

Lithium Ionic Corp.

Frederic Tremblay, CFA • (514) 841-0283 • frederic.a.tremblay@desjardins.com

Liam Bergevin, Associate • (514) 809-7586 • liam.a.bergevin@desjardins.com

Rating: Buy, Risk: Speculative, Target: C\$3.75

LTH C\$0.95, TSX-V

Bandeira feasibility study results

LTH released feasibility study results for its 100%-owned **Bandeira lithium project**, which is located close to Sigma Lithium's Grotta do Cirilo and CBL's Cachoeira lithium mine in Minas Gerais, Brazil. The results compared favourably with our expectations but were below PEA results given the more conservative assumptions being used (eg reserves, feed grade, capex and opex). Overall, we continue to view Bandeira as a low-cost, quick-to-market project.

The feasibility study shows an after-tax NPV_{8%} of US\$1.3b, IRR of 40% and payback of 41 months vs US\$1.6b, 121% and 14 months in the 2023 PEA. It envisions a 14-year minelife and first production in 2026 (we model a 27-year minelife and 2026). Of note, the study is based on probable and proven reserves from the November 2023 mineral resource estimate. Thus, it did not include the updated mineral resource estimate of 41.9mt at 1.35% Li₂O released last month (could represent immediate upside to the minelife). The study shows an average feed grade of 1.16% Li₂O (vs 1.23% in the PEA and 1.21% in our model). Bandeira remains a low-cost project with capex of US\$266m (vs US\$233m in the PEA and our model) and operating costs of US\$444/t excluding transportation (vs US\$349/t in the PEA and our model). A long-term spodumene concentrate price of US\$2,277/t is assumed (we use US\$1,500/t in our model). A sensitivity analysis shows an NPV_{8%} of US\$864m and 33% IRR at a price of US\$1,822/t, highlighting Bandeira's robust economics even in a lower-price environment. LTH intends to further optimize and streamline capital and operating costs in its basic engineering phase.

Financial position. With the balance sheet currently tight (latest available cash-on-hand position of ~C\$10m), we see potential for the release of the feasibility study to open up/accelerate opportunities to enhance LTH's financial position.

Several potential catalysts remain. In early 3Q24, LTH expects an approval for the concomitant environmental and installation licence, which would grant the company an environmental and social licence for Bandeira, as well as authorization to begin construction. At the Salinas project, a PEA is expected in 2H24. In addition, we continue to see a constructive resource expansion outlook supported by planned exploration programs at existing deposits as well as other regional targets.

Valuation. LTH trades at 0.22x P/NAV vs peers at 0.30x. We view the valuation as compelling, especially considering LTH's quick path to production, low costs, proximity to producers and infrastructure, and further resource growth potential.

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Buy

Stocks that are expected to outperform their respective peer group* over a 12-month period

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Stocks that are expected to perform in line with their respective peer group* over a 12-month period

Sell

Stocks that are expected to underperform their respective peer group* over a 12-month period (includes recommendations to tender to a takeover offer)

Not Rated

Stock is being covered exclusively on an informational basis

RISK QUALIFIERS

Average Risk

Risk represented by the stock is in line with its peer group* in terms of volatility, liquidity and earnings predictability

Above-average Risk

Risk represented by the stock is greater than that of its peer group* in terms of volatility, liquidity and earnings predictability

Speculative

High degree of risk represented by the stock, marked by an exceptionally low level of predictability

* Peer group refers to all of the companies that an analyst has under coverage and does not necessarily correspond to what would typically be considered an industry group. Where an analyst's coverage universe is such that 'relative' performance against a 'peer group' is not meaningful, the analyst will benchmark the rating against the most appropriate market index

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Hold	Hold	38	25	30	25
Sell	Sell/Tender	3	2	3	3
Total		154	100	118	100

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

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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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OFFICES**Montreal**

1170 Peel Street
Suite 300
Montreal, Quebec H3B 0A9
(514) 987-1749

Toronto

25 York Street
Suite 1000
Toronto, Ontario M5J 2V5
(416) 607-3001

Calgary

110 9th Avenue SW
Suite 410
Calgary, Alberta T2P 0T1
(877) 532-6601

Vancouver

401 West Georgia Street
Suite 1050
Vancouver, British Columbia
V6B 5A1
(604) 656-2665