



Lithium Ionic

LTH-TSXV

 Rating
Outperform(S)

 Price: Aug-14
\$0.52

 Target
\$2.00

 Total Rtn
285%

Pilbara's Bid for Latin Resources a Potential Catalyst for LTH

Bottom Line:

Pilbara Minerals announced its intention to acquire Latin Resources (LRS) in an all-share transaction valued at ~US\$370M, representing a 32% premium to LRS's 30-day VWAP. Latin's PEA-stage Salinas project is adjacent to LTH's Salinas project and contains resources of 77.7Mt at 1.24% Li2O, implying an EV/resource multiple of ~US\$150/t LCE. Our [recent note](#) highlighted the potential for a re-rating of LTH shares (currently trading at ~US\$10/t LCE) and this transaction could be such a catalyst.

Key Points

Pilbara announces intention to acquire Latin Resources. LRS shareholders to receive 0.07 Pilbara shares for each LRS share held, implying consideration of ~US\$370M and representing a 32% premium to LRS's 30-day VWAP. Pro forma, Pilbara shareholders will own ~93.6% and LRS shareholders will own ~6.4% of the combined company. Based on Latin's resources of 77.7Mt at 1.24% Li2O the consideration implies an EV/resource multiple of ~US\$150/t LCE, which is generally in line with multiples paid in other recent lithium developer transactions.

Positive read-through for LTH. We highlighted in our recent note that LTH is currently trading at a discount vs. its hard rock developer peers on an EV/resource basis (~US\$10/t LCE vs. peer median of US\$24/t LCE), and that a re-rating towards the peer median could provide ~50% share price uplift. To date, LTH has defined resources of 60.1Mt at 1.28% Li2O, expects to receive its permits to begin construction at Bandeira imminently, and to deliver a PEA on its Salinas project, which is directly adjacent to the LRS project, later this year. As part of its rationale for acquiring LRS, Pilbara cited the addition of a second potential operating platform in an emerging lithium region (i.e., Brazil), underpinned by a fast-tracked permitting process and pro-mining government. With an established lithium producer entering the region and providing a tangible value benchmark for a neighbouring project, we expect LTH shares will react positively on the back of this news.

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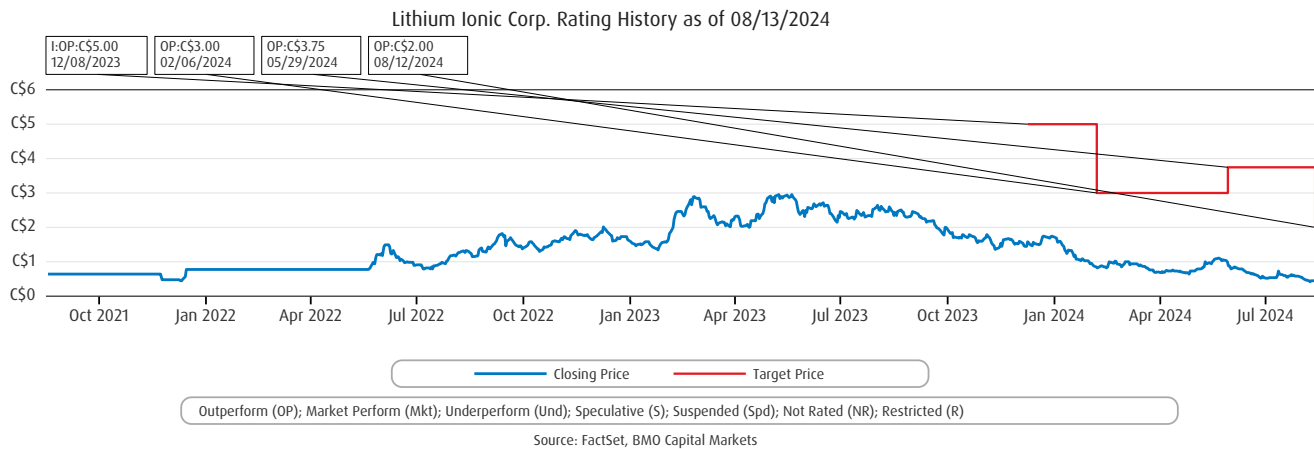
Company Description

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


 LTH-TSXV
 Research


Glossary


 Company
 Models



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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 0.45x 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% Li2O). 5) Commodity price risk. Weakness in lithium and spodumene demand and commodity prices could negatively impact share price performance.

Distribution of Ratings (August 13, 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	51.6 %	21.6 %	56.2 %	56.9 %	65.0 %	57.7%
Hold	Market Perform	46.2 %	17.8 %	41.6 %	41.8 %	34.2 %	37.5%
Sell	Underperform	2.2 %	20.0 %	2.2 %	1.2 %	0.8 %	4.8%

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(S) = Speculative investment;

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(April 2013 - October 2016)

http://researchglobal.bmocapitalmarkets.com/documents/2013/rating_key_2013_to_2016.pdf

(January 2010 - April 2013)

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