

# Lithium Ionic Corp. EV Materials

Rating  
**SPECULATIVE BUY**  
unchanged

Price Target  
**C\$2.50**  
unchanged

LTH-TSXV

Price  
**C\$0.62**

### Market Data

52-Week Range (C\$) :	0.41 - 2.35
Avg Daily Vol (000s) :	418
Market Cap (C\$M) :	98.3
Shares Out. (M) :	158.6
NAV /Shr (C\$) :	2.39
P/NAV (x) (C\$) :	0.26



Source: FactSet

Priced as of close of business 9 September 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.

**Katie Lachapelle, CPA** | Analyst | Canaccord Genuity Corp. (Canada) | klachapelle@cgf.com | 1.416.869.7294  
**Meaghan Charlebois** | Associate | Canaccord Genuity Corp. (Canada) | mcharlebois@cgf.com | 1.416.206.8371

## A step in the right direction; LAC approval on deck

This morning, Lithium Ionic announced the receipt of approval for the Final Exploration Reports for its Bandeira and Outro Lado lithium properties from Brazil's National Mining Agency — an important permitting milestone.

**A step in the right direction; LAC approval on deck:** With the Final Exploration Report permits in hand, LTH has proceeded to submit its Mining Concession application along with the Economic Viability Study for the Bandeira property. These submissions will need to be approved in order for LTH to transition from exploration to production.

From a regulatory perspective, the next major hurdle — and a key catalyst, in our view — will be the approval of the Licença Ambiental Concomitante (LAC) for the Bandeira Lithium Project. The LAC is needed before construction can begin, and management anticipates approval in the next few months. Furthermore, the LAC acts as a prerequisite to the final granting of the Mining Concession (which LTH just applied for). As a reminder, the LAC was first submitted for approval in November 2023, and LTH management had been guiding towards approval in Q3 2024 (now "next couple months").

**Private placement and royalty deal alleviates balance sheet stress, but funding questions remain:** In June 2024, LTH closed an oversubscribed private placement offering for gross proceeds of ~C\$16 million. Shortly thereafter, LTH completed a definitive royalty agreement with Aprian Capital Advisory LLP (first announced in May) to sell a 2.25% gross revenue royalty on Bandeira in exchange for US\$20 million in cash. After the close of these transactions, we estimate a cash balance of ~C\$35 million.

Prior to these transactions, LTH had less than C\$5 million in cash on hand. As such, the company is now better positioned to advance Bandeira. However, at an estimated initial capital cost of US\$266 million ([FS note](#)), the company is not yet fully funded for construction. If LTH wants to maintain its project construction timelines, incremental funding will need to be secured.

In our view, the next potential catalyst for LTH could be the announcement of a strategic partner and/or an offtake agreement, along with incremental funds to help fund construction. The company continues to target first production in 2026; we maintain our 2027 forecast.

**Maintain SPEC BUY; C\$2.50/sh target price:** We have updated our estimates for LTH's latest financials. As a result, our NAVPS is largely unchanged (0.5% Δ), and we maintain our C\$2.50/sh target price and SPEC BUY rating. Our target price remains based on 1.0x NAV, now measured as at October 1, 2025.

### Potential upcoming catalysts:

- Approval of Bandeira LAC/construction permit
- Potential strategic partnership, offtake agreement and/or M&A
- Completion of Salinas PEA – H2 2024
- Salinas resource update – Q4 2024 (30,000m program underway)
- Completion of Salinas EIA – Q1 2025

# 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: September 10, 2024, 09:16 ET

Date and time of production: September 10, 2024, 09:16 ET

## **Target Price / Valuation Methodology:**

Lithium Ionic Corp. - LTH

Our target price is based on 1.0x NAV, measured as at October 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 09/10/24)**

Rating	Coverage Universe		IB Clients
	#	%	%
Buy	610	66.96%	22.79%
Hold	132	14.49%	11.36%
Sell	15	1.65%	6.67%
Speculative Buy	145	15.92%	48.97%
	911*	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.

**SELL:** The stock is expected to generate returns less than -10% during the next 12 months.

**NOT RATED:** Canaccord Genuity does not provide research coverage of the relevant issuer.

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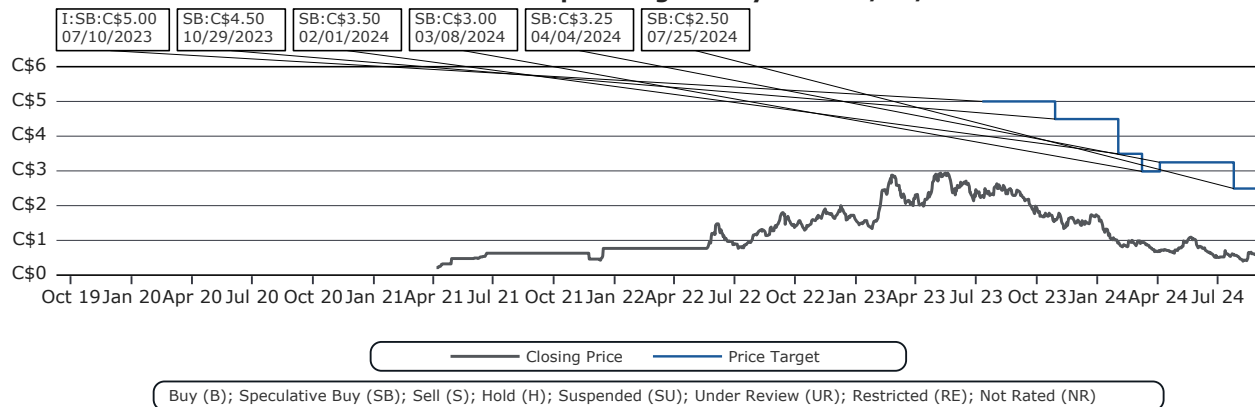
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An analyst has visited the material operations of Lithium Ionic Corp.. Full payment was received for the related travel costs.

**Lithium Ionic Corp. Rating History as of 09/09/2024**



**Past performance**

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