profile:** the feasibility study mine plan (Exhibit 2) is based on the November 2023 resource of 39Mt at 1.37% Li2O and does not incorporate the April 2024 Bandeira resource update to 42Mt at 1.35% Li2O. We expect that as engineering work advances these resources will be brought into the mine plan and we estimate this could add ~three years of mine life and ~US\$100M of NPV. The feasibility study no longer assumes the production of a lower grade 3% spodumene tails concentrate. LTH plans to stockpile the fines material, maintaining optionality to add processing capabilities at a later time should a market opportunity present.

**Exhibit 2: Bandeira Production Profile (5.5% Spodumene Concentrate)**

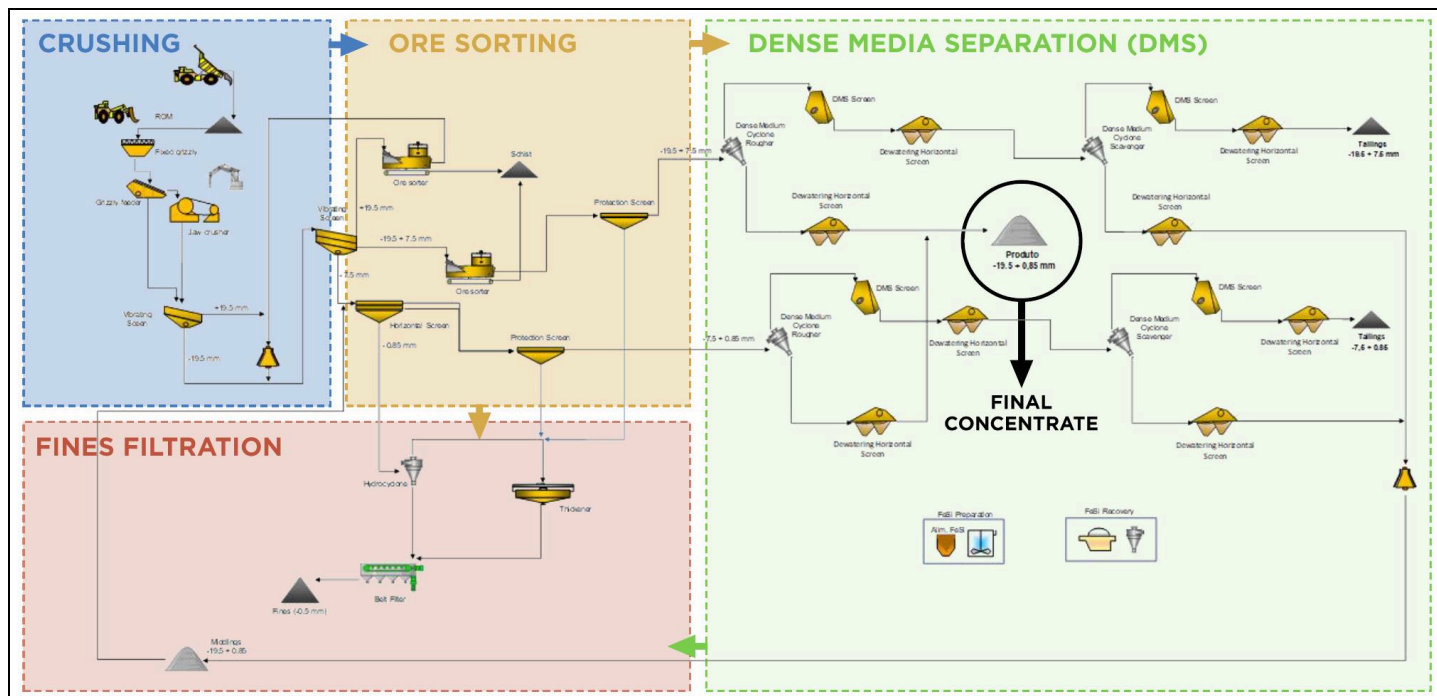


Source: BMO Capital Markets, company filings

**Simple DMS process, designed to maximize lithium recovery.** The process flow sheet (Exhibit 3) includes a two-stage crushing circuit, ore sorting, and dense media separation (DMS) to produce a final 5.5% Li<sub>2</sub>O concentrate.

- Ore sorting will be used to prevent unnecessary processing of barren material recovering 94% of Li<sub>2</sub>O and rejecting 20% of mass ahead of the dense media separation circuit. This process is expected to improve the lithium oxide grade to ~1.50% from ~1.16% and provide higher quality feed for the DMS.
- Recent heavy liquid separation test work conducted by Steinert and SGS Geosol supports the use of a higher recovery rate at 68.9% (vs. PEA at 67.0%).

**Exhibit 3: Bandeira Process Flow Sheet**



Source: Company filings

Capex requirements remain low; opex higher than PEA but competitive vs. peer projects. Initial capex of US\$266M, came in 5% below our estimate of US\$280M and slightly higher than the PEA estimate of US\$233M (Exhibit 4). The NPV:capex ratio of ~5x is above that of other recent hard rock peer development studies at ~3x, demonstrating the robust project economics. Operating costs (ex. transportation and royalties) increased ~27% relative to the PEA to US\$444/t driven by higher processing costs (Exhibit 5).

- This compares to open pit peers Latin Resources (LRS-ASX, not covered) at US\$379/t (Colina project PEA, excl. transportation and royalties) and Sigma Lithium (SGML-NSDQ, US\$16.74; Outperform rated by Joel Jackson) targeting US\$370/t plant gate ([link to note](#)).
- For Bandeira, we model operating costs in line with the feasibility study, which translates to US\$613/t inclusive of transportation and royalties (2% gross revenue + additional 1% royalty that was assumed in the PEA).

**Exhibit 4: Comparison of Capital Cost Estimate**

	PEA	Feasibility
	US\$M	US\$M
Mine (Incl. Pre-Production)	\$73	\$61
Processing Plant	\$81	\$103
Engineering Services	\$20	\$27
General Infrastructure & Other	\$13	\$42
Contingency	\$47	\$34
<b>Initial Capex</b>	<b>\$233</b>	<b>\$266</b>

Source: BMO Capital Markets, company filings

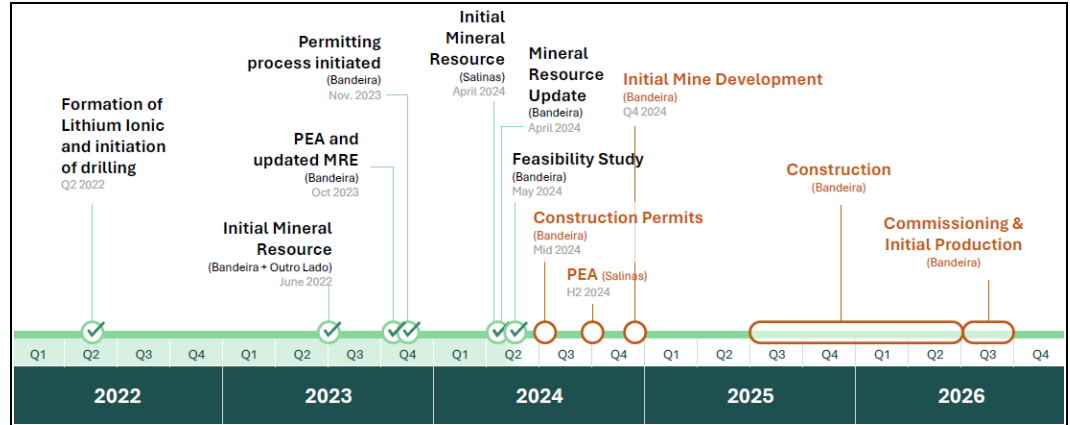
**Exhibit 5: Comparison of Operating Cost Estimate**

	PEA	Feasibility
	US\$/t SC 5.5	US\$/t SC 5.5
Mining	\$258	\$254
Processing	\$68	\$170
SG&A	\$23	\$21
<b>Operating Costs</b>	<b>\$349</b>	<b>\$444</b>
Transportation	\$120	\$113
<b>Total</b>	<b>\$469</b>	<b>\$557</b>

Source: BMO Capital Markets, company filings

**Construction permits expected in Q3/24, potential for initial production in 2026.** Management expects to receive its environmental and installation license in early Q3/24, which would allow the company to begin construction activities. Initial mine development is expected to start in Q4/24 beginning with driving the ramp decline. Main construction activities are planned across H2/25 and H1/26 with commissioning and initial production planned for Q3/26.

**Exhibit 6: Recent Milestones and Planned Timeline to Production**



Source: Company filings

**Model and Target Price Update**

We have updated our model to incorporate the feasibility study production schedule, along with the assumptions outlined below, and will look to further refine these assumptions once the detailed feasibility study report is released. As a result, our target price increases to C\$3.75, which is based on a 0.65x of our 8% NAV per share.

Our model assumes:

- **First production starting Q2/27 vs. updated management target of Q3/26 and our prior assumption of Q2/26.** We model the feasibility study production schedule with LOM average production 178 ktpa of 5.5% spodumene concentrate and include some conservatism around the project timeline pending LTH securing the approvals to proceed with construction and securing the required financing.
- **Initial capex of US\$280M (no change), 5% higher than feasibility estimate of US\$266M.** We model LOM sustaining capital of US\$85M (+5% vs. feasibility study). We assume the capex spend profile is similar to that of the PEA and will review once the detailed feasibility study is released.
- **LOM average operating costs of US\$557/t concentrate (including transportation),** which is in line with the feasibility study. We include the 2% gross revenue royalty, to which lithium production in Brazil is subject, plus an additional 1% royalty factored in the PEA. Including royalties, we model operating costs of US\$613/t.
- **15.25% tax rate for the first 10 years of production** incorporating the Brazil Sudene tax incentive.
- **Salinas in-situ value and exploration credit** based on the attributable resource (~315kt LCE) as well as an incremental exploration credit based on management’s expectation for the potential of the Noé target to potentially add 10-15Mt of resources at a grade of 1.0-1.3% Li2O

(we assume an incremental ~300kt LCE based on the mid-point of tonnage and grade). We ascribe a value of US\$75/t LCE, which is in line with the developer peer median.

- Project funded with 60% debt (~US\$170M), 20% (US\$56M) from non-dilutive sources such as pre-paid offtake, and the remaining 20% (US\$56M) in from new equity.
- Our BMO price deck assumes a long-term 6% spodumene price of US\$2,000/t (US\$1,833/t for 5.5% concentrate) and we use an 8% discount rate (10% previously), consistent with other advanced-stage development projects.

**Areas of potential upside** that could be value enhancing to our NPV include:

- **Addition of resources defined after the feasibility study cut-off date.** The feasibility study mine plan is based on the November 2023 resource of 39 Mt at 1.37% Li2O (41,831 metres) and does not incorporate the April 2024 update to 42 Mt at 1.35% Li2O (50,760 metres). We estimate the additional resources could extend mine life by ~3 years and add an incremental ~US\$100M of NPV. Furthermore, regional exploration success at satellite properties could be a source for additional resources.
- **Potential to upgrade and incorporate shallow-depth inferred resources** in the mine plan to smooth/enhance production in years 3-5.
- **Optimize mine plan to process higher-grade material earlier in mine life.**
- **Future processing of stockpiled fines to produce a low-grade concentrate** as envisioned in the PEA.

#### Exhibit 7: BMO NAV Summary

	Ownership %	Disc. Rate %	NPV C\$M	Per Share C\$/share
Bandeira	100%	8%	\$1,150	\$5.22
Salinas (In-Situ @ US\$75/t LCE)	85%	n.a.	\$32	\$0.15
Salinas Exploration Credit <sup>(1)</sup>	85%	n.a.	\$31	\$0.14
Net Cash			\$11	\$0.05
ITM Option Proceeds			\$4	\$0.02
Future Equity Financing Proceeds			\$72	\$0.33
Corporate G&A			(\$62)	(\$0.28)
<b>Total Corporate Adjustments</b>			<b>\$25</b>	<b>\$0.11</b>
<b>Net Asset Value</b>			<b>\$1,239</b>	<b>\$5.62</b>
Current FD ITM Shares				144.6
Shares from Assumed Financing				75.7
<b>FD ITM Shares</b>				<b>220.3</b>
Target Multiple				0.65x
<b>12-Month Target Price</b>			<b>\$805</b>	<b>\$3.66</b>
<b>12-Month Target Price (Rounded)</b>				<b>\$3.75</b>

Source: BMO Capital Markets

1. Assumes an additional 10.5 Mt at 1.15% Li2O containing 299 kt LCE valued at US\$75/t.

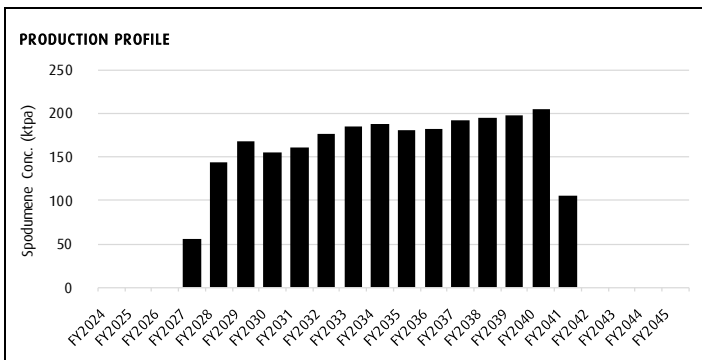
**Exhibit 8: Tear Sheet**

<b>LITHIUM IONIC</b>				<b>LTH-TSXV</b>		<b>Rating</b>		<b>Outperform</b>	
Greg Jones, Analyst, BMO Capital Markets								As of: 28-May-24	
Share Price	C\$/share	\$1.00	NAVPS	C\$/share	\$5.62	FD ITM Shares	M	144.6	
Target Price	C\$/share	\$3.75	Price/NAV	Ratio	0.18x	Market Capitalization	CSM	\$145	
Implied Return	%	275%				Fiscal Year End		December	

<b>PRICE AND FX ASSUMPTIONS</b>						
December Year End		FY2023A	FY2024E	FY2025E	FY2026E	FY2027E
Spodumene (Realized)	US\$/t	nmf	\$1,192	\$1,753	\$1,833	\$1,833
Exchange Rate	USD:CAD	0.74	0.75	0.77	0.78	0.77

<b>SUMMARY STATISTICS</b>						
		FY2023A	FY2024E	FY2025E	FY2026E	FY2027E
Shares O/S (Avg.)	M	118.1	139.4	140.6	178.4	219.4
EPS (Adj.)	C\$/share	(\$0.51)	(\$0.12)	(\$0.04)	(\$0.05)	\$0.16
CFPS	C\$/share	(\$0.35)	(\$0.12)	(\$0.04)	(\$0.03)	\$0.17
FCF PS	C\$/share	(\$0.32)	(\$0.13)	(\$0.04)	(\$0.36)	(\$0.51)

<b>RESERVES &amp; RESOURCES</b>				
	Tonnes	Li20	Li20	LCE
	kt	%	kt	kt
<b>Bandeira</b>				
Measured & Indicated	23,680	1.34%	317	783
Inferred	18,250	1.37%	250	618



<b>NET ASSET VALUE SUMMARY (C\$M)</b>					
	8% Disc. Rate		10% Disc. Rate		
	NPV C\$M	Per share C\$/share	NPV C\$M	Per share C\$/share	
Bandeira	\$1,150	\$5.22	\$946	\$4.29	
Salinas (In-Situ @ US\$75/t LCE)	\$32	\$0.15	\$32	\$0.15	
Salinas Exploration Credit(1)	\$31	\$0.14	\$31	\$0.14	
Net Cash	\$11	\$0.05	\$11	\$0.05	
ITM Option Proceeds	\$4	\$0.02	\$4	\$0.02	
Future Equity Financing Proceeds	\$72	\$0.33	\$72	\$0.33	
Corporate G&A	(\$62)	(\$0.28)	(\$56)	(\$0.25)	
Total Corporate Adjustments	\$25	\$0.11	\$31	\$0.14	
<b>Net Asset Value</b>	<b>\$1,239</b>	<b>\$5.62</b>	\$1,040	\$4.72	
<b>Price Target (0.65x NAV) Rounded</b>		<b>\$3.75</b>			
Current FD ITM Shares	M	144.6			
Shares from Future Equity	M	75.7			
FD ITM Shares	M	220.3			

1. Assumes an additional 10.5 Mt at 1.15% Li20 containing 299 kt LCE valued at US\$75/t.

<b>PROFIT &amp; LOSS STATEMENT (C\$M)</b>						
December Year End		FY2023A	FY2024E	FY2025E	FY2026E	FY2027E
Net Revenue		--	--	--	--	\$134
Operating Costs		--	--	--	--	(\$45)
<b>Gross Profit</b>		--	--	--	--	<b>\$89</b>
SG&A		(\$8)	(\$5)	(\$5)	(\$5)	(\$5)
Other Expenses		(\$57)	(\$12)	--	--	--
<b>EBITDA</b>		<b>(\$65)</b>	<b>(\$17)</b>	<b>(\$5)</b>	<b>(\$5)</b>	<b>\$84</b>
Depreciation		(\$0)	--	--	(\$4)	(\$50)
<b>EBIT</b>		<b>(\$65)</b>	<b>(\$17)</b>	<b>(\$5)</b>	<b>(\$10)</b>	<b>\$34</b>
Interest Income (Expense)		\$1	--	--	(\$1)	(\$10)
Income Taxes		--	--	--	--	\$11
<b>Net Income</b>		<b>(\$64)</b>	<b>(\$17)</b>	<b>(\$5)</b>	<b>(\$11)</b>	<b>\$35</b>

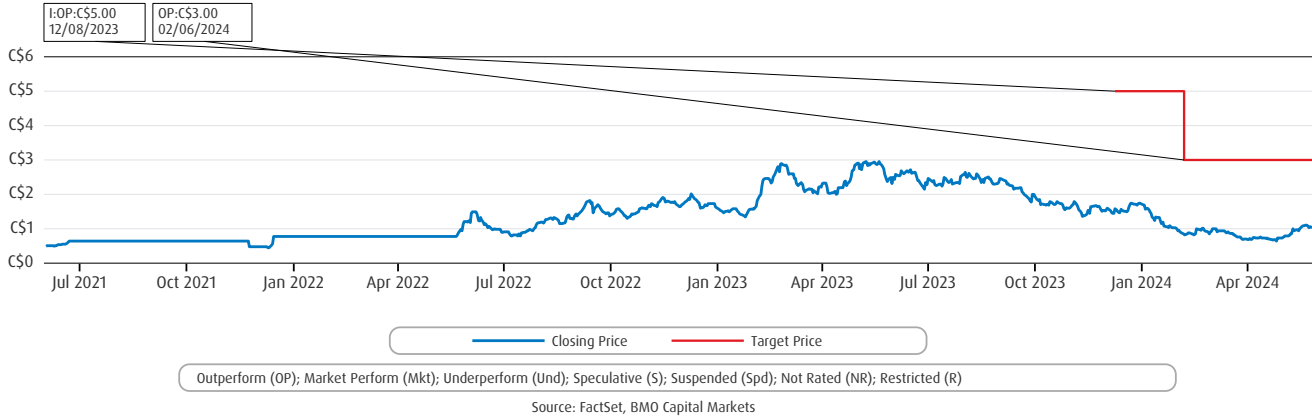
<b>CASH FLOW ANALYSIS (C\$M)</b>						
December Year End		FY2023A	FY2024E	FY2025E	FY2026E	FY2027E
<b>Cash Flows From Operating Activities</b>						
Net Income		(\$64)	(\$17)	(\$5)	(\$11)	\$35
Non-Cash Items		\$23	--	--	\$4	\$28
Changes in Working Capital		(\$3)	\$0	--	--	(\$26)
		(\$45)	(\$16)	(\$5)	(\$6)	\$37
<b>Cash Flows from Investing Activities</b>						
Property, Plant and Equipment		(\$1)	--	--	(\$58)	(\$150)
Other		\$7	(\$2)	--	--	--
		\$7	(\$2)	--	(\$58)	(\$150)
<b>Cash Flows from Financing Activities</b>						
Proceeds from Issue of Shares		\$28	\$0	--	\$72	\$4
Proceeds from Borrowings		(\$0)	--	--	\$58	\$150
Proceeds from Other		--	\$75	--	--	--
		\$28	\$75	--	\$130	\$154
Beginning Cash		\$21	\$11	\$68	\$63	\$128
Net Increase in Cash Held		(\$10)	\$57	(\$5)	\$66	\$41
Ending Cash		\$11	\$68	\$63	\$128	\$170

<b>BALANCE SHEET ANALYSIS (C\$M)</b>						
December Year End		FY2023A	FY2024E	FY2025E	FY2026E	FY2027E
<b>Current Assets</b>						
Cash and Equivalents		\$11	\$68	\$63	\$128	\$170
Other		\$1	\$1	\$1	\$1	\$30
<b>Non-Current Assets</b>						
Property, Plant and Equipment		\$1	\$3	\$3	\$56	\$178
Other		--	--	--	--	--
<b>Current Liabilities</b>						
Payables		\$5	\$5	\$5	\$5	\$7
Borrowings		\$0	\$0	\$0	\$0	\$0
<b>Non-Current Liabilities</b>						
Borrowings		\$0	\$0	\$0	\$58	\$208
Other		--	--	--	--	--
<b>Shareholders Equity</b>						
Net Debt (Cash)		(\$11)	(\$68)	(\$63)	(\$70)	\$38

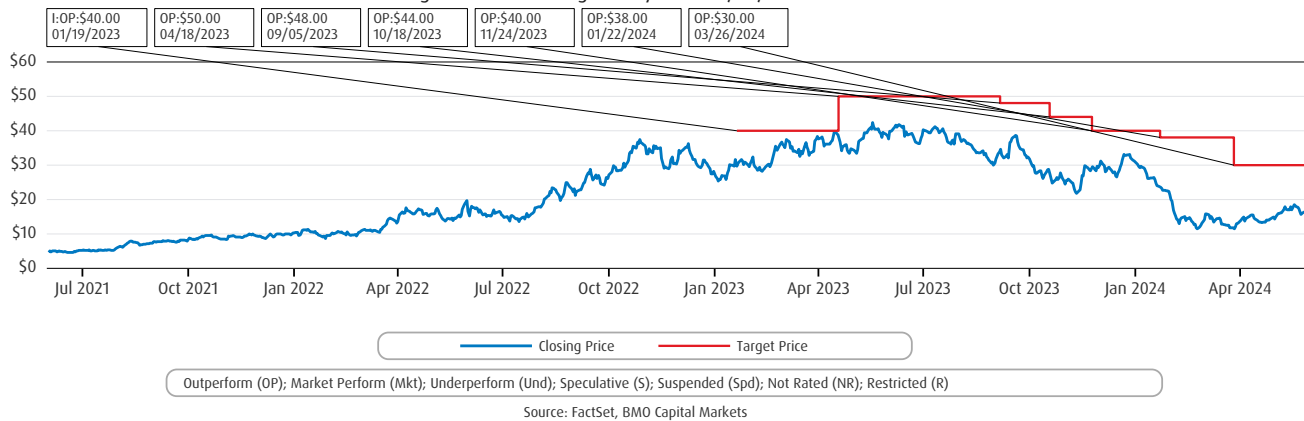
Source: BMO Capital Markets



Lithium Ionic Corp. Rating History as of 05/28/2024



Sigma Lithium Rating History as of 05/28/2024



**IMPORTANT DISCLOSURES**

**Analyst's Certification**

I, Greg Jones, hereby certify that the views expressed in this report accurately reflect my personal views about the subject securities or issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this report.

Analysts who prepared this report are compensated based upon (among other factors) the overall profitability of BMO Capital Markets and their affiliates, which includes the overall profitability of investment banking services. Compensation for research is based on effectiveness in generating new ideas and in communication of ideas to clients, performance of recommendations, accuracy of earnings estimates, and service to clients.

Analysts employed by BMO Nesbitt Burns Inc. and/or BMO Capital Markets Limited are not registered as research analysts with FINRA. These analysts may not be associated persons of BMO Capital Markets Corp. and therefore may not be subject to the FINRA Rule 2241 restrictions on communications with a subject company, public appearances and trading securities held by a research analyst account.

**Company Specific Disclosures**

Disclosure 8A: BMO Capital Markets or affiliates have beneficial ownership of 1% or more of any class of the equity securities of Lithium Ionic Corp. (a) as of the end of the month prior to the issuance date of the research report, or (b) as of the end of the second most recent month if the report issuance date is less than 10 days after the end of the prior month.

**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 0.65x 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) Permitting Risk. Delays in advancing the Bandeira project through permitting in a timely manner could impact our assumed production start date and negatively impact our NAV per share estimate. (2) Financing Risk. Inability for the company to secure the financing required to advance its development plans along its anticipated timeline could impact our modelled start date, and if significant equity capital

is raised it could introduce dilution to shareholders. (3) Stage of development. The Salinas project is early-stage and its ability to continue growing and improving the confidence of the resource base and defining the project economics is a key aspect to the company's growth story, in our view. (4) Geological risk. 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% Li<sub>2</sub>O). (5) Commodity price risk. Weakness in lithium and spodumene demand and commodity prices could negatively impact share price performance.

### Methodology and Risks to Target Price/Valuation for Sigma Lithium (SGML-NSDQ)

**Methodology:** Our target price is ~3x 2027E EV/EBITDA assuming a ~US\$2k/t 6% spodumene concentrate ASP benchmark (~US\$1.9k/t ASP for Sigma with its 5.5% product) and ~750kt sales with fob port costs ~US\$500/t).

**Risks:** Key risks include technical, geological and operating risks, spodumene product quality risks, the stock has low liquidity, lithium and spodumene commodity price risks, the risks of operating in Brazil, FX risks (i.e., the BRL), and concerns a takeout of the company may not occur.

### Distribution of Ratings (May 28, 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	49.6 %	20.0 %	49.5 %	56.0 %	60.8 %	57.7%
Hold	Market Perform	48.1 %	20.2 %	48.4 %	42.6 %	38.3 %	37.5%
Sell	Underperform	2.4 %	18.2 %	2.2 %	1.4 %	0.8 %	4.8%

\* Reflects rating distribution of all companies covered by BMO Capital Markets Corp. equity research analysts.

\*\* Reflects rating distribution of all companies from which BMO Capital Markets Corp. has received compensation for Investment Banking services as percentage within ratings category.

\*\*\* Reflects rating distribution of all companies from which BMO Capital Markets Corp. has received compensation for Investment Banking services as percentage of Investment Banking clients.

\*\*\*\* Reflects rating distribution of all companies covered by BMO Capital Markets equity research analysts.

\*\*\*\*\* Reflects rating distribution of all companies from which BMO Capital Markets has received compensation for Investment Banking services as percentage of Investment Banking clients.

~ As of April 1, 2019.

### Ratings Key (as of October 2016)

We use the following ratings system definitions:

OP = Outperform - Forecast to outperform the analyst's coverage universe on a total return basis;

Mkt = Market Perform - Forecast to perform roughly in line with the analyst's coverage universe on a total return basis;

Und = Underperform - Forecast to underperform the analyst's coverage universe on a total return basis;

(S) = Speculative investment;

Spd = Suspended - Coverage and rating suspended until coverage is reinstated;

NR = No Rated - No rating at this time; and

R = Restricted - Dissemination of research is currently restricted.

The total return potential, target price and the associated time horizon is 12 months unless otherwise stated in each report. BMO Capital Markets' seven Top 15 lists guide investors to our best ideas according to different objectives (CDN Large Cap, CDN Small Cap, US Large Cap, US Small Cap, Income, CDN Quant, and US Quant have replaced the Top Pick rating).

### Prior BMO Capital Markets Rating System

#### (April 2013 - October 2016)

[http://researchglobal.bmocapitalmarkets.com/documents/2013/rating\\_key\\_2013\\_to\\_2016.pdf](http://researchglobal.bmocapitalmarkets.com/documents/2013/rating_key_2013_to_2016.pdf)

#### (January 2010 - April 2013)

[http://researchglobal.bmocapitalmarkets.com/documents/2013/prior\\_rating\\_system.pdf](http://researchglobal.bmocapitalmarkets.com/documents/2013/prior_rating_system.pdf)

### Other Important Disclosures

For Important Disclosures on the stocks discussed in this report, please go to <https://researchglobal0.bmocapitalmarkets.com/public-disclosure/> or write to Editorial Department, BMO Capital Markets, 151 West 42nd St, 33rd Floor, New York, NY 10036 or Editorial Department, BMO Capital Markets, 1 First Canadian Place, Toronto, Ontario, M5X 1H3.

### Dissemination of Research

Dissemination of fundamental BMO Capital Markets Equity Research is available via our website <https://researchglobal0.bmocapitalmarkets.com/>. Institutional clients may also simultaneously receive our fundamental research via email and/or via services such as Refinitiv, Bloomberg, FactSet, Visible Alpha, and S&P Capital IQ.

BMO Capital Markets issues a variety of research products in addition to fundamental research. Institutional clients may request notification when additional research content is made available on our website. BMO Capital Markets may use proprietary models in the preparation of reports. Material information about such models may be obtained by contacting the research analyst directly. There is no planned frequency of model updates.

The analyst(s) named in this report may discuss trading strategies that reference a catalyst or event that may have a near or long term impact on the market price of the equity securities discussed. In some cases, the impact may directionally counter the analyst's published 12 month target price and rating. Any such trading or alternative strategies can be based on differing time horizons, methodologies, or otherwise and are distinct from and do not affect the analysts' fundamental equity rating in the report.

Research coverage of licensed cannabis producers and other cannabis-related companies is made available only to eligible approved North American, Australian, and EU-based BMO Nesbitt Burns Inc., BMO Capital Markets Limited, Bank of Montreal Europe Plc and BMO Capital Markets Corp. clients via email, our website and select third party platforms.

~ Research distribution and approval times are provided on the cover of each report. Times are approximations as system and distribution processes are not exact and can vary based on the sender and recipients' services. Unless otherwise noted, times are Eastern Standard and when two times are provided, the approval time precedes the distribution time.

For recommendations disseminated during the preceding 12-month period, please visit: <https://researchglobal0.bmocapitalmarkets.com/public-disclosure/>.

### **General Disclaimer**

"BMO Capital Markets" is a trade name used by BMO Financial Group for the wholesale banking businesses of Bank of Montreal, BMO Bank N.A. (member FDIC), Bank of Montreal Europe p.l.c, and Bank of Montreal (China) Co. Ltd, the institutional broker dealer business of BMO Capital Markets Corp. (Member [FINRA](#) and [SIPC](#)) and the agency broker dealer business of Clearpool Execution Services, LLC (Member [FINRA](#) and [SIPC](#)) in the U.S., and the institutional broker dealer businesses of BMO Nesbitt Burns Inc. (Member Canadian Investment Regulatory Organization and Member Canadian Investor Protection Fund) in Canada and Asia, Bank of Montreal Europe p.l.c. (authorised and regulated by the Central Bank of Ireland) in Europe and BMO Capital Markets Limited (authorised and regulated by the Financial Conduct Authority) in the UK and Australia. Bank of Montreal or its subsidiaries ("BMO Financial Group") has lending arrangements with, or provide other remunerated services to, many issuers covered by BMO Capital Markets. The opinions, estimates and projections contained in this report are those of BMO Capital Markets as of the date of this report and are subject to change without notice. BMO Capital Markets endeavours to ensure that the contents have been compiled or derived from sources that we believe are reliable and contain information and opinions that are accurate and complete. However, BMO Capital Markets makes no representation or warranty, express or implied, in respect thereof, takes no responsibility for any errors and omissions contained herein and accepts no liability whatsoever for any loss arising from any use of, or reliance on, this report or its contents. Information may be available to BMO Capital Markets or its affiliates that is not reflected in this report. The information in this report is not intended to be used as the primary basis of investment decisions, and because of individual client objectives, should not be construed as advice designed to meet the particular investment needs of any investor. The information in this report is based on general considerations and do not purport to meet the objectives or needs of specific recipients. Nothing herein constitutes any investment, legal, tax or other advice nor is it to be relied on in any investment or decision. If you are in doubt about any of the contents of this document, the reader should obtain independent professional advice. This material is for information purposes only and is not an offer to sell or the solicitation of an offer to buy any security. In furnishing this report, BMO Capital Markets intends to take advantage of the exemption from the principal and agency trading restrictions in Section 206(3) of the Investment Advisers Act of 1940 and Rule 206(3)-1 thereunder. Accordingly, recipients of this report are advised that BMO Capital Markets or its affiliates may act as principal for its own account or agent for another person in connection with the purchase or sale of any security mentioned in or the subject of this report. BMO Capital Markets or its affiliates, officers, directors or employees have a long or short position in many of the securities discussed herein, related securities or in options, futures or other derivative instruments based thereon. The reader should assume that BMO Capital Markets or its affiliates may have a conflict of interest and should not rely solely on this report in evaluating whether or not to buy or sell securities of issuers discussed herein.

### **Additional Matters**

This report is directed only at entities or persons in jurisdictions or countries where access to and use of the information is not contrary to local laws or regulations. Its contents have not been reviewed by any regulatory authority. BMO Capital Markets does not represent that this report may be lawfully distributed or that any financial products may be lawfully offered or dealt with, in compliance with regulatory requirements in other jurisdictions, or pursuant to an exemption available thereunder.

To Australian residents: BMO Capital Markets Limited and Bank of Montreal are exempt from the requirement to hold an Australian financial services licence under the Corporations Act in respect of financial services they provide to wholesale investors (as defined in the Corporations Act). BMO Capital Markets Limited is regulated by the UK Financial Conduct Authority under UK laws, and Bank of Montreal in Hong Kong is regulated by the Hong Kong Monetary Authority and the Securities and Futures Commission, which differ from Australia laws. This document is only intended for wholesale clients (as defined in the Corporations Act 2001), Eligible Counterparties or Professional Clients (as defined in Annex II to MiFID II) and Professional Investors (as defined in the Securities and Futures Ordinance and the Securities and Futures (Professional Investor) Rules under the Securities and Futures Ordinance of Hong Kong).

To Canadian Residents: BMO Nesbitt Burns Inc. furnishes this report to Canadian residents and accepts responsibility for the contents herein subject to the terms set out above. Any Canadian person wishing to effect transactions in any of the securities included in this report should do so through BMO Nesbitt Burns Inc.

The following applies if this research was prepared in whole or in part by Colin Hamilton, Alexander Pearce or Raj Ray:

This research is not prepared subject to Canadian disclosure requirements. This research is prepared by BMO Capital Markets Limited and distributed by BMO Capital Markets Limited or Bank of Montreal Europe Plc and is subject to the regulations of the Financial Conduct Authority (FCA) in the United Kingdom and the Central Bank of Ireland (CBI) in Ireland. FCA and CBI regulations require that a firm providing research disclose its ownership interest in the issuer that is the subject of the research if it and its affiliates own 5% or more of the equity of the issuer. Canadian regulations require that a firm providing research disclose its ownership interest in the issuer that is the subject of the research if it and its affiliates own 1% or more of the equity of the issuer that is the subject of the research. Therefore each of BMO Capital Markets Limited and Bank of Montreal Europe Plc will disclose its and its affiliates' ownership interest in the subject issuer only if such ownership exceeds 5% of the equity of the issuer.

To E.U. Residents: In an E.U. Member State this document is issued and distributed by Bank of Montreal Europe plc which is authorised and regulated in Ireland and operates in the E.U. on a passported basis. This document is only intended for Eligible Counterparties or Professional Clients, as defined in Annex II to "Markets in Financial Instruments Directive" 2014/65/EU ("MiFID II").

To U.S. Residents: BMO Capital Markets Corp. furnishes this report to U.S. residents and accepts responsibility for the contents herein, except to the extent that it refers to securities of Bank of Montreal. Any U.S. person wishing to effect transactions in any security discussed herein should do so through BMO Capital Markets Corp.

To U.K. Residents: In the UK this document is published by BMO Capital Markets Limited which is authorised and regulated by the Financial Conduct Authority. The contents hereof are intended solely for the use of, and may only be issued or passed on to, (I) persons who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order") or (II) high net worth entities falling within Article 49(2)(a) to (d) of the Order (all such persons together referred to as "relevant persons"). The contents hereof are not intended for the use of and may not be issued or passed on to retail clients.

To Hong Kong Residents: In Hong Kong, this report is published and distributed by Bank of Montreal. Bank of Montreal (incorporated in Canada with limited liability) is an authorized institution under the Banking Ordinance and a registered institution with the Securities and Futures Commission (CE No. AAK809) to carry on Type 1 (dealing in securities) and Type 4 (advising in securities) regulated activities under the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong). This report has not been reviewed or approved by any regulatory authority in Hong Kong. Accordingly this report must not be issued, circulated or distributed in Hong Kong other than (a) to professional investors as defined in the Securities and Futures Ordinance and the Securities and Futures (Professional Investor) Rules under the Securities and Futures Ordinance of Hong Kong, or (b) in circumstances which do not result in or constitute an offer to the public in Hong Kong.

To Korean Residents: This report has been provided to you without charge for your convenience only. All information contained in this report is factual information and does not reflect any opinion or judgement of BMO Capital Markets. The information contained in this report should not be construed as offer, marketing, solicitation or investment advice with respect to financial investment products in this report.

To Japan Residents: This report has not been reviewed by any regulatory authority in Japan. This report is provided for information purposes only and it should not be construed as an offer to sell, a solicitation to buy, or a recommendation for any security, or as an offer to provide investment management or advisory or other services in Japan. Securities may not be offered or sold in Japan by means of this report or any other document other than to Qualified Financial Institutions within the meaning of item (i) of Article 17-3 of the Government Ordinance to enforce the Financial Instruments and Exchange Act (Kinyu Shohin Torihiki Ho Sekou Rei). Unless specified otherwise, the securities that may be offered to you are not and will not be registered in Japan pursuant to the Financial Instruments and Exchange Acts.

To Taiwanese Residents: This report is not intended to constitute investment advice nor a public offer for any investment products to investors in Taiwan. This report should only be accessed by investors in Taiwan that are qualified to invest in investment products pursuant to relevant Taiwanese laws and regulations, and subject to sales restrictions as set forth in the relevant Taiwanese laws and regulations. BMO Capital Markets has not and will not secure the required licenses in Taiwan for the offer of securities and investment services. Any offer of securities has not been and will not be registered or filed with or approved by the Financial Commission of Taiwan and/or other regulatory authority pursuant to relevant securities laws and regulations of Taiwan, and may not be issued, offered or sold within Taiwan through a public offering or in circumstances which constitute an offer that requires a registration, filing or approval of the Financial Supervisory Commission of Taiwan and/or other regulatory authority in Taiwan under relevant securities laws and regulations of Taiwan. No person or entity in Taiwan has been authorized to offer or sell the securities in Taiwan.

To Singapore Residents: This report is intended for general circulation and does not and is not intended to constitute the provision of financial advisory services, whether directly or indirectly, to persons in Singapore. You should seek advice from a financial adviser regarding the suitability of the investment products, taking into account your specific investment objectives, financial situation or particular needs before you make a commitment to purchase the investment product. This report has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, it should not be circulated or distributed, nor may the securities described herein be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (a) to an institutional investor or a relevant person as defined in and pursuant to and in accordance with the conditions of the relevant provisions of the Securities and Futures Act of Singapore or (b) otherwise pursuant to and in accordance with the conditions of, any other applicable provision of the SFA.

To Israeli residents: BMO Capital Markets is not licensed under the Israeli Law for the Regulation of Investment Advice, Investment Marketing and Portfolio Management of 1995 (the "Advice Law") nor does it carry insurance as required thereunder. This document is to be distributed

solely to persons that are qualified clients (as defined under the Advice Law) and qualified investors under the Israeli Securities Law of 1968. This document represents the analysis of the analyst but there is no assurance that any assumption or estimation will materialize.

These documents are provided to you on the express understanding that they must be held in complete confidence and not republished, retransmitted, distributed, disclosed, or otherwise made available, in whole or in part, directly or indirectly, in hard or soft copy, through any means, to any person, except with the prior written consent of BMO Capital Markets.

[Click here](#) for data vendor disclosures when referenced within a BMO Capital Markets research document.

For assistance with accessible formats of online content, please contact [research@bmo.com](mailto:research@bmo.com).

The recommendation contained in this report was produced at May 29, 2024, 12:38 ET. and disseminated at May 29, 2024, 12:38 ET.

---

**ADDITIONAL INFORMATION IS AVAILABLE UPON REQUEST**

BMO Financial Group (NYSE, TSX: BMO) is an integrated financial services provider offering a range of retail banking, wealth management, and investment and corporate banking products. BMO serves Canadian retail clients through BMO Bank of Montreal and BMO Nesbitt Burns. In the United States, personal and commercial banking clients are served by BMO Bank N.A., (Member FDIC). Investment and corporate banking services are provided in Canada and the US through BMO Capital Markets.

BMO Capital Markets is a trade name used by BMO Financial Group for the wholesale banking businesses of Bank of Montreal, BMO Bank N.A. (member FDIC), Bank of Montreal Europe p.l.c, and Bank of Montreal (China) Co. Ltd, the institutional broker dealer business of BMO Capital Markets Corp. (Member [FINRA](#) and [SIPC](#)) and the agency broker dealer business of Clearpool Execution Services, LLC (Member [FINRA](#) and [SIPC](#)) in the U.S., and the institutional broker dealer businesses of BMO Nesbitt Burns Inc. (Member Canadian Investment Regulatory Organization and Member Canadian Investor Protection Fund) in Canada and Asia, Bank of Montreal Europe p.l.c. (authorised and regulated by the Central Bank of Ireland) in Europe and BMO Capital Markets Limited (authorised and regulated by the Financial Conduct Authority) in the UK and Australia.

"Nesbitt Burns" is a registered trademark of BMO Nesbitt Burns Corporation Limited, used under license. "BMO Capital Markets" is a trademark of Bank of Montreal, used under license. "BMO (M-Bar roundel symbol)" is a registered trademark of Bank of Montreal, used under license.

® Registered trademark of Bank of Montreal in the United States, Canada and elsewhere.

TM Trademark Bank of Montreal

©COPYRIGHT 2024 BMO CAPITAL MARKETS CORP.

A member of **BMO**  **Financial Group**