

# Lithium Ionic Corp. EV Materials

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Rating  
**SPECULATIVE BUY**  
unchanged

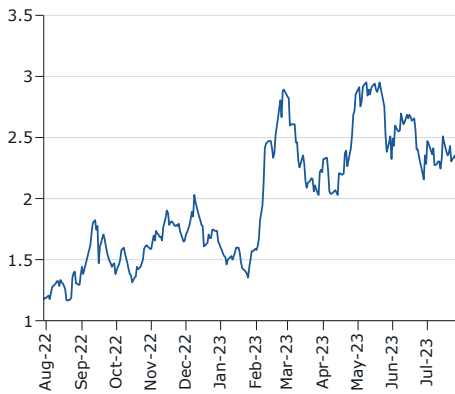
Price Target  
**C\$5.00**  
unchanged

LTH-TSXV

Price  
**C\$2.52**

### Market Data

52-Week Range (C\$) :	1.07 - 3.05
Avg Daily Vol (000s) :	440
Market Cap (C\$M) :	312.0
Shares Out. (M) :	121.4
Enterprise Value (C\$M) :	284
NAV /Shr (C\$) :	4.45
Net Cash (C\$M) :	19.8
P/NAV (x) (C\$) :	0.57



— LTH.CA  
Source: FactSet

Priced as of close of business 28 July 2023

Lithium Ionic is an exploration and development company that is steadily advancing its flagship Itinga project (19.4Mt at 1.42% Li<sub>2</sub>O and growing) in Minas Gerais state, Brazil, in addition to the earlier stage Salinas project.

## Positive project updates

**What's new?** Over the last several weeks, Lithium Ionic has provided several key updates on its Itinga and Salinas projects, both located in Minas Gerais state, Brazil.

**Successful equity financing; well funded for project advancement:** Today, LTH closed the C\$29 million bought deal private placement that was announced on July 13. The company's shares have performed well post-deal, closing last week at C\$2.52/sh, or ~20% higher than the deal price of C\$2.10/sh. Proceeds are to be used for ongoing exploration and development activities, including the completion of a 50,000m drill program, a PEA, and a Feasibility Study. Following this transaction, we estimate that LTH has ~C\$30 million in cash on hand and no debt. Based on management guidance, the planned drill program should cost ~C\$13 million total (or ~US\$200/m all-in), leaving enough for the completion of ongoing technical reports.

**Projects obtain priority status which should streamline permitting:** On July 19, LTH announced the signing of a non-binding MOU with Invest Minas, which consists of two regional government bodies, the State Economic Department of Minas Gerais (SEDE) and the Minas Gerais Integrated Development Institute (INDI). The MOU grants both the Itinga project and the Salinas project priority status in the state, an effort that should serve to streamline and expedite the various permitting and licensing processes for the projects. In return, LTH has also committed to supporting regional employment by hiring local suppliers and employees to help with the exploration, construction, and operation phases of its projects.

As a reminder, LTH's goal is to submit its initial environmental and social license applications by year-end following the completion of EIA studies. We expect receipt of permits in <12 months (during 2024 likely) given the company's priority status and nearby comps (e.g., Sigma Lithium).

**Infill drilling at Bandeira continues:** The company also provided additional results from its ongoing drill program at Bandeira. There are currently eight drill rigs operating with the goal of delineating a higher confidence resource and upgrading inferred material (~60% of the current resource) to the measured and indicated categories for inclusion in future MRE updates. Each intercept is shown in Figure 2; highlights include:

- ITDD-23-121: 1.92% Li<sub>2</sub>O over 6.4m and 1.83% Li<sub>2</sub>O over 5.9m
- ITDD-23-123: 1.89% Li<sub>2</sub>O over 10.2m
- ITDD-23-128: 2.10% Li<sub>2</sub>O over 5.2m

**First results at Salinas:** In addition to Bandeira, LTH also has five drill rigs targeting Itira and Salinas, the latter of which produced initial results last week. LTH is currently conducting a 20,000m drill program at Salinas, the first completed by the company since it acquired the project in March. Each intercept is shown in Figure 3; highlights include:

- BGDD-23-025: 1.60% Li<sub>2</sub>O over 12.0m
- BGDD-23-027: 1.55% Li<sub>2</sub>O over 9.0m

**Maintain SPEC BUY; C\$5.00/sh target price:** We've updated our estimates to include the latest equity raise, which was relatively in line with our previous expectation. As a result, our NAVPS is essentially unchanged at C\$4.93 (vs. C\$4.92 previously) and we maintain our C\$5.00/sh target price and SPEC BUY rating. Our target remains based on 1.0x our fully risked NAV13%, forecast as at July 1, 2024. LTH currently trades in line with developer peers at 0.57x NAV vs. peers at 0.55x, and at an attractive discount to Brazilian peers (LRS 0.82x and SGML 0.96x). We expect LTH to re-rate over the next 12 months as management looks to publish an updated resource estimate, PEA, FS, as well as regional exploration results, which we believe will define new deposits.

**Figure 1: LTH's portfolio location in Minas Gerais, Brazil**



Source: Company Reports

**Figure 2: Bandeira drill results**

Hole ID	Az	Dip	From	To	Metres	Li2O (%)
ITDD-23-121	0	-90	163.40	169.82	6.4	1.92
and			182.04	183.59	1.6	2.59
and			331.55	337.47	5.9	1.83
ITDD-23-122	150	-68	164.11	168.11	4.0	1.49
ITDD-23-123	150	-70	149.16	159.40	10.2	1.89
and			285.88	286.88	1.0	1.40
ITDD-23-124	150	-80	55.09	56.09	1.0	1.03
and			80.04	81.04	1.0	0.98
ITDD-23-125	150	-57	144.94	147.97	3.0	1.43
ITDD-23-126	0	-90	105.80	108.37	2.6	1.02
ITDD-23-127	150	-50	81.91	82.66	0.8	1.11
ITDD-23-128	150	-84	178.46	183.69	5.2	2.10
ITDD-23-129	150	-60	157.10	162.60	5.5	1.40

Source: Company Reports

**Figure 3: Salinas drill results**

Hole ID	Az	Dip	From	To	Metres	Li2O (%)
BGDD-23-025	310	-60	68.22	80.22	12	1.60
BGDD-23-026	310	-72	<i>nsv</i>			
BGDD-23-027	310	-87	117.93	122.93	5	0.78
and			128.93	137.93	9	1.55
BGDD-23-028	0	-90	<i>nsv</i>			
BGDD-23-029	310	-61	62.94	73.94	11	1.26
BGDD-23-030	310	-65	94.16	104.16	10	1.34
BGDD-23-031	0	-90	162.02	165.02	3	0.74
BGDD-23-032	310	-60	40.38	56.38	16	1.38

Source: Company Reports

# Appendix: Important Disclosures

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## **Investment Recommendation**

Date and time of first dissemination: July 31, 2023, 21:49 ET

Date and time of production: July 31, 2023, 21:49 ET

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

Lithium Ionic Corp. - LTH

Our target price is based on 1.0x NAV, measured as at July 1, 2024.

## **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 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 07/31/23)**

Rating	Coverage Universe		IB Clients
	#	%	%
Buy	626	66.03%	22.52%
Hold	132	13.92%	6.82%
Sell	15	1.58%	6.67%
Speculative Buy	162	17.09%	47.53%
	948*	100.0%	

\*Total includes stocks that are Under Review

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

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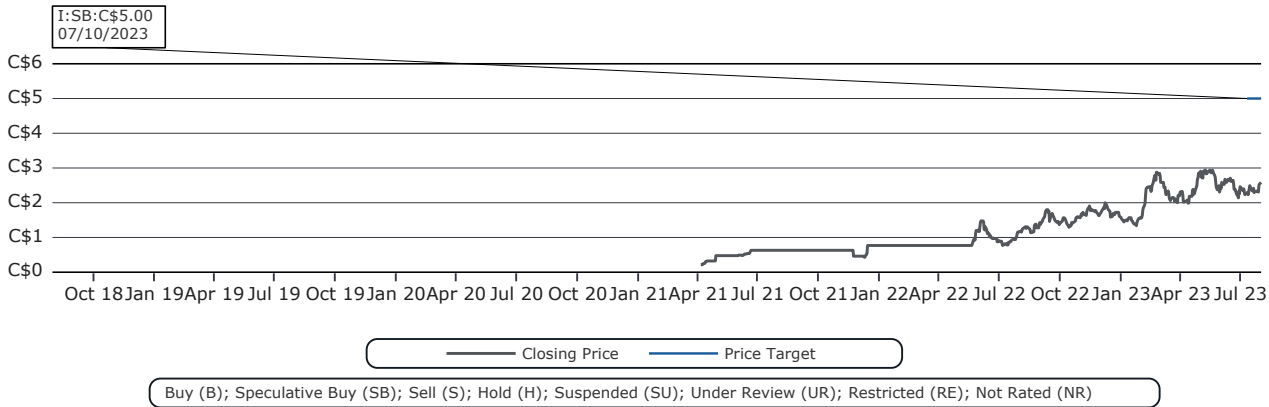
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An analyst has visited the material operations of Lithium Ionic Corp.. No payment was received for the related travel costs.

**Lithium Ionic Corp. Rating History as of 07/31/2023**



**Past performance**

In line with Article 44(4)(b), MiFID II Delegated Regulation, we disclose price performance for the preceding five years or the whole period for which the financial instrument has been offered or investment service provided where less than five years. Please note price history refers to actual past performance, and that past performance is not a reliable indicator of future price and/or performance.

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