

Lithium Ionic

LTH-TSXV

 Rating
Outperform(S)

 Price: Jan-13
\$0.87

 Target
\$2.00

 Total Rtn
130%

Drilling at Baixa Grande Project Increases Resources by 32%

Bottom Line:

LTH announced an updated resource estimate for its Baixa Grande project (formerly called Salinas) of 6.52Mt M&I and 12.90Mt Inferred, an increase of ~32%. The updated estimate is based on 35,734m (167 drill holes) completed between May 2023 and September 2024.

Key Points

Baixa Grande resource increased 32% from the initial April 2024 estimate and now stands at 6.52Mt at 1.11% Li2O (180kt LCE) M&I, 11.67Mt at 0.97% Li2O (281kt LCE) Inferred for open pit and 1.23Mt at 0.83% Li2O (25kt LCE) Inferred for underground (Exhibit 1). The deposit remains open along strike and at depth, suggesting the potential for further resource growth. While LTH had previously indicated the potential for a PEA to be released during H2/24, we expect the focus to remain on further resource growth prior to defining potential mine economics.

Follow-up drilling planned for Noé target. Today's release highlighted that drilling at the prospective Noé target yielded an initial Inferred resource estimate. At the time of the initial resource estimate, it was suggested that Noé may have potential to add between 10-15Mt with grades ranging from 1.0-1.3% Li2O, however, it is unclear what proportion of the Inferred resource announced today is attributed to Noé. LTH's current interpretation suggests the modeled pegmatites potentially increase at depth and follow-up drilling is planned to confirm.

We ascribe an EV/resource multiple of US\$50/t LCE to the updated resource plus some assumed resource growth. In August 2024, Pilbara Minerals announced the acquisition of Latin Resources, which owns the Colina deposit located adjacent to Baixa Grande (Exhibit 2) for ~US\$370M or ~US\$150/t LCE, which if applied to Baixa Grande's 486kt LCE, would imply a value of US\$73M (C\$105M). However, multiples have pulled back since August 2024, with Latin Resources now trading at ~US\$100/t LCE, or ~30% lower than the transaction multiple, which would imply a value of ~US\$50M (C\$70M) for Baixa Grande. LTH is currently trading at ~US\$40/t LCE, inclusive of the updated resource (Exhibit 3).

Upcoming catalyst: approval of the Bandeira project's Licença Ambiental Concomitante (LAC) license, which will allow construction activities to begin (expected early 2025).

Battery Materials

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2YR Price Volume Chart



Company Data

			in C\$
Dividend	\$0.00	Shares O/S (mm)	164.9
Yield	0.0%	Market Cap (mm)	\$143
NAV	\$3.24	P/NAV	0.3x

BMO Estimates

(FY-Dec.)	2024E	2025E	2026E
EPS	\$(0.20)	\$(0.12)	\$(0.26)↓
CFPS	\$(0.14)	\$(0.08)	\$(0.07)
Revenue	\$0	\$0	\$0
EBITDA	\$(29)	\$(14)	\$(6)

Consensus Estimates

	2024E	2025E	2026E
EPS	\$(0.20)	\$(0.11)	\$0.03

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 second 100%-owned Baixa Grande project, 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)		877	894	1,238
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)	13	223
Net Debt/EBITDA		nmf	0.9x	39.8x
Shares Outstanding (M)		148	175	191
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	42

Source: BMO Capital Markets, Company Reports

New Scenarios

Valuation

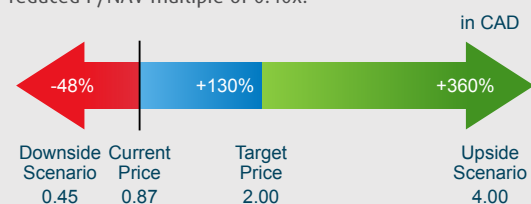
Our target price is set based on a 0.60x multiple of our fully financed 8% NAVPS. We apply an in-situ value for the Baixa Grande resource at US\$50/t LCE.

Upside Scenario \$4.00

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 Baixa Grande 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 (early-25), closing of EXIM debt funding, and start of Bandeira initial mine development (H2/25).

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 Baixa Grande project, located in Minas Gerais State, Brazil. LTH is targeting first production from Bandeira in 2026.



LTH-TSXV
Research



Glossary



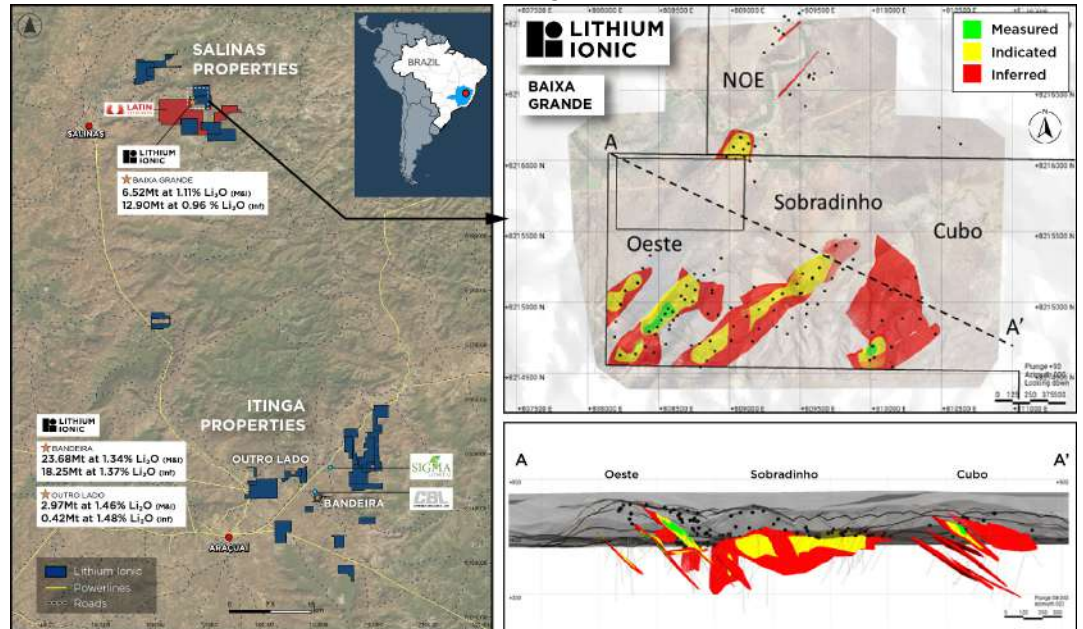
Company
Models

Exhibit 1 - Baixa Grande Resource Summary

Deposit	Category	Resource (Mt)	Grade (% Li ₂ O)	Contained LCE (kt)
Open Pit	Measured	1.08	1.19	31.86
	Indicated	5.44	1.10	147.72
	Measured & Indicated	6.52	1.11	179.58
	Inferred	11.67	0.97	280.73
Underground	Measured & Indicated	--	--	--
	Inferred	1.23	0.83	25.19
Total	Measured & Indicated	6.52	1.11	179.58
	Inferred	12.90	0.96	305.92

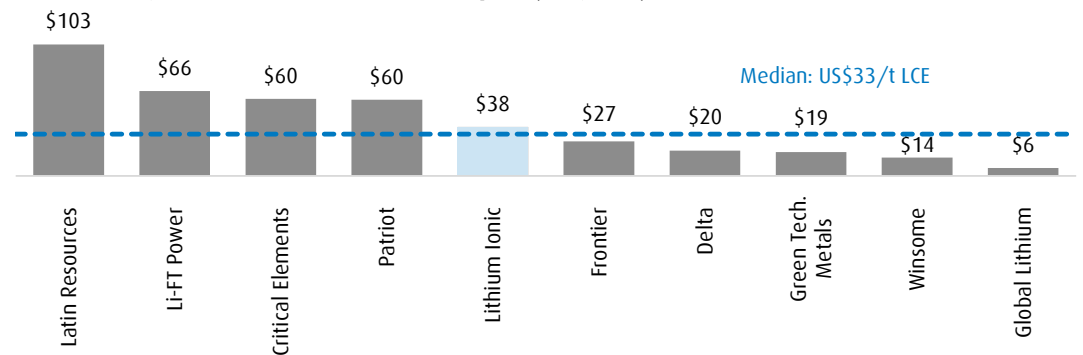
Source: BMO Capital Markets, Company Reports

Exhibit 2 - Plan View of Lithium Ionic's Land Package and Baixa Grande Resource



Source: Company Reports

Exhibit 3 - EV/Resources - Hard Rock Developers (US\$/t LCE)



Source: BMO Capital Markets, Company Reports, FactSet

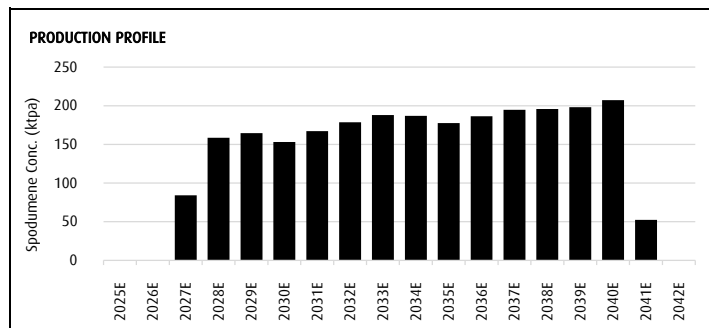
Exhibit 4 - Tear Sheet

LITHIUM IONIC				LTH-TSXV		Rating		Outperform (S)	
Greg Jones, Analyst, BMO Capital Markets								As of: 13-Jan-25	
Share Price	C\$/share	\$0.87		NAVPS	C\$/share	\$3.24	FD ITM Shares	M	164.9
Target Price	C\$/share	\$2.00		Price/NAV	Ratio	0.27x	Market Capitalization	C\$M	\$143
Implied Return	%	130%					Fiscal Year End		December

PRICE AND FX ASSUMPTIONS						
December Year End						
		FY2023A	FY2024E	FY2025E	FY2026E	FY2027E
Spodumene (Realized)	US\$/t	nmf	\$877	\$894	\$1,238	\$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	175.0	191.3	194.5
EPS (Adj.)	C\$/share	(\$0.51)	(\$0.20)	(\$0.12)	(\$0.26)	(\$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)	(\$0.50)

RESERVES & RESOURCES					
		Tonnes	Li2O	Li2O	LCE
		kt	%	kt	kt
Global (Bandeira, Baixa Grande, Outro Lado)					
Measured & Indicated		33,171	1.30%	433	1,070
Inferred		31,566	1.20%	380	939



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	\$2.85	\$444	\$2.25
Salinas In-Situ ⁽¹⁾		\$35	\$0.18	\$35	\$0.18
Salinas Exploration Credit ⁽¹⁾		\$25	\$0.13	\$25	\$0.13
Net Cash		\$28	\$0.14	\$28	\$0.14
ITM Option Proceeds		\$4	\$0.02	\$4	\$0.02
Future Equity Financing Proceeds		\$47	\$0.24	\$47	\$0.24
Corporate G&A		(\$62)	(\$0.32)	(\$56)	(\$0.29)
Total Corporate Adjustments		\$17	\$0.08	\$22	\$0.11
Net Asset Value		\$640	\$3.24	\$527	\$2.66
Price Target (0.60x NAV) Rounded			\$2.00		
Current FD ITM Shares	M	164.9			
Shares from Future Equity	M	32.8			
FD ITM Shares	M	197.6			

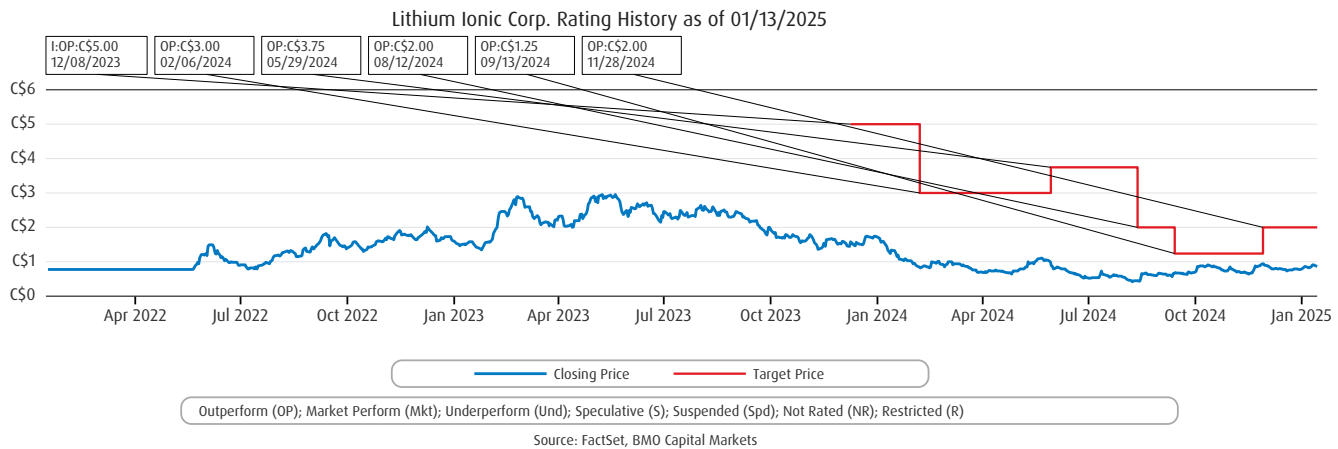
1. Assumes US\$50/t LCE.

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	\$111
Proceeds from Other		--	\$26	--	--	--
		\$28	\$41	\$115	\$197	\$115
Beginning Cash		\$21	\$11	\$25	\$56	\$42
Net Increase in Cash Held		(\$10)	\$14	\$30	(\$13)	\$19
Ending Cash		\$11	\$25	\$56	\$42	\$61

BALANCE SHEET ANALYSIS (C\$M)						
December Year End						
		FY2023A	FY2024E	FY2025E	FY2026E	FY2027E
Current Assets						
Cash and Equivalents		\$11	\$25	\$56	\$42	\$61
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	\$376
Other		--	\$26	\$26	\$26	\$25
Shareholders Equity						
Net Debt (Cash)		(\$11)	(\$25)	\$13	\$23	\$315

Source: BMO Capital Markets



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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 Baixa Grande 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 Baixa Grande 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 (January 13, 2025)

Rating category	BMO rating	BMOCM US Universe*	BMOCM US IB Clients**	BMOCM US IB Clients***	BMOCM Universe****	BMOCM IB Clients*****	StarMine Universe~
Buy	Outperform	53.6 %	24.1 %	61.4 %	57.9 %	67.1 %	57.7%
Hold	Market Perform	43.8 %	17.6 %	36.6 %	40.6 %	32.1 %	37.5%
Sell	Underperform	2.5 %	16.7 %	2.0 %	1.4 %	0.8 %	4.8%

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~ As of April 1, 2019.

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(S) = Speculative investment;

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

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Prior BMO Capital Markets Rating System

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

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