

Lithium Ionic Corp.

EV Materials

Rating
SPECULATIVE BUY
unchanged

Price Target
C\$3.25
unchanged

LTH-TSXV

Price
C\$0.89

Market Data

52-Week Range (C\$) :	0.62 - 2.74
Avg Daily Vol (000s) :	392
Market Cap (C\$M) :	123.0
Shares Out. (M) :	138.2
Enterprise Value (C\$M) :	118.7
NAV /Shr (C\$) :	3.09
Net Cash (C\$M) :	19.8
P/NAV (x) (C\$) :	0.29



Priced as of close of business 29 May 2024

Lithium Ionic is an exploration and development company that is steadily advancing its flagship Bandeira project in Minas Gerais state, Brazil, in addition to the earlier-stage Salinas project.

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Royalty deal alleviates balance sheet stress

Lithium Ionic announced a binding term sheet agreement with Appian Capital Advisory LLP to sell a 2.25% gross revenue royalty on its Bandeira Deposit in exchange for US \$20 million in cash.

Our view - valuation impact neutral; but royalty deal alleviates near-term balance sheet stress: Adjusting our model for the 2.25% GOR royalty at Bandeira results in a 4% decline in our asset-NAV for Bandeira, equivalent to ~US\$26 million. This negative impact is almost entirely offset by the US\$20 million of cash coming in. The net impact on our corporate-level NAV is a mere 1% decline. As such, we maintain our C\$3.25/sh target and SPEC BUY rating.

Another positive from this transaction is the balance sheet relief that these incremental funds provide. A major concern among investors was how tight LTH's balance sheet was getting, with less than C\$5 million in cash on hand before this transaction.

In our view, the company is now better positioned to further advance the development and construction of Bandeira. Recall, the company released a positive Feasibility Study update yesterday. See our note [here](#). In our view, the next big potential catalyst for LTH will be the announcement of a strategic partner and/or an offtake agreement, along with funds to help fund construction (US\$266 million capex). LTH continues to target first production in 2026, with the receipt of project permits imminent (early Q3 2024).

Terms of the agreement:

- A 2.25% life of mine gross revenue royalty on the Bandeira Project
- A purchase price of US\$20 million payable to Lithium Ionic upon closing
- An option for LTH to fully buy-back the royalty within the first five years for a fee of US\$67.5 million
- The closing/funding are subject to the execution of a definitive agreement based on the key terms above
- Funding is subject to customary conditions, including the finalization and execution of documentation and the provision of legal opinions

Maintain SPEC BUY rating; C\$3.25 target price: We've updated our forecasts for the Appian royalty transaction. As a result, our NAVPS is largely unchanged, and we maintain our target and rating. LTH currently trades at 0.29x NAV, an attractive discount to peers at 0.56x.

Appendix: Important Disclosures

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Sector Coverage

Individuals identified as "Sector Coverage" cover a subject company's industry in the identified jurisdiction, but are not authoring analysts of the report.

Investment Recommendation

Date and time of first dissemination: May 30, 2024, 12:20 ET

Date and time of production: May 30, 2024, 12:20 ET

Target Price / Valuation Methodology:

Lithium Ionic Corp. - LTH

Our target price is based on 1.0x NAV, measured as at July 1, 2025.

Risks to achieving Target Price / Valuation:

Lithium Ionic Corp. - LTH

Exploration risk

Exploration is subject to a number of risks and can require a high rate of capital expenditure. Risks can also be associated with the conversion of inferred resources and lack of accuracy in the interpretation of geochemical, geophysical, drilling and other data. No assurances can be given that exploration will delineate mineral resources or that the company will be able to convert mineral resources into minable reserves.

Financing risk

As an exploration and development company with no operating cash flow, Lithium Ionic is reliant upon the capital markets to fund the development of its assets and the continuing business development activities. There is no guarantee that LTH will continue to be able to access capital markets should there be changes in market sentiment and/or pricing.

Permitting risk

Our estimates and valuation assume the successful receipt of permits for the company's projects; however, there is no guarantee that this will be the case, or that permits will be received within our assumed timelines.

Operating risk

If and when in production, the company will be subject to risks such as plant and equipment breakdowns, metallurgical (meeting design recoveries), materials handling and other technical issues. An increase in operating costs could reduce the profitability and free cash generation from the operating assets considerably and negatively impact valuation. Furthermore, the actual characteristics of an ore deposit may differ significantly from initial interpretations, which can also materially impact forecast production from original expectations.

Jurisdictional risk

Investments in emerging markets such as Brazil pose a greater degree of risk as they are more susceptible to destabilization. As a result, Lithium Ionic's operations could be adversely impacted by political and economic instability and/or changes in government policy that could affect the ownership of assets, mining activities, exchange rates, and taxation, among others. Given the heightened jurisdictional risk and technical risk (pre-resource), we assume an elevated discount rate to value Itinga vs. the typical 8% used to value operating lithium assets in safe jurisdictions.

Commodity price and currency fluctuations

As with any mining company, LTH is directly exposed to commodity price and currency fluctuations. Commodity price fluctuations are driven by many macroeconomic forces, including inflationary pressures, interest rates and supply and demand factors. These factors could reduce the profitability, costing and prospective outlook for the business.

Distribution of Ratings:

Global Stock Ratings (as of 05/30/24)

Rating	Coverage Universe		IB Clients
	#	%	%
Buy	620	66.67%	22.58%
Hold	139	14.95%	10.79%
Sell	12	1.29%	8.33%
Speculative Buy	151	16.24%	49.01%
	930*	100.0%	

*Total includes stocks that are Under Review

Canaccord Genuity Ratings System

BUY: The stock is expected to generate returns greater than 10% during the next 12 months.

HOLD: The stock is expected to generate returns from -10% to 10% during the next 12 months.

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*As of January 1, 2024, the Ratings History Chart will reflect the new Canaccord Genuity Ratings System as defined above.

Risk Qualifier

SPECULATIVE: The stock bears significantly above-average risk and volatility. Investments in the stock may result in material loss.

12-Month Recommendation History (as of date same as the Global Stock Ratings table)

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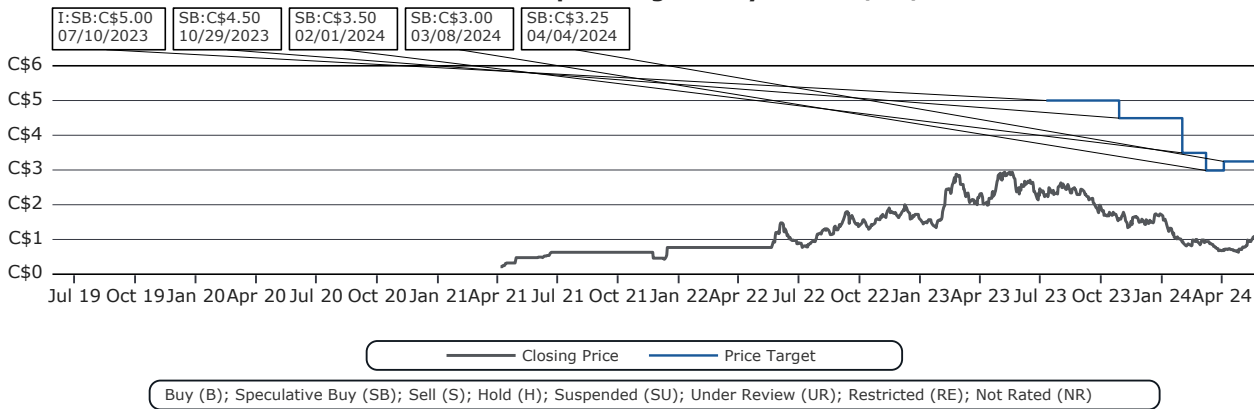
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An analyst has visited the material operations of Lithium Ionic Corp.. No payment was received for the related travel costs.

An analyst has visited the material operations of Lithium Ionic Corp.. Full payment was received for the related travel costs.

Lithium Ionic Corp. Rating History as of 05/29/2024



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