

June 27, 2023

Canada - Metals & Mining

SPECULATIVE BUY

Price C\$2.20 (intraday 6-27-23)

FLASH NOTE**Itinga Resource a Beachhead; LTH to Drill 50,000m Thru Remainder of 2023****Summary**

Lithium Ionic announced its maiden Mineral Resource Estimate (MRE) for the Bandeira and Outro Lado (formerly Galvani) deposits, part of its Itinga Project located in Minas Gerais state, Brazil. The global resource is **19.43MMt grading 1.42% Li₂O for total contained LCE of 682.7kt**. We view this announcement as a positive that comes in ahead of our earlier estimate of 18.7MMt grading 1.3% Li₂O for 601kt contained LCE. The MRE should be seen as an initial beachhead that is likely to expand over time as the company continues to intensively drill its substantial land package in the Eastern Brazilian Pegmatite Province; 50,000m are expected to be drilling through the remainder of the year with 13 rigs on site. Lithium Ionic currently trades at a P/NAV multiple of 0.31x, a discount to peers at 0.48x and we rate it as a BUY with a target price of C\$5.00/share.

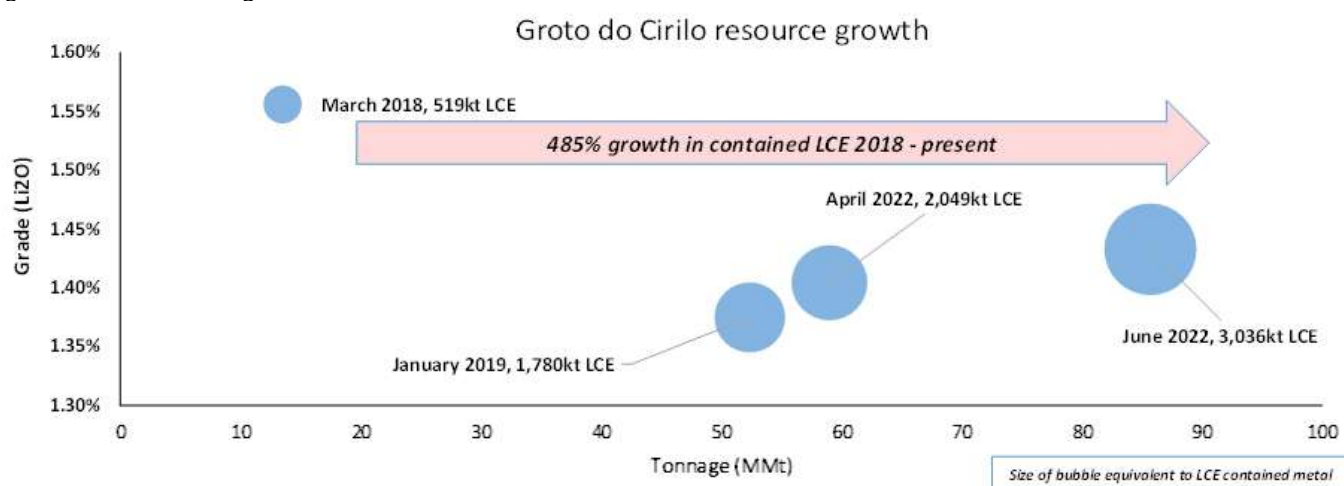
Key Points**What's New?**

- Lithium Ionic has announced the maiden Mineral Resource Estimate (MRE) for its Itinga Project in Minas Gerais, Brazil. Key points are as follows:
 - The MI&I resource is 7.57MMt grading 1.4% Li₂O and Inferred resources of 11.86Mt grading 1.44% Li₂O for a **global resource of 19.43MMt grading 1.42% Li₂O for total contained LCE of 682.7kt**.
 - The resource is split between Bandeira with 16Mt grading 1.41% Li₂O for 559kt LCE and Outro Lado (formerly named Galvani) with 3.4MMt grading 1.46% Li₂O for 122kt LCE. Bandeira is further divided between an open-pit resource (10.2MMt grading 1.38% Li₂O for 348kt LCE) and an underground resource (5.9Mt grading 1.46% Li₂O for 212kt LCE).
- Recall that the Itinga Project encompasses exploration tenements adjacent to CBL's producing underground lithium Cachoeira mine and Sigma Lithium's Groto do Cirilo Project, now in production (see map below).

Assessment

- Today's announced MRE is slightly accretive to our modeled estimate of 18.7MMt @ 1.30% Li₂O for 601kt contained LCE.
- We view today's MRE as an initial estimate that will be used to inform a beachhead production scenario that will likely expand over time. Remember that LTH controls exploration tenements totaling 14,183ha in the Eastern Brazilian Pegmatite Province (EBPP), a globally significant belt of lithium-cesium-tantalum (LCT) bearing spodumene pegmatites. Continued systematic drilling of these tenements could potentially lead to a similar resource growth trajectory seen with comparable companies in the valley.

Sigma Lithium resource growth



Source: Company disclosures, Stifel

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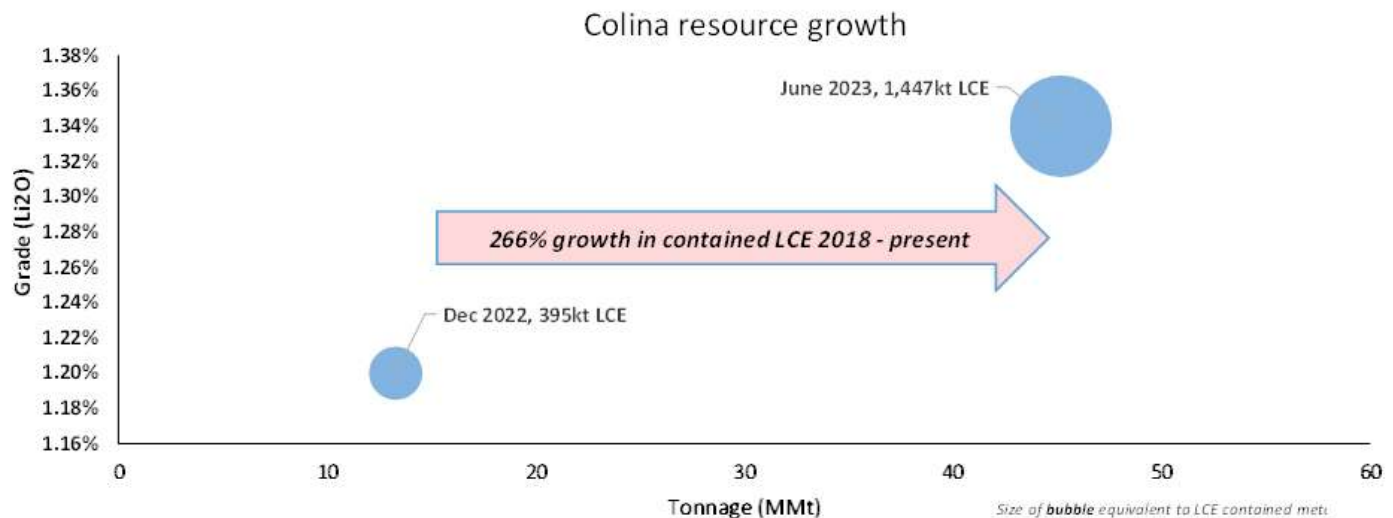
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All relevant disclosures and certifications appear on pages 5 to 7 of this report.

Latin Resources resource growth



Source: Company disclosures, Stifel

- Accretive tonnage. Resource growth via drilling could provide a compelling case to right-size production beyond the scale of an initial construction decision/scenario and consequently we have modeled the potential NAV accretion of new discoveries to our base case assumption of a ~19Mt initial resource, and value each additional 10MMt discovery at ~C\$2.00/share.

Scenario	Assumption	Tonnage MMt processed	Scale Average MMt/yr	Annual Production				Initial		Itinga Project NAV			
				Average ktpa SC6	Average ktpa LCE	Max (Year 5) ktpa SC6 ktpa LCE		US\$6,000/t CAPEX Intensity, US\$/MM	Max Runrate @ US\$1,750/t SC6, US\$/MM	Fully-Funded Take-Out			%
Base Case	Base Case	19	1.4	156	21	198	26	156	254	974	6.32	7.32	
Scenario 1	One 10MMt Pegmatite discovery	30	2.3	253	33	306	40	242	395	1,517	8.15	10.95	29%
Scenario 2	Two 10MMt Pegmatite discoveries	40	3.1	331	44	395	52	312	510	1,999	10.12	14.42	60%

*Fully funded scenario assumes initial capital raised by 50/50 debt/equity

Source: Company disclosures, Stifel estimates

What's Next?

- Exploration ongoing. The drill bit will remain busy beyond the MRE - a 50,000m drill program is currently underway, with 13 drill rigs operating, split between Itinga and Salinas.
- Work on a Preliminary Economic Assessment (PEA) is underway for Itinga and is expected to be completed in Q3 2023.

		Xuxa SGML	Barreiro SGML	NDC SGML	Outro Lado LTH	Galvani LTH
Resources	Global Resource Tonnage (Mt)	21.2	28.9	26.8	16.04	3.39
	Grade (% Li ₂ O)	1.56	1.38	1.49	1.41	1.46
	Contained LCE (kt)	815	989	984	560	123
Reserves	P&P Tonnage (Mt)	11.8	21.76	21.19	-	-
	Grade (% Li ₂ O)	1.55	1.36	1.45	-	-
	Contained LCE (kt)	452	730	759	-	-
Drill Density	drill holes	100	136	124	120	61
	metres drilled	15,531	26,976	22,014	20,509	7,659
	tonnes LCE/metre drilled	52	37	45	27	16

Source: Company disclosures, Stifel estimates

Valuation

- Lithium Ionic currently trades at a P/NAV multiple of 0.31x, a discount to peers at 0.48x. On a EV/contained LCE basis using today's mineral resource estimate, it trades at \$277/tonne LCE. This compares to \$266/tonne for lithium hardrock developers in Canada and \$571/tonne

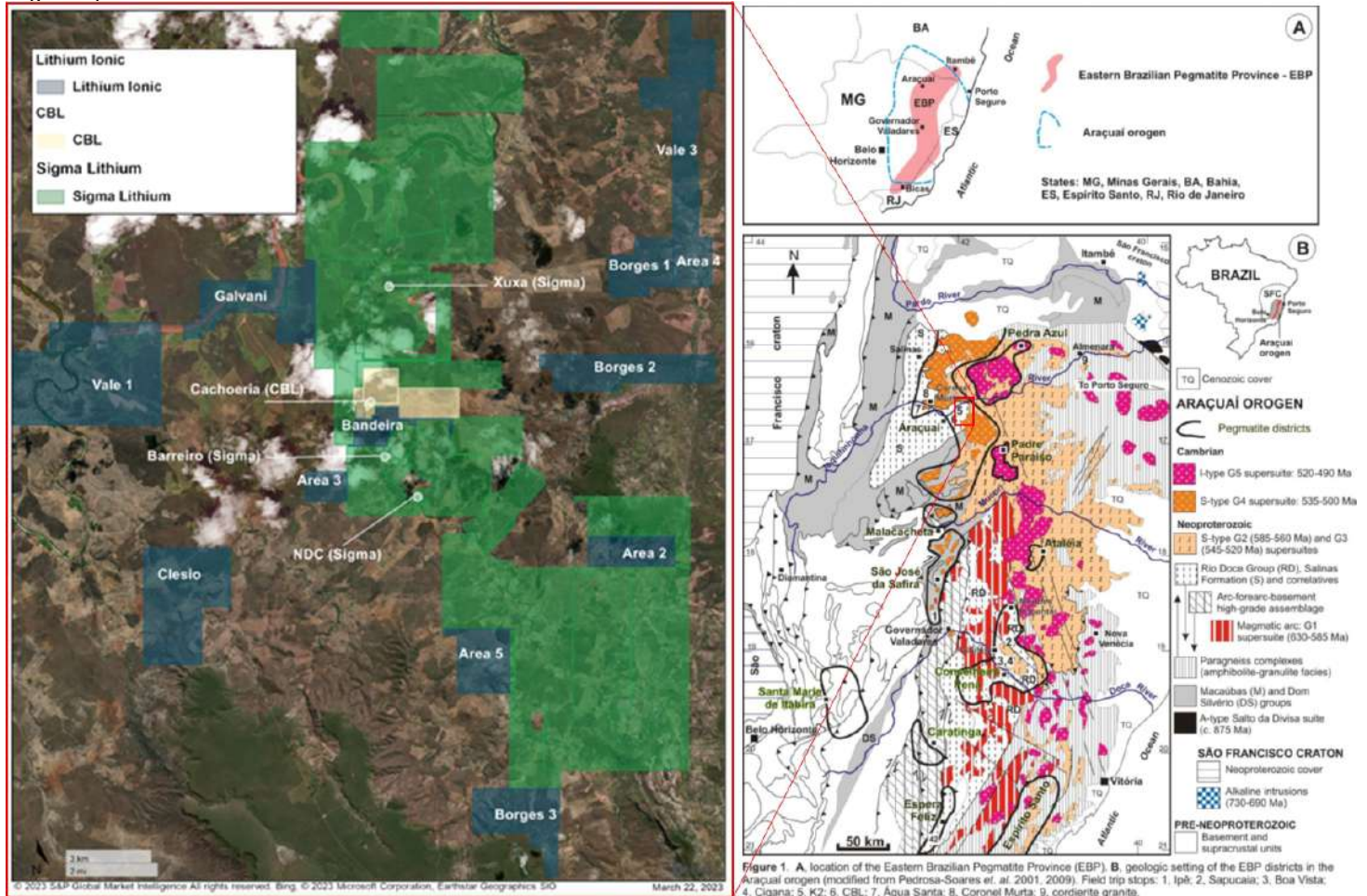
for Australian peers. LTH's neighbour Sigma Lithium trades at an EV of ~\$1,200/tonne LCE, indicating the potential for valuation upside through project advancement over time.

EV/LCE regional comps

Company	Enterprise Value (US\$M)	Global Resource Contained LCE (kt)	EV/LCE
Sigma Lithium	3641	3036	\$1,199
Latin Resources	422	1477	\$286
Lithium Ionic	189	682.7	\$277

Source: FactSet, company disclosures

Itinga Project location



Source: S&P Capital IQ, Stifel

Investment Thesis

Resource growth from a prospective land package. Lithium Ionic's Itinga Project is located within the exceptionally fertile Aracuaí lithium-cesium-tantalum Pegmatite District. The company has built up a substantial land package of prospective tenements across the district that will likely lead to further resource growth beyond a maiden resource estimate with continued exploration.

Supportive government for rapid progress. LTH is operating near the town of Aracuaí in the Brazilian state of Minas Gerais, where support for the development of lithium-projects is strong at the local, state, and federal level. Streamlined permitting and tax holidays should be available to support the project.

Infrastructure proximity. Company lithium deposits are steps from established road networks and any future development scenario will have easy access to established renewable-power infrastructure. Combined with straightforward processing, this will likely mean a low-capital-intensity build as already proven by area peers.

Strategic location. Company properties are adjacent to other advanced projects and an established mine and therefore could make for desirable targets in a district ripe for consolidation.

Target Price Methodology/Risks

Our target price, via a 0.75x NAV multiple, is C\$5.00/sh.

Commodity Price Risk: Any material decline in lithium product pricing from our estimates would negatively impact the profitability of the projects and may also render them uneconomical.

Exploration/Resource Risk: Any issues with resource delineation or definition could adversely affect the profitability of the project.

Financing Risk: The execution of the Itinga Project will be dependent on LTH's ability to fully fund the project and advance it to a positive final investment decision.

Execution Risk: There is the possibility that the projects will not be able to advance into the mine phase.

Construction Risks: A project during construction is subject to a number of engineering risks that might create unforeseen cost and schedule overruns, thus impacting economics.

Company-Specific Risk: We make several assumptions in our valuation, including estimates on mine life, throughput, metal recoveries, and unit costs. Such assumptions are subject to change as more project-specific information is available, which could adversely affect valuations.

Jurisdictional Risk: Every asset is subject to varying types of risks depending on its location. Such risks include government policies, taxation, import/export regulation, title rights, environmental regulations, complex permitting procedures and social challenges.

Company Description

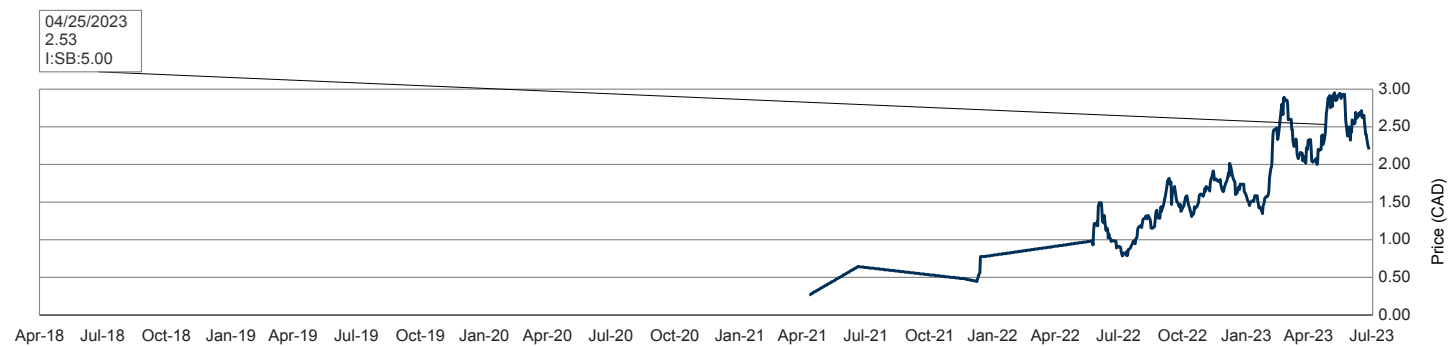
Lithium Ionic is a lithium development company with properties covering 14,183ha located in the prolific Aracuaí province in Minas Gerais State, Brazil. The Project Area is proximal to infrastructure, including highways, hydroelectrical grid power, water, and nearby commercial ports. Its Itinga Project neighbours CBL's Cachoeira lithium mine and Sigma Lithium Corp.'s construction-stage Grota do Cirilo project.

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Lithium Ionic Corp (LTH CN) as of June 26, 2023 (in CAD)



*Represents the value(s) that changed.

Buy=B; Speculative Buy=SB; Hold=H; Sell=S; Discontinued=D; Suspended=SU; Initiation=I

For a price chart with our ratings and target price changes for LTH CN go to http://stifel2.bluematrix.com/sellside/Disclosures.action?ticker=LTH_CN

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The equity research analyst(s) responsible for the preparation of this report receive(s) compensation based on various factors, including Stifel's overall revenue, which includes investment banking revenue.

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Our investment rating system is defined as follows:

Buy - We expect a total return of greater than 10% over the next 12 months with total return equal to the percentage price change plus dividend yield.

Speculative Buy¹ - We expect a total return of greater than 30% over the next 12 months, with total return equal to the percentage price change plus dividend yield, accompanied by substantially higher than normal risk including the possibility of a binary outcome.

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Sell - We expect a total return below -5% over the next 12 months with total return equal to the percentage price change plus dividend yield.

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¹ This rating is only utilised by Stifel Canada.

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