

**Key Facts:**

Ticker-Exchange	LTH-TSXV
Closing Price	C\$1.50
Date of Report	June 6, 2022
Company Website	lithiumionic.com
Analyst	Brandon Smith

**Company Statistics:**

52-week High	C\$1.57
52-week Low	C\$0.46
Market Cap	C\$150.7 MM
Shares Outstanding	
Basic	100.5 MM
Diluted	114.0 MM
Cash	C\$19.8 MM
Debt	Nil
CEO	Blake Hylands

**Price Chart:**



Source: Bigcharts.com, June 3, 2022

**Rigs Turning at Sigma "Closeology" Play**

Unless otherwise denoted, all figures shown in US\$

**Corporate Overview:**

Lithium Ionic is a lithium exploration company focused on proving out the potential of its 100%-owned Itinga lithium project in the mining-friendly state of Minas Gerais in Brazil. The company controls a 1,300 ha land package which has a portion of land sandwiched between the producing CBL lithium mine and Sigma Lithium land to the south. With a current cash balance of C\$19.8 MM, the company is fully cashed up to fund its aggressive 30,000 m drill program which will culminate in a maiden resource in the next 6-9 months.

**Key Points:**

- **Highly Prospective Land Package Acquired At The Right Time:** Lithium Ionic controls a 1,300 ha land package with Area 1 sitting a mere 500 m from the producing CBL lithium mine (in production since 1993) with current drilling taking place approximately 1.3 km northwest of Sigma Lithium's Barreiro deposit that contains 28.9 MMt grading 1.38% Li<sub>2</sub>O. This highly prospective ground was staked in 2016 at the same time that Sigma Lithium was staking its land position, and we note that lithium carbonate was trading under \$10,000/t compared to current pricing that is multiples higher.
- **Aggressive 30,000 m Drill Program Leading To Maiden Resource In The Next 6-9 Months:** Lithium Ionic is currently in the early stages of its planned 30,000 m drill program with assays received from the first two holes last week. While early days, the first set of drill results are encouraging (5.2 m at 1.55% Li<sub>2</sub>O and 5.66 m at 1.93% Li<sub>2</sub>O) and validate the high-grade nature and mineralized width seen in the prior trenching results (8.80 m at 1.46% Li<sub>2</sub>O). With plenty of news flow expected as rigs keep turning over the remainder of the year and a maiden resource on the horizon, a re-rate is possible as the story unfolds.
- **Sigma "Closeology" Highlights Potential Upside:** With Sigma's Barreiro deposit in close proximity, we believe investors will look to Sigma's valuation to gauge the relative attractiveness of Lithium Ionic over time. While it is too early to gauge the ultimate potential at Lithium Ionic, management is looking to define a 20 MMt opportunity at the project. We note that Sigma's Barreiro deposit has a strike length of 900 m, average thickness of 23 m, and the deepest zone reaches 375 m below surface. This compares to Lithium Ionic's Area 1 which contains a soil anomaly over a strike length of 1.3 km and Area 2 which contains a soil anomaly over a strike length of 1.4 km. If drilling can prove out the project, it could highlight a value disconnect between the near-producer Sigma Lithium (current market cap of C\$2.3 BB) and Lithium Ionic (current market cap of C\$151 MM).

Our **Emerging Ideas** publication seeks to highlight firms that we come across during our travels where, while perhaps not ready for formal research coverage, we see notable developments or inflection points that we believe may be of interest to investors.

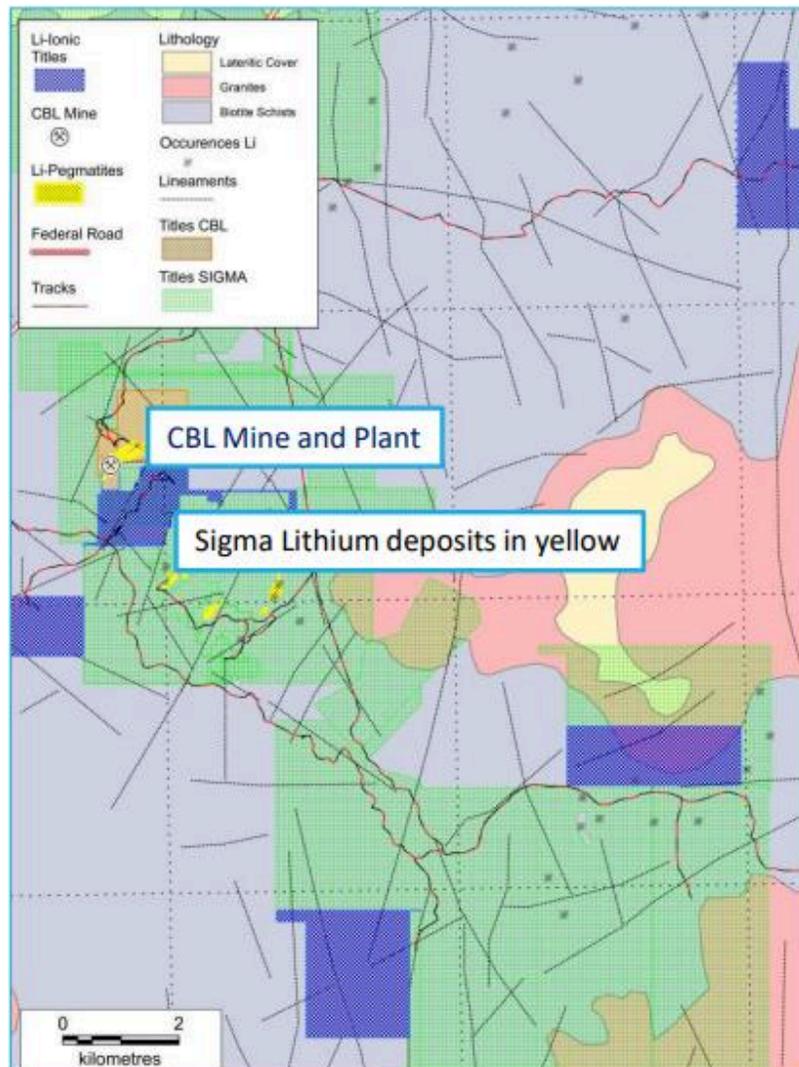
**Itinga Lithium Project, Brazil:**

The Itinga lithium project is located in the prolific Araçuaí/Itinga lithium district within the mining-friendly state of Minas Gerais in Brazil. Lithium Ionic holds a 100% interest in five mineral licenses covering more than 1,300 ha that were staked in 2016 (see Figure 1). Area 1, shown in Figure 2, is the current focus of Lithium Ionic and is sandwiched between the producing CBL lithium mine to the north and Sigma Lithium land to the south. The northern edge of Area 1 sits a mere 500 m from the producing CBL lithium mine which is a privately-owned Brazilian operation. The CBL asset has been in operation since 1993 and is producing around 36,000 tpa of a 5.5% spodumene concentrate product. Immediately to the south of Area 1 is land controlled by Sigma Lithium whose Barreiro deposit has a current resource of 28.9 MMt grading 1.38% Li<sub>2</sub>O and sits approximately 1.3 km southeast of where Lithium Ionic is currently drilling.

Lithium mineralization is present within a halo of pegmatite dikes that occur within the rocks surrounding granitic intrusions. The mineralization is structurally controlled by a complex and crosscutting system of northeast and northwest oriented faults that were exploited by the dikes.

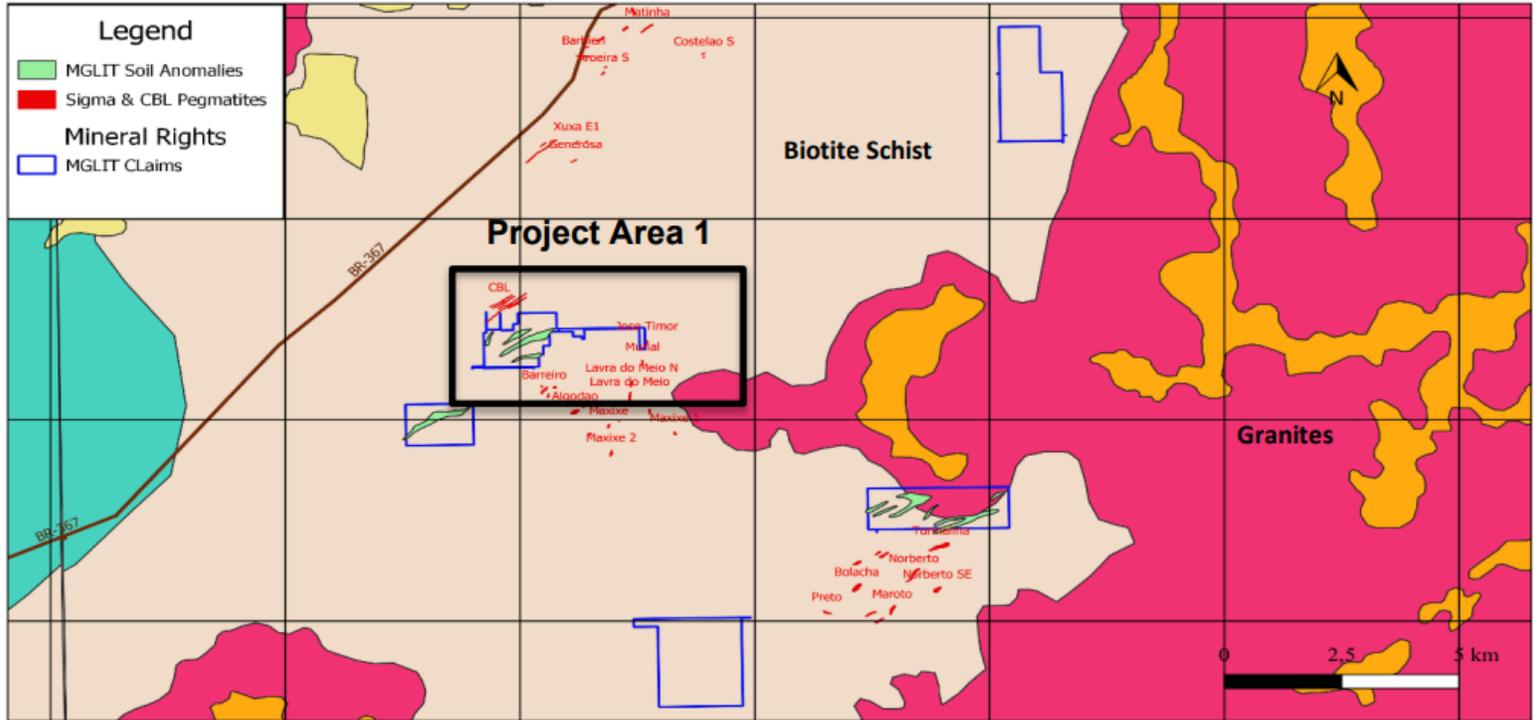
The project area has excellent infrastructure which is expected given the proximity to CBL and Sigma Lithium. Infrastructure includes access to hydroelectrical grid power (transmission lines and substation close to site), water, a commercial port (Ilhéus Port is 500 km away), highways and communities.

**Figure 1: Project Map**



Source: Lithium Ionic Inc.

Figure 2: Project Geology Map



Source: Lithium Ionic Inc.

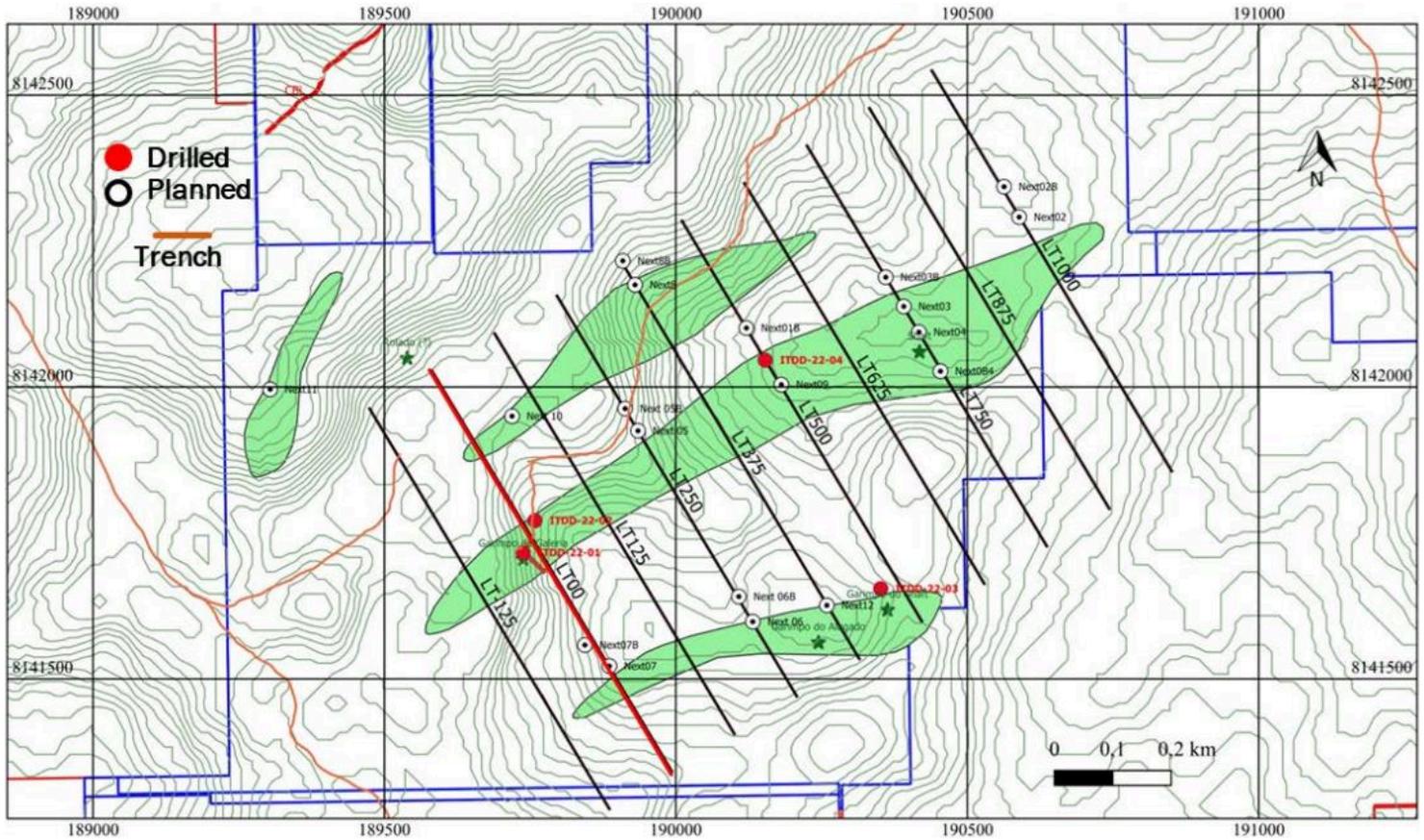
**Aggressive 30,000 m Drill Program Leading To Maiden Resource In the Next 6-9 Months:**

Lithium Ionic is currently in the early stages of its planned 30,000 m drill program with assays received from the first two holes last week (see Figure 3 & 4). These first two holes intercepted 5.2 m grading 1.55% Li<sub>2</sub>O from 8.50 m (hole ITDD-2201) and 5.66 m grading 1.93% Li<sub>2</sub>O from 33.08 m (hole ITDD-22-001). These are encouraging results that validate the high-grade nature and mineralized width seen in the prior trenching results (8.80 m at 1.46% Li<sub>2</sub>O). This drilling has successfully shown the down-dip extension of the surface mineralized domain to below 35 m with mineralization remaining open at depth and along strike. Importantly, this drilling is the first indication that the geochemistry work, which has outlined the current soil anomaly in Area 1 (see Figure 5), is potentially a good predictor of spodumene-rich pegmatite ore below surface. We note that lithium values of around 300 ppm in soils indicate a very strong anomaly that is approximately five times the expected background level.

Lithium Ionic has a number of holes planned on Area 1 to further test the significant lithium soil anomalies present on the claim and will look to define further drilling as results are returned. We expect reasonable turnaround times on drilling (2-3 weeks) and there are currently 3 rigs on site with the potential to increase the rig count to 5 if warranted. The company will also continue exploration on its other land holdings including Area 2 (see Figure 6) which contains a large soil anomaly across a number of potential pegmatite dykes.

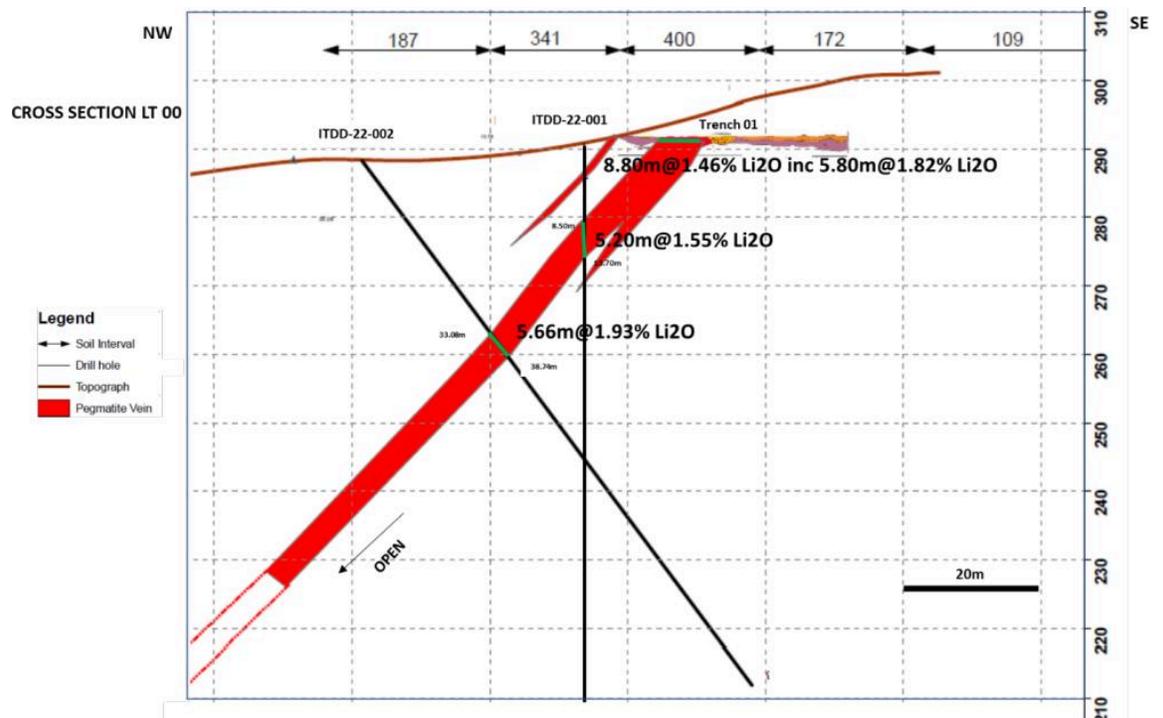
This aggressive drill program (150 drillholes) will culminate in a maiden resource that is expected in the next 6-9 months which could highlight a value disconnect between the near-producer Sigma Lithium and Lithium Ionic.

Figure 3: Plan Map Outlining Holes Drilled And Planned in Area 1



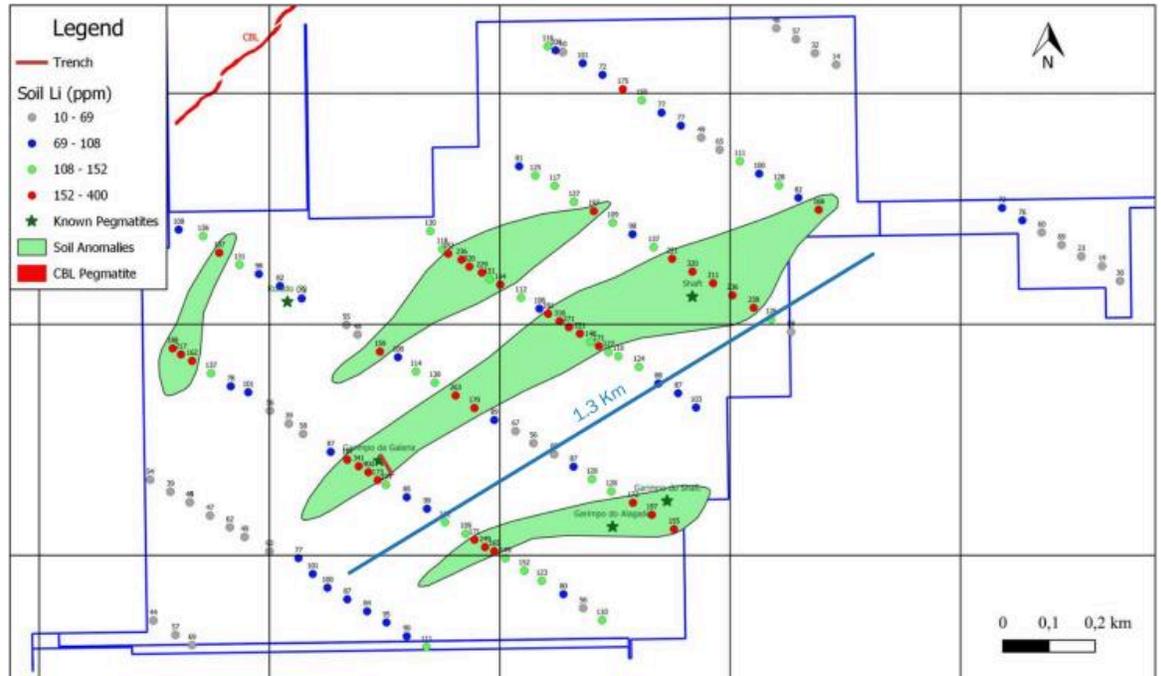
Source: Lithium Ionic Inc.

Figure 4: Cross Section LT00



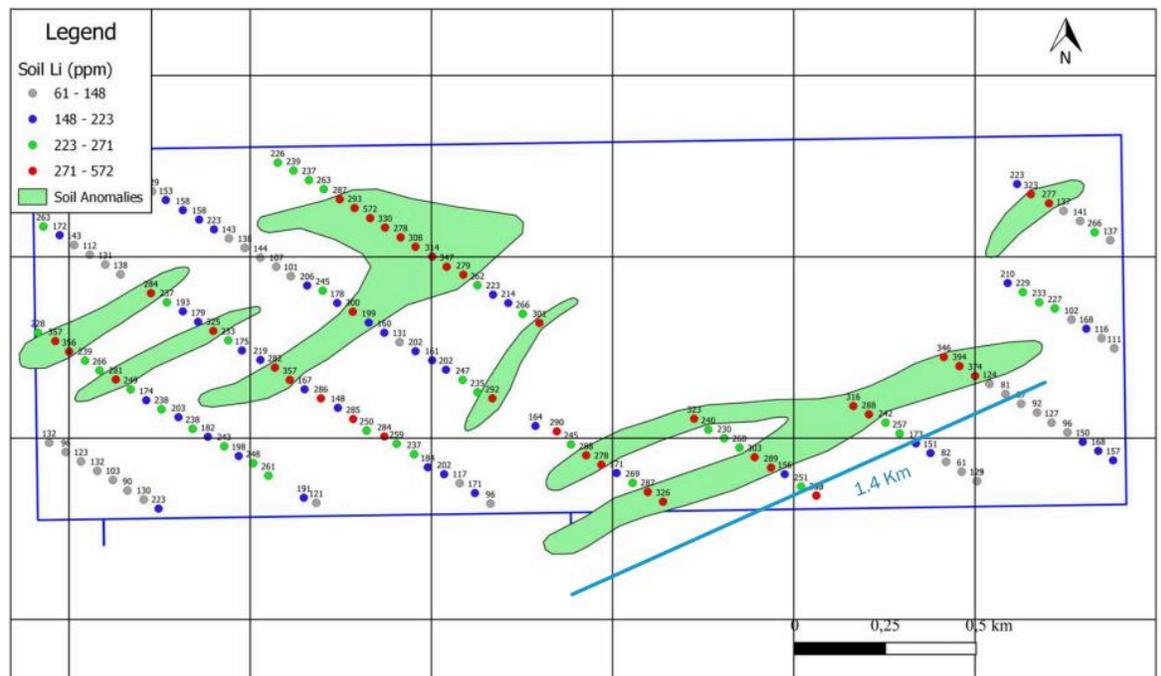
Source: Lithium Ionic Inc.

**Figure 5: Area 1 Soil Anomalies**



Source: Lithium Ionic Inc.

**Figure 6: Area 2 Soil Anomalies (Northeast Claim From Area 1 in Figure 2)**



Source: Lithium Ionic Inc.

### Sigma “Closeology” Highlights Potential Upside:

With Sigma’s Barreiro deposit (28.9 MMt grading 1.38% Li<sub>2</sub>O) sitting approximately 1.3 km from the current drilling being completed by Lithium Ionic, we believe investors will look to Sigma’s valuation to gauge the relative attractiveness of Lithium Ionic over time. Below we present a sensitivity table looking at potential tonnage (assuming grade of 1.4% Li<sub>2</sub>O) and in-situ EV/t LCE for Lithium Ionic. Presently, Sigma Lithium trades at an EV/t LCE valuation of \$832/t (58.9 MMt grading 1.40% for 2.0 MMt LCE) which is above other hard-rock spodumene developers that average around \$300-400/t LCE. Sigma commands a premium owing to its near-development status and the large crystal structure, high grade, and low impurities reported at its deposits that present an attractive product for long-term offtake partners.

While it is too early to gauge the ultimate potential at Lithium Ionic, management is looking to define a 20 MMt opportunity at the project. We note that Sigma’s Barreiro deposit has a strike length of 900 m, average thickness of 23 m, and the deepest zone reaches 375 m below surface. This compares to Lithium Ionic’s Area 1 which contains a soil anomaly over a strike length of 1.3 km (see Figure 5) and Area 2 which contains a soil anomaly over a strike length of 1.4 km (see Figure 6).

**Figure 7: Hypothetical Value Per Share Based on Resource Size and EV/t LCE Valuation**

		EV/t LCE (\$/t)						
		\$100	\$150	\$200	\$250	\$300	\$350	\$400
Tonnage (MMt)	10.0	C\$0.43	C\$0.65	C\$0.87	C\$1.09	C\$1.30	C\$1.52	C\$1.74
	12.5	C\$0.54	C\$0.81	C\$1.09	C\$1.36	C\$1.63	C\$1.90	C\$2.17
	15.0	C\$0.65	C\$0.98	C\$1.30	C\$1.63	C\$1.95	C\$2.28	C\$2.61
	17.5	C\$0.76	C\$1.14	C\$1.52	C\$1.90	C\$2.28	C\$2.66	C\$3.04
	20.0	C\$0.87	C\$1.30	C\$1.74	C\$2.17	C\$2.61	C\$3.04	C\$3.47
	22.5	C\$0.98	C\$1.47	C\$1.95	C\$2.44	C\$2.93	C\$3.42	C\$3.91
	25.0	C\$1.09	C\$1.63	C\$2.17	C\$2.71	C\$3.26	C\$3.80	C\$4.34

\*Assumes 100.5 MM shares outstanding, no cash, no debt, and Li<sub>2</sub>O grade of 1.40%.  
Source: Cormark Securities Inc.

### Balance Sheet & Capital Structure:

The current cash position of C\$19.77 MM is more than enough to fund Lithium Ionic’s planned drilling and maiden resource in the next 6-9 months.

Lithium Ionic currently has 100.5 M shares outstanding, 9.67 MM options and 3.8 MM warrants for a relatively tight share structure. The last financing (28 MM shares issued at a stock price of C\$0.70) was completed in November 2021 prior to Lithium Ionic’s RTO transaction.

**Management Team & Board:**

- **Blake Hylands – CEO & Director:** Mr. Hylands is a Professional Geoscientist with over a decade of experience in advanced and early-stage exploration. He is co-founder of Troilus Gold Corp. where he led their technical team to the discovery of over 8 million gold equivalent ounces at their development-stage asset in northern Quebec. He has held numerous board positions for junior mining companies and has extensive professional experience in capital markets and community outreach, including executive roles in corporate development and communications with First Nations. Mr. Hylands has a B.Sc in Geology from the University of Western in London Ontario.
- **Hélio Diniz – President & Director:** Mr. Diniz has 40 years of experience in exploration and mining activities and has served as the Managing Director of Brazil Potash Corp. since July 2009. He started his career with GENCOR South Africa where he was involved in the evaluation and development of the Sao Bento gold mine in Brazil. He then went on to work for Xstrata (now Glencore) as Managing Director Brazil during which he discovered the world-class Araguaia Nickel Deposit (over 100 million tonnes, 1.5% Ni). He then went on to set up several companies, such as Falcon Metais and HDX Consultoria as an entrepreneur to identify, explore and develop mining opportunities in Brazil. During this time, he founded and developed several companies for the Forbes & Manhattan Inc. group in different commodities such as potash – Brazil Potash, phosphate – Aguia Metais, gold – Belo Sun Mining and oil shale – Irati Petroleo e Energia Ltda.
- Carlos Costa – VP Exploration
- Greg Duras – CFO
- Damian Lopez – Corporate Secretary
- David Gower – Director
- Lawrence Guy – Director
- Patrizia Ferrarese – Director
- Michael Shuh – Director

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