

Lithium Ionic

LTH-TSXV

Rating
Outperform(S)Price: Nov-27
\$0.94Target ↑
\$2.00Total Rtn
113%

LOI Signed With US EXIM Bank for US\$266M Debt Funding

Bottom Line:

LTH announced a non-binding LOI from the US Export-Import Bank for up to US\$266M in debt financing (15-year term) for its Bandeira project. The funding covers the full capex estimate outlined in the May 2024 feasibility study. EXIM's funding is conditional upon LTH competing the funding application, EXIM's satisfactory due diligence and its customary approval process. We model ~US\$290M of capex and assume a US\$34M equity raise mid-2025. The debt financing minimizes future equity dilution, increasing our NAVPS. We increase our target price to C\$2.00 (0.60x NAV).

Key Points

Non-binding LOI with US EXIM Bank for up to US\$266M in debt financing. The announced funding covers the entire Bandeira project capex that was presented in the May 2024 feasibility study. EXIM has announced financing support for a number of battery materials companies in recent months as part of the China and Transformational Export Program (CTEP), a mandate to help ease supply chain competition from China. The loan commitment is conditional upon LTH completing the requisite funding application, EXIM completing satisfactory due diligence, and its customary approval process. The loan has a maximum repayment term of 15 years.

Reduces future equity dilution. The announced loan is larger than we had assumed (US\$266M vs. US\$210M previously), which reduces our future equity financing assumptions. We model total Bandeira capex of ~US\$290M vs. US\$266M (+5% vs. May 2024 feasibility study). We have updated our financing assumptions and assume total capital raised of US\$300M, which consists of the announced US\$266M EXIM debt funding and a US\$34M (~C\$47M) equity raise in Q2/25. LTH ended Q3/24 with a cash balance of C\$28M. Our previous financing assumptions included US\$80M (~C\$110M) of future equity.

Increasing target price to C\$2.00 driven by reduced dilution, with the EXIM financing package displacing a portion of previously assumed equity, and assuming the equity is raised at a higher price (LTH's share price is up ~42% since our prior update). Our target price setting NAVPS increased to C\$3.17 from C\$2.28, to which we apply a 0.60x multiple to arrive at our target price.

Upcoming catalysts: (i) receipt of Bandeira construction permits and initial mine development (Q4/24), (ii) Salinas PEA (Q4/24), (iii) start of main Bandeira construction activities (H2/25), (iv) Bandeira commissioning (Q3/26).

Key Changes

Target	Estimates	2024E	2025E
\$2.00↑	EPS		\$(0.12)
\$1.25	Previous		\$(0.16)
	CFPS	\$(0.14)	\$(0.08)
	Previous	\$(0.12)	\$(0.10)

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2YR Price Volume Chart



Company Data			in C\$
Dividend	\$0.00	Shares O/S (mm)	167.0
Yield	0.0%	Market Cap (mm)	\$157
NAV	\$3.17	P/NAV	0.3x

BMO Estimates				in C\$
(FY-Dec.)	2024E	2025E	2026E	
EPS	\$(0.20)	\$(0.12)↑	\$(0.25)↑	
CFPS	\$(0.14)↓	\$(0.08)↑	\$(0.07)↑	
Revenue	\$0	\$0	\$0	
EBITDA	\$(29)	\$(14)↑	\$(6)↑	

Consensus Estimates			
	2024E	2025E	2026E
EPS	\$(0.17)	\$(0.10)	\$0.05

Valuation			
	2024E	2025E	2026E
P/E	NM	NM	NM
P/CFPS	NM	NM	NM
EV/EBITDA	NM	NM	NM

QTR. EPS	Q1	Q2	Q3	Q4
2024E	\$(0.05)a	\$(0.10)a	\$(0.03)a	\$(0.02)
2025E	\$(0.02)	\$(0.03)	\$(0.03)	\$(0.04)
2026E	\$(0.04)	\$(0.05)	\$(0.07)	\$(0.09)

Our Thesis

We rate LTH shares Outperform (S) based on 1) its low-capex, feasibility-stage Bandeira project with potential for near-term production, 2) its 100%-owned Salinas project, with a PEA underway; and 3) its position as the second-largest landholder in Brazil's Lithium Valley provides the potential for further resource growth over the large under-explored property.

Lithium Ionic - Block Summary Model

Commodity Prices & Fx		2024E	2025E	2026E
Spodumene conc. SC5.5 (US\$/t)		928	1,146	1,375
USD:CAD		0.732	0.731	0.750
Production		2024E	2025E	2026E
Spodumene conc. (t)		0.0	0.0	0.0
Cash Costs		2024E	2025E	2026E
Cash Costs (C\$/t conc.)		0	0	0
Key Financial Metrics (c\$M)		2024E	2025E	2026E
Free Cash Flow		(27)	(84)	(210)
Net Debt (Cash)		(25)	12	222
Net Debt/EBITDA		nmf	0.9x	39.7x
Shares Outstanding (M)		148	175	192
Summary Income Statement (C \$M)		2024E	2025E	2026E
Revenue		0	0	0
Gross Profit		0	0	0
G&A		(9)	(6)	(6)
EBITDA		(29)	(14)	(6)
Depreciation		(0)	(7)	(36)
Net Interest Expense		0	(1)	(8)
Income Taxes		0	0	0
Operating Net Income		(29)	(22)	(49)
Summary Cash Flow Statement (c\$M)		2024E	2025E	2026E
Cash from Operations		(20)	(15)	(13)
Capital Expenditures		(0)	(68)	(197)
Cash from Investing		(7)	(70)	(197)
Share Issuance		15	47	0
Debt Issuance		(0)	68	197
Cash from Financing		41	115	197
Year End Cash Balance		25	56	43

Source: BMO Capital Markets, Company Reports

New Scenarios

Valuation

Our target price is set based on a 0.60x multiple of our fully financed 8% NAVPS. We apply an in-situ value for the Salinas resource at US\$50/t LCE.

Upside Scenario \$3.75

Our upside scenario considers capital and operating costs in line with the feasibility study, at an 8% discount rate, 10% higher price deck, and higher P/NAV multiple of 0.75x. We apply an in-situ value for the Salinas at US\$150/t LCE, in line with the multiple Pilbara is paying to acquire neighbouring Latin Resources.

Downside Scenario \$0.45

Our downside scenario assumes first production in Q4/27 to reflect a delayed permitting / construction timeline and assumes 50% higher capital and operating costs, at a reduced P/NAV multiple of 0.40x.



Key Catalysts

Bandeira LAC approval for environmental and social license and authorization to begin construction (Q4/24), Salinas PEA (Q4/24), closing of EXIM debt funding, and start of Bandeira initial mine development (Q4/24).

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

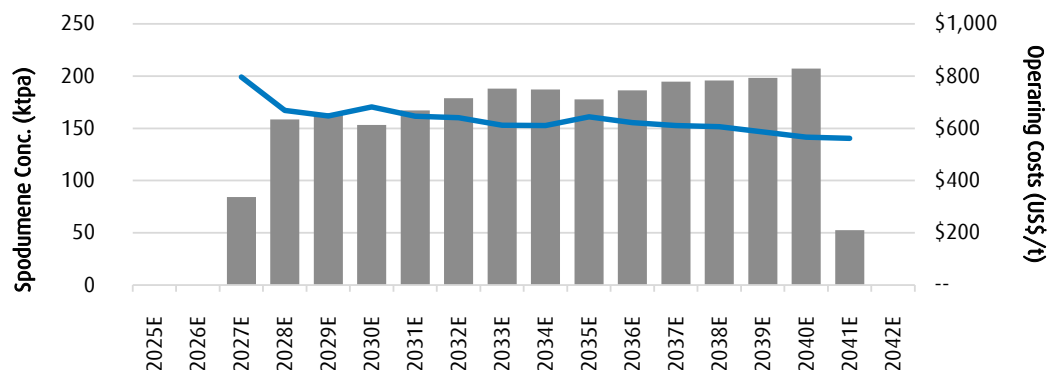


Company Models

Model Assumptions

- We model Bandeira according to the 2024 feasibility study production schedule with first production in Q2/27.
- We assume ~US\$290M of initial capex (+5% vs. feasibility study) and total funding of US\$300M, which consists of the announced US\$266M EXIM debt funding and a US\$34M (~C\$47M) equity raise in Q2/25. LTH ended Q3/24 with a cash balance of C\$28M.
- For Salinas, we include an in-situ value for the currently defined resources, plus additional resources assuming the mid-point of what LTH identified as its exploration target (i.e., 10-15 Mt at 1.0-1.3% Li2O) at US\$50/t LCE.
 - A PEA on Salinas is expected by end-2024, and we will look to revisit our assumptions following its release.
- Long-term (Q1/26+) spodumene price of US\$1,500/t (SC6).
- Our target price is based on a 0.60x multiple of our modelled NAVPS.

Exhibit 1 - BMO Modelled Production and Cost Profile



Note: Operating costs include transport costs and royalties.

Source: BMO Capital Markets

Exhibit 2 - BMO NAV Summary

	Disc. Rate %	BMO Base		BMO Upside		BMO Downside	
		NPV C\$M	Per Share C\$/share	NPV C\$M	Per Share C\$/share	NPV C\$M	Per Share C\$/share
Bandeira	8%	\$564	\$2.82	\$747	\$4.14	\$98	\$0.32
Salinas In-Situ ⁽¹⁾	n.a.	\$25	\$0.13	\$80	\$0.44	\$25	\$0.08
Salinas Exploration Credit ⁽²⁾	n.a.	\$25	\$0.13	\$75	\$0.42	\$25	\$0.08
Net Cash		\$28	\$0.14	\$28	\$0.15	\$28	\$0.09
ITM Option Proceeds		\$6	\$0.03	\$6	\$0.03	\$6	\$0.02
Future Equity Financing Proceeds		\$47	\$0.23	\$19	\$0.11	\$204	\$0.66
Corporate G&A		(\$62)	(\$0.31)	(\$62)	(\$0.34)	(\$63)	(\$0.20)
Total Corporate Adjustments		\$19	\$0.09	(\$9)	(\$0.05)	\$175	\$0.56
Net Asset Value		\$632	\$3.17	\$893	\$4.95	\$323	\$1.04
Current FD ITM Shares			167.0		167.0		167.0
Shares from Assumed Financing			32.8		13.5		142.9
FD ITM Shares			199.7		180.5		309.9
Target Multiple			0.60x		0.75x		0.40x
12-Month Target Price		\$379	\$1.90	\$670	\$3.71	\$129	\$0.42
12-Month Target Price (Rounded)			\$2.00		\$3.75		\$0.45

1. Assumes US\$50/t LCE (Base Case) and US\$150/t LCE (Upside Case), in line with multiple implied by Pilbara's announced acquisition of neighbouring Latin Resources.

2. Assumes an additional 12.5 Mt at 1.15% Li2O containing 355 kt LCE valued at US\$50/t LCE (Base Case) and US\$150/t LCE (Upside Case).

Source: BMO Capital Markets

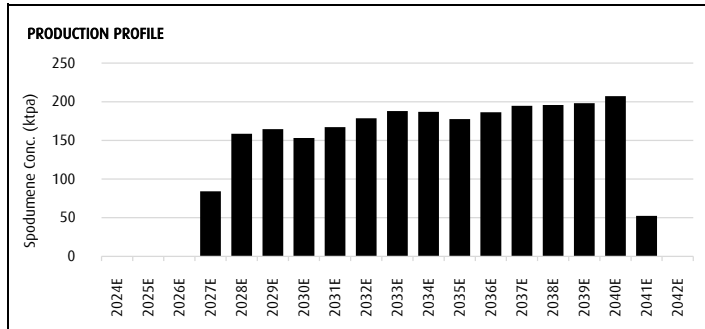
Exhibit 3 - Tear Sheet

LITHIUM IONIC				LTH-TSXV		Rating		Outperform (S)	
Greg Jones, Analyst, BMO Capital Markets								As of: 27-Nov-24	
Share Price	C\$/share	\$0.94		NAVPS	C\$/share	\$3.17	FD ITM Shares	M	167.0
Target Price	C\$/share	\$2.00		Price/NAV	Ratio	0.30x	Market Capitalization	C\$M	\$157
Implied Return	%	113%					Fiscal Year End	December	

PRICE AND FX ASSUMPTIONS						
December Year End						
		FY2023A	FY2024E	FY2025E	FY2026E	FY2027E
Spodumene (Realized)	US\$/t	nmf	\$928	\$1,146	\$1,375	\$1,375
Exchange Rate	USD:CAD	0.74	0.73	0.73	0.75	0.76

SUMMARY STATISTICS						
		FY2023A	FY2024E	FY2025E	FY2026E	FY2027E
Shares O/S (Avg.)	M	118.1	148.4	175.2	191.9	195.1
EPS (Adj.)	C\$/share	(\$0.51)	(\$0.20)	(\$0.12)	(\$0.25)	(\$0.16)
CFPS	C\$/share	(\$0.35)	(\$0.14)	(\$0.08)	(\$0.07)	\$0.07
FCF PS	C\$/share	(\$0.32)	(\$0.18)	(\$0.48)	(\$1.10)	(\$0.49)

RESERVES & RESOURCES					
		Tonnes	Li2O	Li2O	LCE
		kt	%	kt	kt
Global (Bandeira, Salinas, Outro Lado)		32,511	1.30%	424	1,049
Measured & Indicated		27,566	1.24%	343	848
Inferred					



NET ASSET VALUE SUMMARY (C\$M)					
		8% Disc. Rate		10% Disc. Rate	
		NPV C\$M	Per share C\$/share	NPV C\$M	Per share C\$/share
Bandeira		\$564	\$2.82	\$444	\$2.22
Salinas In-Situ ⁽¹⁾		\$25	\$0.13	\$25	\$0.13
Salinas Exploration Credit ⁽¹⁾		\$25	\$0.13	\$25	\$0.13
Net Cash		\$28	\$0.14	\$28	\$0.14
ITM Option Proceeds		\$6	\$0.03	\$6	\$0.03
Future Equity Financing Proceeds		\$47	\$0.23	\$47	\$0.23
Corporate G&A		(\$62)	(\$0.31)	(\$56)	(\$0.28)
Total Corporate Adjustments		\$19	\$0.09	\$24	\$0.12
Net Asset Value		\$632	\$3.17	\$519	\$2.60
Price Target (0.60x NAV) Rounded			\$2.00		
Current FD ITM Shares	M	167.0			
Shares from Future Equity	M	32.8			
FD ITM Shares	M	199.7			

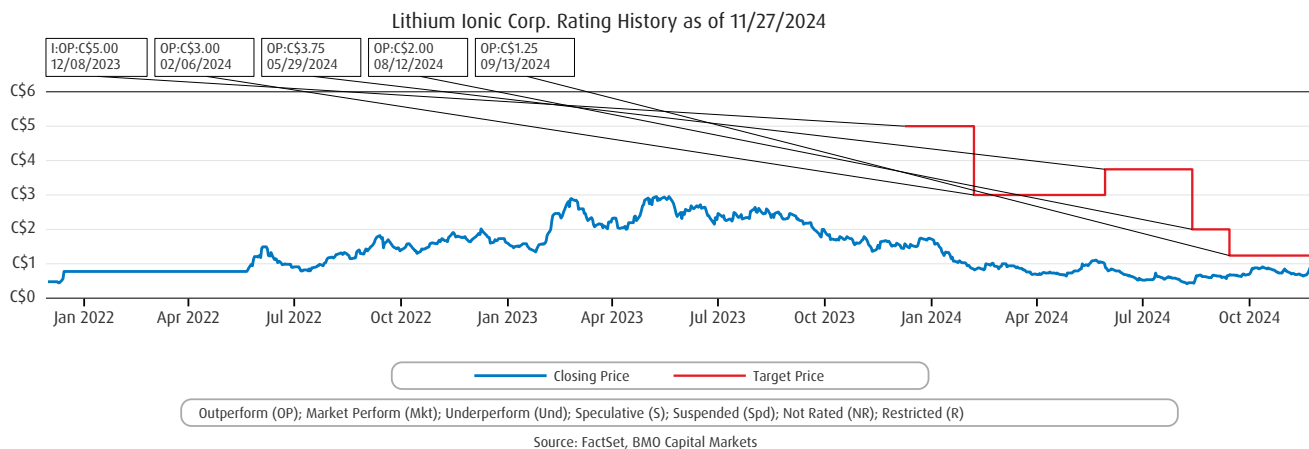
1. Assumes US\$50/t LCE (Base Case) and US\$150/t LCE (Upside Case).

PROFIT & LOSS STATEMENT (C\$M)						
December Year End						
		FY2023A	FY2024E	FY2025E	FY2026E	FY2027E
Net Revenue		--	--	--	--	\$151
Operating Costs		--	--	--	--	(\$88)
Gross Profit		--	--	--	--	\$64
SG&A		(\$8)	(\$9)	(\$6)	(\$6)	(\$6)
Other Expenses		(\$57)	(\$20)	(\$8)	--	(\$1)
EBITDA		(\$65)	(\$29)	(\$14)	(\$6)	\$57
Depreciation		(\$0)	(\$0)	(\$7)	(\$36)	(\$74)
EBIT		(\$65)	(\$30)	(\$20)	(\$41)	(\$17)
Interest Income (Expense)		\$1	\$0	(\$1)	(\$8)	(\$17)
Income Taxes		--	--	--	--	\$2
Net Income		(\$64)	(\$29)	(\$22)	(\$49)	(\$32)

CASH FLOW ANALYSIS (C\$M)						
December Year End						
		FY2023A	FY2024E	FY2025E	FY2026E	FY2027E
Cash Flows From Operating Activities						
Net Income		(\$64)	(\$29)	(\$22)	(\$49)	(\$32)
Non-Cash Items		\$23	\$7	\$7	\$36	\$69
Changes in Working Capital		(\$3)	\$3	--	--	(\$23)
		(\$45)	(\$20)	(\$15)	(\$13)	\$14
Cash Flows from Investing Activities						
Property, Plant and Equipment		(\$1)	(\$0)	(\$68)	(\$197)	(\$111)
Other		\$7	(\$7)	(\$1)	--	--
		\$7	(\$7)	(\$70)	(\$197)	(\$111)
Cash Flows from Financing Activities						
Proceeds from Issue of Shares		\$28	\$15	\$47	--	\$4
Proceeds from Borrowings		(\$0)	(\$0)	\$68	\$197	\$108
Proceeds from Other		--	\$26	--	--	--
		\$28	\$41	\$115	\$197	\$112
Beginning Cash		\$21	\$11	\$25	\$56	\$43
Net Increase in Cash Held		(\$10)	\$14	\$31	(\$13)	\$16
Ending Cash		\$11	\$25	\$56	\$43	\$59

BALANCE SHEET ANALYSIS (C\$M)						
December Year End						
		FY2023A	FY2024E	FY2025E	FY2026E	FY2027E
Current Assets						
Cash and Equivalents		\$11	\$25	\$56	\$43	\$59
Other		\$1	\$0	\$0	\$0	\$26
Non-Current Assets						
Property, Plant and Equipment		\$1	\$1	\$64	\$225	\$266
Other		--	\$3	\$3	\$3	\$3
Current Liabilities						
Payables		\$5	\$7	\$7	\$7	\$10
Borrowings		\$0	\$0	\$0	\$0	\$0
Non-Current Liabilities						
Borrowings		\$0	\$0	\$68	\$266	\$373
Other		--	\$26	\$26	\$26	\$25
Shareholders Equity						
Net Debt (Cash)		(\$11)	(\$25)	\$12	\$223	\$315

Source: BMO Capital Markets



IMPORTANT DISCLOSURES

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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 0.60x multiple to our calculated NAV, appropriate in our view for an development-stage company with a low-capital project in an attractive jurisdiction and balanced by the current market environment. We include an in-situ value for resources defined at LTH's Salinas project.

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 (November 27, 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	52.2 %	24.9 %	60.0 %	56.5 %	65.6 %	57.7%
Hold	Market Perform	45.7 %	18.0 %	38.0 %	42.3 %	33.6 %	37.5%
Sell	Underperform	2.2 %	20.0 %	2.0 %	1.2 %	0.8 %	4.8%

* Reflects rating distribution of all companies covered by BMO Capital Markets Corp. equity research analysts.

** Reflects rating distribution of all companies from which BMO Capital Markets Corp. has received compensation for Investment Banking services as percentage within ratings category.

*** Reflects rating distribution of all companies from which BMO Capital Markets Corp. has received compensation for Investment Banking services as percentage of Investment Banking clients.

**** Reflects rating distribution of all companies covered by BMO Capital Markets equity research analysts.

***** Reflects rating distribution of all companies from which BMO Capital Markets has received compensation for Investment Banking services as percentage of Investment Banking clients.

~ As of April 1, 2019.

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OP = Outperform - Forecast to outperform the analyst's coverage universe on a total return basis;

Mkt = Market Perform - Forecast to perform roughly in line with the analyst's coverage universe on a total return basis;

Und = Underperform - Forecast to underperform the analyst's coverage universe on a total return basis;

(S) = Speculative investment;

Spd = Suspended - Coverage and rating suspended until coverage is reinstated;

NR = No Rated - No rating at this time; and

R = Restricted - Dissemination of research is currently restricted.

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Prior BMO Capital Markets Rating System

(April 2013 - October 2016)

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

(January 2010 - April 2013)

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

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