

Lithium Ionic Corp.

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

LTH C\$0.52, TSX-V

Pilbara puts seal of approval on lithium in Brazil with acquisition of Latin Resources; could Latin's neighbour LTH be next?

Yesterday evening, Pilbara Minerals (PLS, ASX, not rated) announced an agreement to acquire Latin Resources (LRS, ASX, not rated) in an all-share transaction at a premium of 57% and 32% to the 10-day and 30-day VWAP, respectively. Interestingly, Latin's flagship Salinas lithium project is adjacent to one of Lithium Ionic's projects in Brazil's Minas Gerais region (LTH's project is also named Salinas). We therefore highlight the following takeaways:

- **A vote of confidence for the Brazilian lithium industry.** Pilbara is a leading hard rock lithium producer through its Pilgangoora operation in Australia. In our opinion, Pilbara's foray outside of Australia via the pending acquisition of Latin offers strong validation of Minas Gerais' attractive attributes for lithium project development and operations (eg fast-tracked permitting process, pro-mining government, low costs, access to labour, established infrastructure).
- **Price paid for Latin underscores LTH's cheap valuation.** Based on transaction terms and Latin's global mineral resource estimate of 77.7mt at 1.24% Li₂O, we calculate that Pilbara is paying ~US\$152/t LCE for Latin. Meanwhile, we note that LTH has a global mineral resource estimate of 60.1mt at 1.28% Li₂O and trades at ~US\$18/t LCE.
- **Proximity to Latin's flagship project reinforces LTH's status as a takeout candidate, in our view.** LTH has several properties in the Minas Gerais region, including the Bandeira project (close to Sigma Lithium and CBL) and the Salinas project. The latter is adjacent to Latin's flagship project and, in our view, there would be advantages/benefits to combining both properties under the same ownership. In addition to a single-asset sale (ie Salinas project), we believe lithium players looking for exposure to Brazil may look at LTH in its entirety. That said, we also continue to view LTH as an attractive investment even if no takeout scenario ultimately materializes. In addition to drill results, potential near-term catalysts for LTH include construction permits at Bandeira (expected in 3Q24) and a PEA at Salinas (expected in 2H24).

Overall, we view the Pilbara/Latin transaction as positive for LTH. Not only does it shed light on LTH's deeply depressed valuation and on the potential to unlock value through transactions, but it also confirms that Brazil is an attractive jurisdiction for future lithium production.

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Lithium Ionic Corp. Rating History as of 08-14-2024



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