

Lithium Ionic Corp.

EV Materials

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Rating
SPECULATIVE BUY

Price Target
C\$5.00

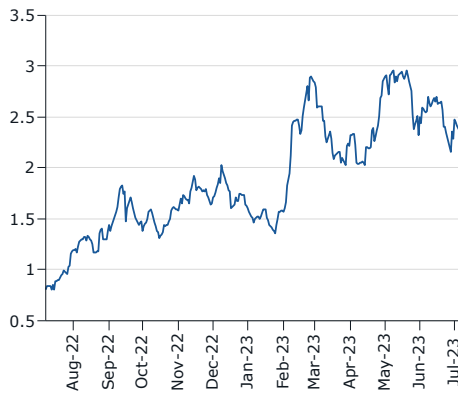
LTH-TSXV

Price
C\$2.29

Market Data

52-Week Range (C\$) :	0.70 - 3.05
Avg Daily Vol (000s) :	460
Market Cap (C\$M) :	292.9
Shares Out. (M) :	121.4
Enterprise Value (C\$M) :	273
NAV /Shr (C\$) :	4.45
Net Cash (C\$M) :	19.8
P/NAV (x) (C\$) :	0.51

FYE Dec	2023E	2024E	2025E
EBITDA (C\$M)	(50.5)	(12.0)	26.9
EPS Adj&Dil (C\$)	(0.41)	(0.09)	0.07



Source: FactSet

Priced as of close of business 6 July 2023

Lithium Ionic is an exploration and development company that is steadily advancing its flagship Itinga project (19.4Mt at 1.42% Li₂O and growing) in Minas Gerais state, Brazil, in addition to the earlier stage Salinas project.

Insider Ownership

Mgmt./directors: 23%

The right place, the right time

Investment Recommendation

We are initiating coverage of Lithium Ionic with a SPEC BUY rating and a C\$5.00 per share target price. Lithium Ionic is an exploration and development company that is steadily advancing its flagship Itinga project in Minas Gerais state, Brazil, in addition to the earlier stage Salinas project. We view LTH as a compelling investment for investors looking for exposure to lithium as its property hosts high-grade deposits that we believe can advance quickly to production in addition to medium-term growth that we project through regional exploration upside.

Investment Thesis

- High-grade lithium deposits in an emerging district:** The Itinga and Salinas projects are both located in the Araçuaí Pegmatite District, an area that is quickly emerging as the next world-class hard-rock lithium district. In June, LTH published a maiden mineral resource estimate for its Itinga project of 19.4Mt at 1.42% Li₂O (Bandeira + Outro Lado). The company's goal is to accelerate both deposits towards production as quick as possible with a PEA on track for Q3/23, followed shortly thereafter by a DFS. The speed at which SGML has been able to progress from preliminary resource through to production (~5 yrs) reflects the quick permitting process in Minas Gerais. We forecast first production at Outro Lado in 2025, followed by Bandeira in 2027. Our modelled production scenario (Fig. 4) sees the potential for up to 250ktpa spodumene production over a 15-yr mine life, at an AISC of \$634/t conc, resulting in a robust after-tax NPV13% of C\$928 million and an IRR of 110%.
- Substantial exploration upside:** LTH owns ~14,000ha in the Araçuaí Pegmatite District, the majority of which remains under explored. In our view, there is significant potential for additional high-grade deposits to be discovered. We highlight Salinas, located west of LRS's Colina deposit (45Mt at 1.34% Li₂O) where there are several spodumene-bearing pegmatites outcropping at surface, and recent drilling has returned 1.53% Li₂O over 11.36m. A 50,000m drill program is underway across LTH's property; the goal of the program is to (1) increase and upgrade the existing mineral resource, and (2) define new resource estimates at other regional targets.
- Robust existing infrastructure:** LTH's projects are located close to existing infrastructure including roads, water, hydroelectric power (transmission line runs through Itinga), and commercial ports. We expect access to existing infrastructure to significantly lower the upfront capital cost of the project relative to peers. We forecast a capital intensity of US\$100/t throughput vs. peers at ~US\$130/t.
- Promising metallurgical results:** Using heavy liquid separation, LTH was successful in producing a high-quality 6% Li₂O spodumene concentrate from both Bandeira and Outro Lado. Recoveries were excellent, achieving 77.99% and 82.52%, respectively. These preliminary HLS results act as a positive indicator that lower-cost and quicker-to-market dense media separation could work as a part of the project flowsheet.

Financial status: With C\$19.8 million in net cash, we believe LTH is well funded to advance its current drill program (CGe C\$13M cost). However, to accelerate project development (technical studies + permitting) beyond 2023, we foresee a need to raise additional capital before year-end (CGe \$30m; see financing assumptions on pg.13).

Valuation: Our target is based on 1.0x our fully risked NAV13%, forecast as at July 1, 2024. LTH currently trades at 0.51x NAV vs. peers at 0.56x (LRS 0.70x, SGML 1.03x). Our 1.0x multiple is based on our expectation that 12 months from now, LTH will re-rate higher as management looks to publish an updated resource estimate, PEA, FS, as well as exploration results which could define new deposits. Our SPEC BUY rating is based on the 118% implied return to our target and the outstanding project and funding risks.

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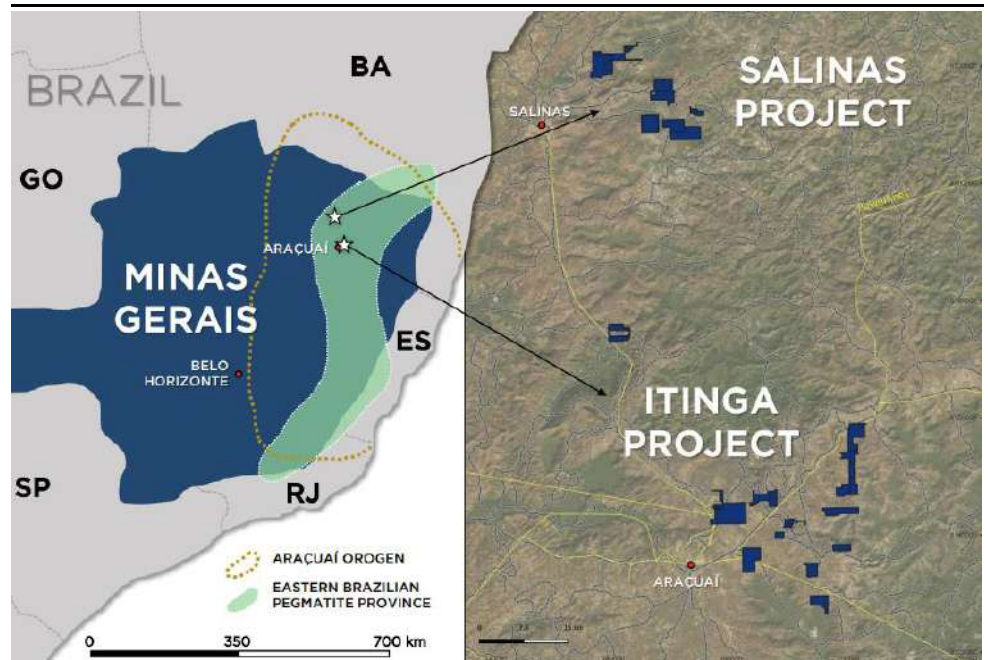
Investment thesis

We are initiating coverage of Lithium Ionic with a SPEC BUY rating and a C\$5.00 per share target price.

We are initiating coverage of Lithium Ionic Inc. (LTH-TSXV, "LTH") with a SPEC BUY rating and a C\$5.00 per share target price. Lithium Ionic is an exploration and development company that is steadily advancing its flagship Itinga project in Minas Gerais state, Brazil, in addition to the earlier stage Salinas project. We view LTH as a compelling investment for investors looking for exposure to lithium as its property hosts high-grade deposits that we believe can advance quickly to production in addition to medium-term growth that we project through regional exploration upside.

Our investment thesis is based on four key attributes as detailed below.

Figure 1: Lithium Ionic project location map



Source: Company reports

LTH is advancing the Itinga Project (19Mt at 1.42% Li₂O) in the Araçuaí Pegmatite District, an area that is quickly emerging as the next world-class lithium district.

High-grade lithium deposits in an emerging district

Lithium Ionic is advancing two projects in Brazil: the Itinga project and the Salinas project. Both projects are located in the Araçuaí Pegmatite District, an area that is quickly emerging as potentially the next world-class hard-rock lithium district.

The Itinga project is located a mere 500m away from CBL's Cachoeira lithium mine (~36ktpa underground) and less than 5km away from Sigma Lithium's (SGML-TSX: C\$52.75 | SPEC BUY, PT C\$72.00 | Katie Lachapelle) Grota do Cirilo project, which hosts 86Mt grading 1.43% Li₂O and commenced production in April 2023 (270ktpa SC). Other recent nearby discoveries include Latin Resources' Salinas project and Atlas Lithium's Neves project.

Over the last 18 months, Lithium Ionic conducted an extensive drill program at two targets: Bandeira and Outro Lado (previously known as Galvani). These targets produced a continuous stream of high-grade results (Figure 2), culminating in a maiden mineral resource estimate for the Itinga project of 19Mt at 1.42% Li₂O.

The company's goal is to accelerate both deposits towards a production decision as quickly as possible. A Preliminary Economic Assessment is already underway and expected to be complete in Q3 2023, followed shortly thereafter by a Definitive Feasibility Study before year-end. The speed at which Sigma has been able to

Figure 2: Drill results from Itinga

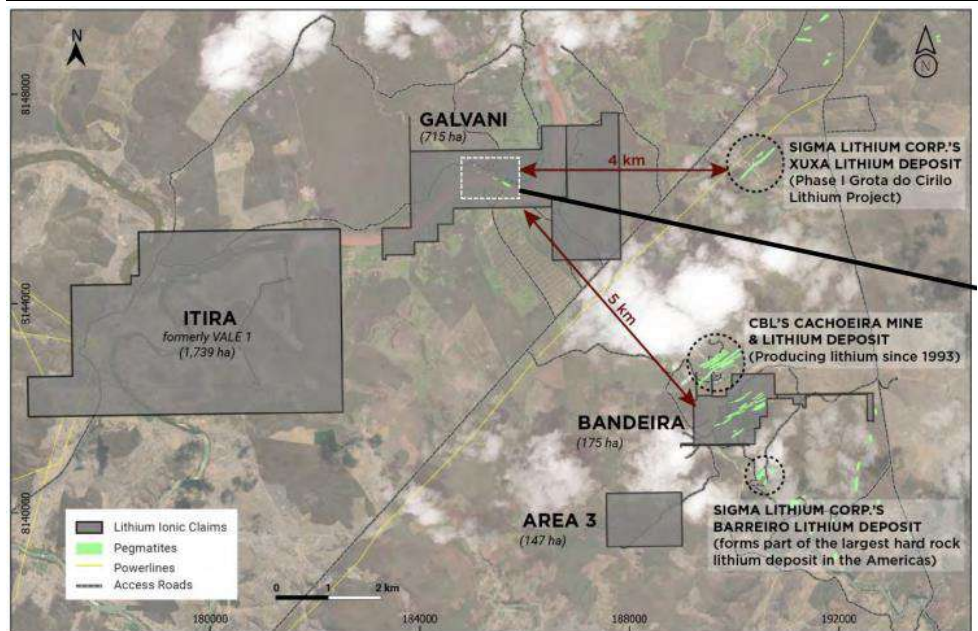
Target	Grade	Interval
BANDEIRA	1.62% Li ₂ O	over 20m
	1.32% Li ₂ O	over 24m
	2.53% Li ₂ O	over 6.1m
	1.73% Li ₂ O	over 13.6m
	1.47% Li ₂ O	over 15m
	1.43% Li ₂ O	over 17.1m
	1.99% Li ₂ O	over 6.8m
	1.59% Li ₂ O	over 9.6m
	1.88% Li ₂ O	over 7.7m
	1.93% Li ₂ O	over 5.7m
GALVANI	1.87% Li ₂ O	over 45m
	2.10% Li ₂ O	over 19.4m
	1.98% Li ₂ O	over 25.6m
	1.94% Li ₂ O	over 19.8m
	1.71% Li ₂ O	over 21.9m
	1.68% Li ₂ O	over 20.7m

Source: Company reports

In our view, expeditious permitting in Minas Gerais should bode well for the timely development of Bandeira and Outro Lado.

progress from preliminary Resource through to production (~5 years) reflects the well-developed permitting and approvals process in Minas Gerais, with Phase 1 permits taking only ~18 months from EIA submission (Figure 16). In our view, this bodes well for the timely development of other deposits in state, like Bandeira and Outro Lado. An EIA is underway for Bandeira and is expected to be complete in the fourth quarter of 2023.

Figure 3: Itinga project map highlighting Bandeira and Outro Lado (Galvani)



Source: Company reports

Our valuation is based on a modelled development and production scenario for the Itinga project, with assumptions underpinned by the June 2023 mineral resource.

Our valuation is based on a modelled production scenario at both Outro Lado (50ktpa SC) and Bandeira (200ktpa SC).

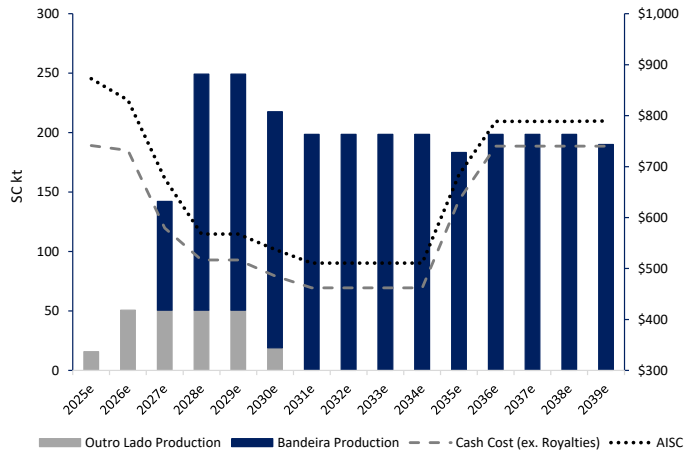
At Outro Lado (3.4Mt at 1.47% Li₂O), LTH is targeting a small starter operation, producing up to 50kt per year of spodumene concentrate using a mobile plant (US\$20-\$30 million capex, ~3 months delivery time). The size of the planned operation should allow for accelerated permitting (<1 year) via a "Concomitant Installation License", with first production targeting 2025. At run-rate, we estimate that Outro Lado could produce up to US\$85 million in free cash flow per year, helping fund a significant portion of the upfront capital at Bandeira (CGe ~US\$130 million).

At Bandeira (16Mt at 1.41% Li₂O and growing), LTH is targeting production of up to 200kt per year of spodumene concentrate. Open pit and underground mining are both being evaluated; we assume a blend of both methods to optimize NPV. After an 18-month construction period starting in 2025, we forecast first SC5.5 sales in 2027. Based on historical permitting timelines, we view this forecast as conservative, with LTH management targeting first production in 2026.

We estimate a compelling after-tax NPV13% of C\$928 million and an IRR of 110%, from start of construction.

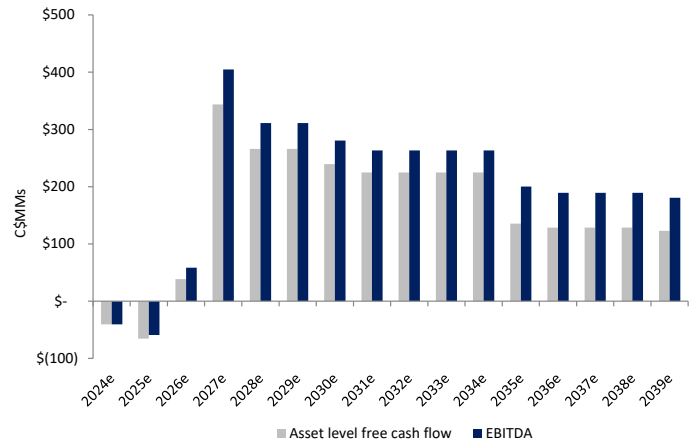
Our production scenario is detailed in the [Valuation](#) section below and summarized in Figure 4. Based on our long-term SC price of US\$1,500/t and other assumptions as detailed throughout this report and summarized in Figure 17, we estimate a compelling project level after-tax NPV13% of C\$928 million and an IRR of 110% from the start of construction. In our view, our valuation is relatively conservative given our use of a higher discount rate (13% vs. 8%), more conservative project timelines, and zero consideration for exploration upside.

Figure 4: CGe modelled production profile



Source: Canaccord Genuity estimates

Figure 5: CGe modelled FCF and EBITDA profile



Source: Canaccord Genuity estimates

In our view, there is significant potential for new high-grade discoveries; a 50,000m drill program is underway.

Substantial exploration upside

Lithium Ionic owns ~14,182 hectares in the Araçuaí Pegmatite District, the majority of which remains under explored, yet highly prospective for lithium. In our view, there is significant potential for additional high-grade mineralization to be identified beyond the current mineral resource estimate.

A 50,000m drill program is underway and targeting completion in the second half of 2023. The goal of the program is to (1) increase and upgrade the existing mineral resource at Bandeira and Outro Lado and (2) define new NI 43-101 mineral resource estimates at other regional targets.

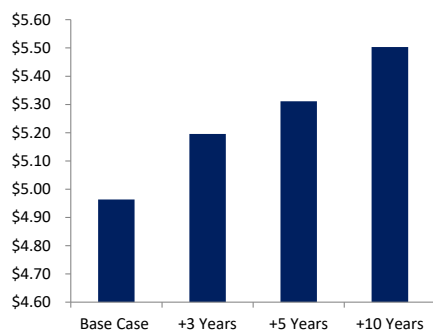
Increase and upgrade existing mineral resources

Six drill rigs are currently turning at Bandeira. Since the cut-off date for the mineral resource estimate, an additional 28 holes have been completed. Many of the holes were focused on the eastern-most extent of the Bandeira property (now called "Bandeira East"), where SGS Canada, LTH's independent QP, has estimated an additional 1.5-3.0Mt of potential, with grades ranging from 1.3-1.6% Li₂O. If we were to include this in our production scenario, our project level NAVPS would increase by 2% to 5%.

At Bandeira main, management also continues to encounter new zones of near-surface mineralization in addition to extensions at depth. The current interpretation of the deposit suggests that the pegmatites increase in size at depth (Figure 8). We expect future expansion drilling to provide upside to our current estimates, as additional resources are defined and included in our mine plan. If we model a 5-year extension to our mine life based on an additional 6.5Mt of material grading 1.40%, our project level NAVPS would increase by 7%. In Figure 6, we present our target NAV sensitivity to various expansion scenarios.

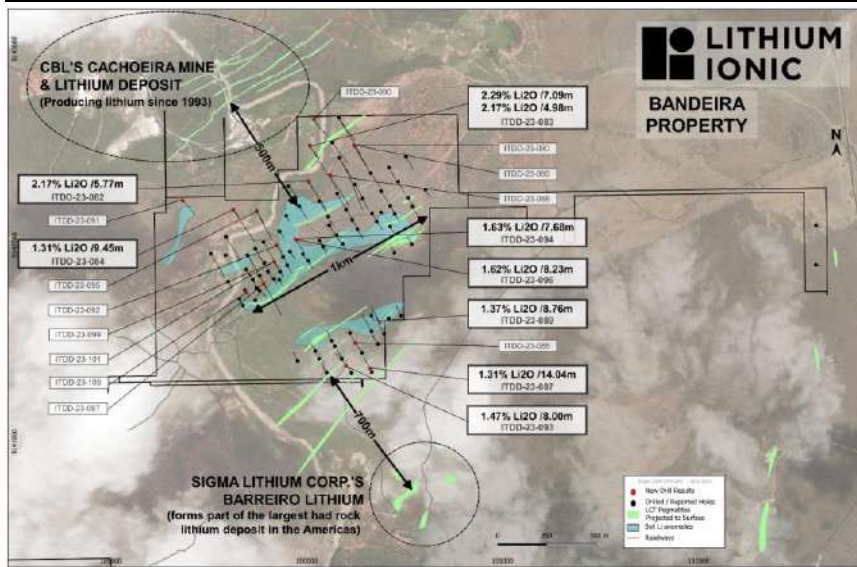
All else equal, we estimate that each additional year of mine life would generate ~C\$128 million in free cash flow (at US\$1,500/t SC) and add ~C\$15 million to our asset level valuation.

Figure 6: Target NAV sensitivity to expansion scenarios



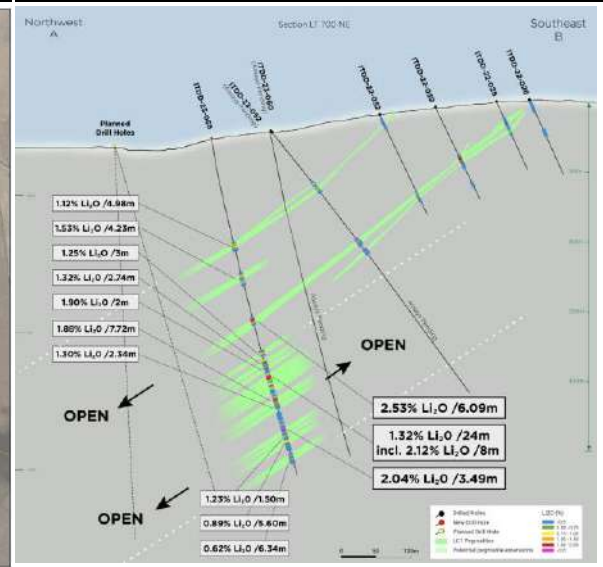
Source: Canaccord Genuity estimates

Figure 7: Bandeira drill highlights and section locations



Source: Company reports

Figure 8: Hole ITDD-23-065 (best to date)



Source: Company reports

Define new mineral resources at other regional targets

In addition to Bandeira and Outro Lado, Lithium Ionic has confirmed the presence of high-grade spodumene at other regional targets.

The most recent confirmation of the presence of high-grade spodumene is the Salinas project, which Lithium Ionic acquired a 40% interest in earlier this year, with an option to increase up to 85% (see [Project overview](#) section for details). Salinas is located ~100km north of the Itinga project and directly west of Latin Resources' Colina deposit, where LRS recently defined a mineral resource of 45Mt grading 1.34% Li₂O (Figure 9).

Exploration potential at Salinas – LTH's other prospective target – is entirely unpriced in our current valuation and provides significant upside, in our view.

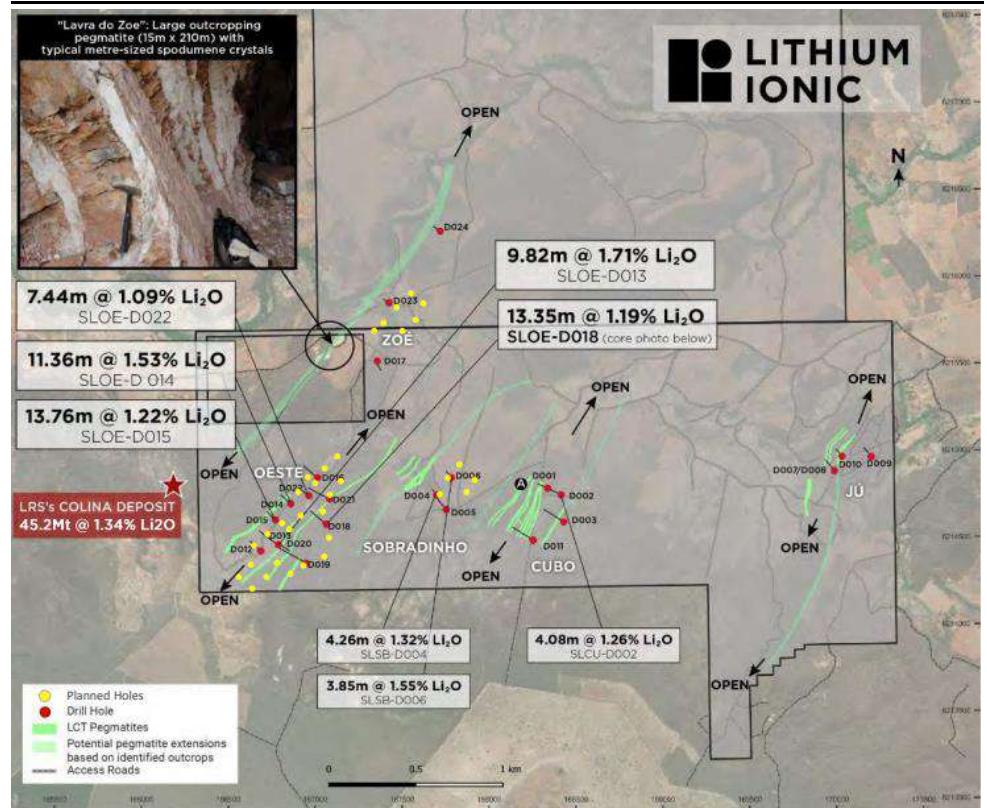
At Salinas, there are several lithium-rich spodumene-bearing pegmatites outcropping at surface with thicknesses ranging between 7-14m. Five main targets have been identified across a 3.5km area (Zoe, Oeste, Sobradinho, Cubo, and Ju), with the largest and highest-grade mineralized vein mapped over a strike length of 500m by up to 13m wide. In H2 2022, the previous owner Neolit Minerals completed a small 24 hole, 4,000m program to test these targets; highlights included:

- 1.53% Li₂O over 11.36m
- 1.22% Li₂O over 13.76m, and
- 1.71% Li₂O over 9.82m

Like Bandeira, the holes demonstrated high-grade from coarse-grained spodumene in pegmatites. LTH is conducting a follow-up 20,000m program with the goal of defining a maiden mineral resource before year end. In our view, a resource exceeding 10Mt is likely. This upside is entirely unpriced in our current valuation.

Exploratory drilling is also underway at the Itira target, ~1km away West of Outro Lado, with three rigs currently turning on site. Other regional targets with strong soil anomalies are also expected to be tested later this year, such as Area 2 (a 1.4km anomaly) and Area 3 (a 1.8km anomaly).

Figure 9: Salinas – map of pegmatites and drill highlights



Source: Company reports

Robust existing infrastructure should reduce capital intensity

Lithium Ionic’s projects are located in Minas Gerais state, one of the world’s largest mining provinces in southeast Brazil. The project sites are easily accessible by road, given their proximity to federal highway BR-367 and the town of Araçuaí (~25km from Bandeira). The highway network connects to multiple nearby ports, including the Port of Ilhéus, which is located ~550km from the project site, as well as the Port of Vitória. With sufficient storage and shipping capacity for 28-40k ton vessels, these ports represent suitable ports for export of spodumene concentrate to Asia, Europe, and North America.

The project is also located near sufficient water and power. Water will likely be supplied from the nearby Jequitinhonha River and electricity will be sourced from the Irapé hydroelectric power plant, located ~50km away. The main 138kV transmission line from the power plant runs directly between LTH’s properties.

In our view, access to existing infrastructure in the project area will significantly reduce the capital intensity and development risk profile of LTH’s project when compared to other lithium development projects, especially those located outside of Brazil. For context, Sigma Lithium built its Phase 1 project (1.5Mt per year ore capacity) at an all-in capital cost of ~US\$130 million. This implies a capital intensity (development capex/front-end capacity) of just US\$87/t, well below the peer group average of ~US\$130/t (Figure 11).

If we apply the same capital intensity to LTH, we get an upfront capital cost of US\$113 million for Bandeira (1.3Mt_{pa} x US\$87/t). Our current estimates assume US\$130 million (or US\$100/t, 15% above this, to be conservative).

LTH’s projects are likely to benefit from favourable mining and transport infrastructure, hydropower, water, and easy access to international markets via nearby port access.

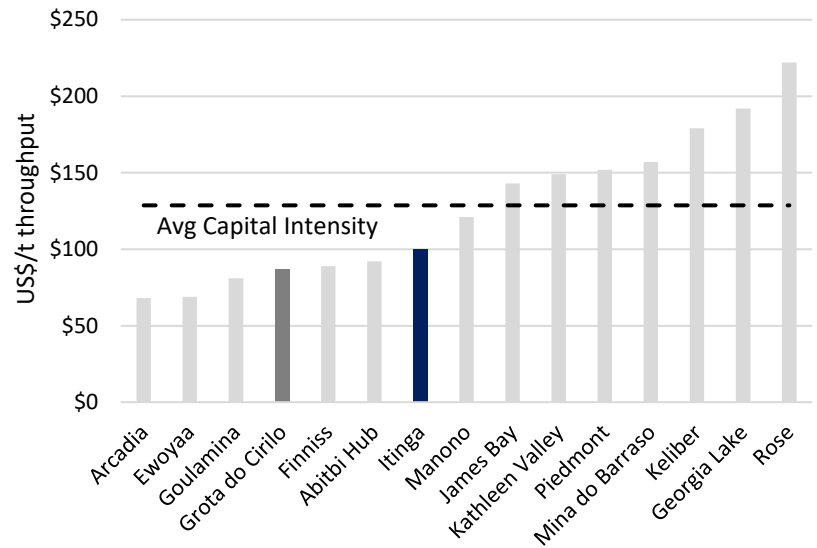
We project a lower capital intensity vs. hard rock developer peers (Figure 11).

Figure 10: Robust existing infrastructure



Source: Company reports

Figure 11: Hard rock developer capital intensities



Source: Company reports, Canaccord Genuity estimates

In our view, preliminary HLS results suggest that lower-cost and quicker-to-market Dense Media Separation could work as part of the project flowsheet.

Promising metallurgical results

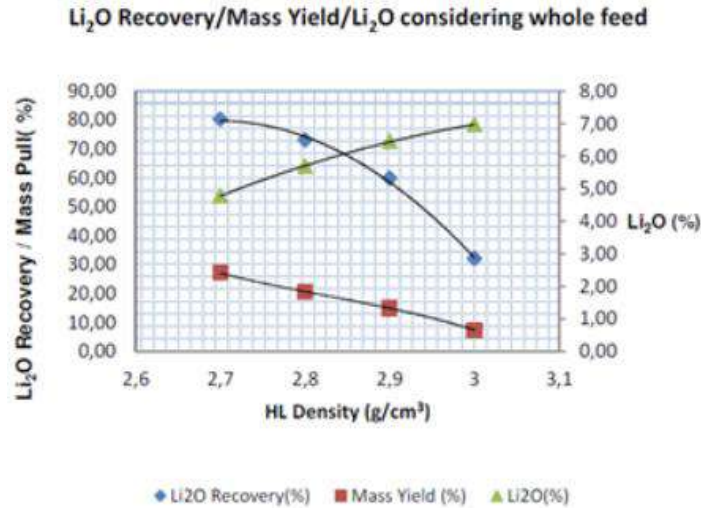
In December, Lithium Ionic announced results from initial Heavy Liquid Separation (HLS) tests that were carried out on two 20kg samples obtained from drill core at its Bandeira and Outro Lado targets. The samples chosen reflected the average grade from exploration drilling obtained over the last year at each target.

Using HLS, the company was successful in producing a high-quality 6% Li₂O spodumene concentrate at an overall lithium recovery of 77.99% and 82.52%, with low iron content of 0.24% and 0.51%, respectively. In our view, these preliminary HLS results act as a positive indicator that lower-cost Dense Media Separation (DMS) could work as a part of the project flowsheet. Recoveries reported also compare favourably to peers where a DMS process is already incorporated into their flowsheet (e.g., SGML 65%, Western Australian operations 60-75%) and where previous HLS test work was completed.

For example, heavy liquid separation test work at Sigma’s Xuxa deposit (21.2Mt at 1.56% Li₂O) achieved recoveries between 49.9% and 66.1% based on samples ranging from 1.27% Li₂O to 1.74% Li₂O. These results helped inform future DMS work and the Feasibility Study, which assumed an overall recovery rate of 65% over life of mine. To be conservative, we assume 60-65% recovery in our model (in line with SGML), even though preliminary HLS suggests upside to this estimate.

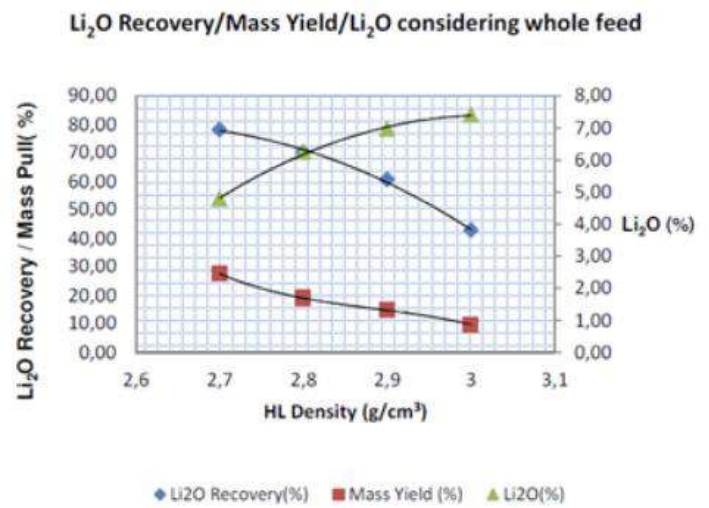
Further metallurgical test work is expected to be complete in the coming months by SGS Geosol, including a pilot plant circuit testing dense media separation using FeSi15. Recovery improvements of the fines (-0.5mm) will also be evaluated using comminution and floatation.

Figure 12: Cumulative recovery, mass yield and Li₂O grade for four specific densities tested – Bandeira



Source: Company reports

Figure 13: Cumulative recovery, mass yield and Li₂O grade for four specific densities tested – Outro Lado



Source: Company reports

A proven team with significant experience in Brazil

LTH's management and board has a breadth of expertise in exploration, mining, and capital markets, with >80 years of combined experience in Brazil.

- **CEO Blake Hylands** is a Professional Geoscientist with more than 10 years of exploration experience in Canada, South America, and Europe. He previously co-founded Troilus Gold Corp, which successfully discovered a +8Moz gold deposit in Quebec, Canada.
- **President Hélio Diniz** has over 40 years of experience, with much of his career having been spent in Brazil. He has been the Managing Director of Brazil Potash since 2009 and was previously involved in the development of the Sao Bento gold mine (now operated by Eldorado Gold) and the discovery of the world-class Araguaia nickel deposit (>100Mt) with Xstrata. He is also a serial entrepreneur, having founded and developed several Brazilian companies across different commodities, including potash, phosphate, and gold.
- **VP Exploration Carlos Costa** has ~40 years of experience, 30 of which were based in Brazil, focused on base metals, gold, and PGE exploration. He has been involved in a multitude of exploration programs during his career, including advancing discoveries from regional grassroots to bankable feasibility studies. Mr. Costa also has 10 years of experience in mine geology, including both underground and open pit operations.

In our view, LTH's team is well suited to execute on the development plan for Itinga, given its significant in-country experience. We provide a full biography of all members of management and the board in [Appendix A](#). Management and insiders currently own ~23% of the outstanding shares.

Valuation overview

We derive our C\$5.00 per share target price based on asset level cash flows for Itinga and other corporate adjustments as at July 1, 2024.

Our base case valuation is centred on the successful financing and development of the Itinga Project, which includes both Outro Lado and Bandeira. Our key assumptions are summarized in Figure 17 and detailed in the next section.

Overall, we derive a Corporate Net Asset Value (NAV) of C\$4.92 per share, based on our asset level cash flows for Itinga and other corporate adjustments as at July 1, 2024. Our NAV was derived using a 13% discount rate, determined by taking a base rate of 8.0%, appropriate for an operating project in a low-risk jurisdiction, and adding a further 5% to account for increased risk related to outstanding technical studies, permitting, financing, and jurisdictional risk.

Our 12-month target price of C\$5.00 per share is based on 1.0x our fully funded NAV. Our 1.0x multiple is based on our expectation that 12 months from now, LTH will re-rate higher as management looks to publish an updated mineral resource estimate, Preliminary Economic Assessment, Feasibility Study, as well as ongoing exploration results which could define new deposits.

Our SPECULATIVE BUY rating is based on the 118% implied return to our target price and the outstanding project and funding risks associated with the development of LTH's projects. The "SPECULATIVE" qualifier is also intended to remind investors that the company does not have any operating assets and thus poses a higher-than-normal risk profile.

Figure 14: Target Net Asset Value breakdown - as at July 1, 2024

	C\$ MMs	Disc. Rate	C\$ MMs	C\$/sh	%
Itinga	983	13.0%	983	\$5.07	100%
Other	0		0	\$0.00	0%
Total Asset Level Cash Flows	983		983	\$5.07	100%
Itinga - in situ	0		0	\$0.00	
Salinas - in situ	0		0	\$0.00	
Cash & Equivalents	15		15	\$0.08	
Future Equity Issuances	114		114	\$0.59	
Working Capital (ex. Cash and Debt)	0		0	\$0.00	
Total Debt	0		0	\$0.00	
Corporate SG&A	-159	8.0%	-159	(\$0.82)	
Corporate tax adjustment	0	8.0%	0	\$0.00	
Net Asset Value	954		954	\$4.92	
Net Asset Value per share	\$4.92		\$4.92		

Share count as at July 1, 2024	135.0
Shares issued from equity raises	59.0
Fully funded share count	194.0

Source: Canaccord Genuity estimates

From a relative valuation perspective, Lithium Ionic currently trades at 0.51x NAV, below lithium developer peers under coverage at 0.56x on average, including those within Brazil (highlighted in grey – 0.70x NAV and 1.03x NAV).

Figure 15: Canaccord Genuity global lithium developer comps (Brazilian peers in grey)

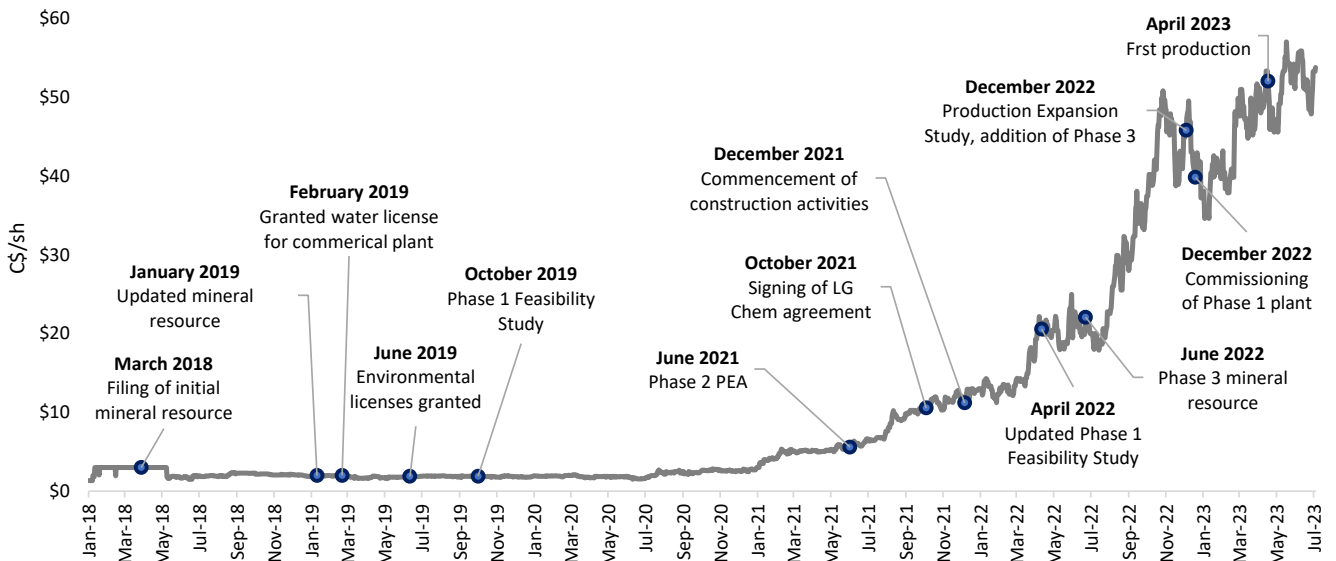
Coverage Universe	Ticker	Price 2023-07-06	Market Capitalization	Enterprise Value	Rating	Target Price	Return to Target	P/NAV	Primary Project(s)	Type(s)	Locations(s)	Analyst
Argosy Minerals Ltd.	AGY-ASX	A\$0.41	A\$569	US\$338	Spec. Buy	A\$0.85	110%	0.48	Rincon	Brine	Argentina	TH
Atlantic Lithium Ltd.	ALLA-LON	£0.25	£153	US\$178	Spec. Buy	80p	218%	0.31	Ewoyaa	Hard Rock	Ghana	AB
Azure Minerals Ltd.	AZS-ASX	A\$1.64	A\$640	US\$334	Spec. Buy	A\$2.25	37%	0.73	Andover	Hard Rock	West Australia	PH
CleanTech Lithium Plc	CTL-LON	£0.42	£44	NA	Spec. Buy	295p	611%	0.14	Laguna Verde, Francisco Basin	Brine	Chile	AB
Critical Elements Lithium Corp.	CRE-TSX	C\$1.82	C\$396	US\$263	Spec. Buy	C\$5.00	175%	0.40	Rose Lithium-Tantalum	Hard Rock	Quebec, Canada	KL
Cygnus Metals Ltd.	CY5-ASX	A\$0.30	A\$67	US\$114	Spec. Buy	A\$0.60	100%	0.50	Pontax, Auclair, Sakami, Mistumi	Hard Rock	Quebec, Canada	RS
Delta Lithium Ltd.	DU-ASX	A\$0.90	A\$469	US\$161	Spec. Buy	A\$1.25	39%	0.72	Mt. Ida Project	Hard Rock	West Australia	PH
Frontier Lithium Inc.	FL-TSX	C\$1.82	C\$407	US\$276	Spec. Buy	C\$4.00	120%	0.49	PAK	Hard Rock	Ontario, Canada	KL
Galan Lithium Ltd.	GLN-ASX	A\$0.91	A\$305	US\$158	Spec. Buy	A\$3.00	231%	0.30	Hombre Muerto West	Brine	Argentina	RS
Global Lithium Resources Ltd.	GL1-ASX	A\$1.64	A\$425	US\$185	Spec. Buy	A\$2.80	71%	0.59	Marble Bar, Manna Lithium	Hard Rock	West Australia	TH
Green Technology Metals Ltd.	GT1-ASX	A\$0.70	A\$192	US\$97	Spec. Buy	A\$1.90	173%	0.37	Seymour, Root	Hard Rock	Ontario, Canada	TH
ioneer Ltd.	INR-ASX	A\$0.32	A\$675	US\$378	Spec. Buy	A\$0.50	56%	0.67	Rhyolite Ridge	Hard Rock	Nevada, USA	TH
Kodal Minerals Plc	KOD-LON	£0.006	£107	US\$131	Spec. Buy	1.5p	138%	0.42	Bougouni	Hard Rock	Mali	AB
Lake Resources N.L.	LKE-ASX	A\$0.30	A\$427	US\$188	Spec. Buy	A\$0.95	217%	0.33	Kachi	Brine	Argentina	RS
Latin Resources Ltd.	LRS-ASX	A\$0.32	A\$824	US\$362	Spec. Buy	A\$0.45	43%	0.70	Salinas	Hard Rock	Brazil	RS
Leo Lithium Ltd.	LLL-ASX	A\$1.13	A\$1,354	US\$731	Spec. Buy	A\$2.45	117%	0.46	Goulamina	Hard Rock	Mali	RS
Li-FT Power Ltd.	LIFT-CSE	C\$8.50	C\$334	US\$183	Spec. Buy	C\$13.00	53%	0.64	Yellowknife, Rupert, Pontax	Hard Rock	NWT & Quebec, Canada	KL
Liontown Resources Ltd.	LTR-ASX	A\$2.75	A\$6,056	US\$3,736	Spec. Buy	A\$2.80	2%	1.57	Kathleen Valley	Hard Rock	West Australia	RS
Lithium Americas Corp.	LAC-TSX	C\$26.72	C\$4,269	US\$2,463	Spec. Buy	C\$55.00	106%	0.44	Cauchari-Olaroz, Thacker Pass	Brine, Clay	Argentina, Nevada	KL
Lithium Ionic Inc.	LTH-TSX	C\$2.29	C\$278	US\$195	Spec. Buy	C\$5.00	118%	0.51	Itinga, Salinas	Hard Rock	Brazil	KL
Lithium Power International Ltd.	LPI-ASX	A\$0.31	A\$195	US\$66	Spec. Buy	A\$1.50	384%	0.20	Maricunga	Brine	Chile	RS
Lithium Royalty Corp.	LIRC-TSX	C\$12.78	C\$707	US\$465	Buy	C\$23.50	84%	0.66	Royalty Company	Various	Various	KL
Patriot Battery Metals Inc.	PMET-TSX	C\$15.46	C\$1,435	US\$990	Spec. Buy	C\$16.75	8%	0.99	Corvette	Hard Rock	Quebec, Canada	KL/RS
Piedmont Lithium Ltd.	PLL-ASX	A\$0.87	A\$1,657	US\$931	Spec. Buy	A\$2.00	131%	0.42	Piedmont	Hard Rock	North Carolina, USA	RS
Prospect Resources Ltd.	PSC-ASX	A\$0.14	A\$65	US\$22	Spec. Buy	A\$0.16	14%	0.88	Arcadia	Hard Rock	Zimbabwe	TH
Rock Tech Lithium Inc.	RCK-TSX	C\$2.02	C\$257	US\$122	Hold	C\$2.50	24%	0.85	Georgia Lake	Hard Rock	Ontario, Canada	KL
Sayona Mining Ltd.	SYA-ASX	A\$0.18	A\$1,807	US\$1,029	Spec. Buy	A\$0.30	66%	0.60	NAL, Authier	Hard Rock	Quebec, Canada	RS
Standard Lithium Ltd.	SLI-TSX	C\$5.60	C\$966	US\$660	Spec. Buy	C\$9.00	61%	0.67	Lanxess Project	Brine	Arkansas, USA	KL
Vulcan Energy Resources Ltd.	VUL-ASX	C\$4.31	C\$721	US\$269	Spec. Buy	C\$12.50	190%	0.34	Zero Carbon Lithium Project	Brine	Germany	TH
Winsome Resources Ltd.	WR1-ASX	A\$1.77	A\$302	US\$162	Spec. Buy	A\$3.55	101%	0.50	Adina, Cancet	Hard Rock	Quebec, Canada	RS
Lithium Developers Average								0.56				
Allkem Ltd.	AKE-ASX	A\$16.24	A\$10,356	US\$6,637	Buy	A\$19.50	20%	0.78	Olaroz, Mt Cattlin, James Bay	Brine, Hard Rock	Argentina, Australia, Canada	RS
Core Lithium Ltd.	CXO-ASX	A\$0.96	A\$1,775	US\$1,056	Spec. Buy	A\$1.40	47%	0.68	Finniss	Hard Rock	North Australia	TH
IGO Limited	IGO-ASX	A\$15.52	A\$11,753	US\$7,865	Hold	A\$14.00	-10%	1.11	Greenbushes, Kwinana	Hard Rock	West Australia	TH
Pilbara Minerals Ltd.	PLS-ASX	A\$5.07	A\$15,201	US\$8,849	Buy	A\$5.50	8%	0.92	Pilgangoora	Hard Rock	West Australia	TH
Sigma Lithium Corp.	SGML-TSX	C\$52.75	C\$5,329	US\$3,924	Buy	C\$72.00	36%	1.03	Grota do Cirilo	Hard Rock	Brazil	KL
Lithium Producers Average								0.90				

Note: AB = Alexander Bedwany, Canaccord Genuity Ltd (UK), TH = Timothy Hoff, PH = Paul Howard, RS = Reg Spencer, Canaccord Genuity (Australia) Ltd, KL = Katie Lachapelle, Canaccord Genuity Corp (Canada)

Source: FactSet, Company reports, Canaccord Genuity estimates

As the company continues to de-risk the project over the next 12 months, including the delivery of a maiden technical reports and EIA report submissions, we expect this valuation gap to close. Longer term, we look at Sigma's progression as an example of the potential re-rate Lithium Ionic could undergo (Figure 16).

Figure 16: SGML share price performance with execution milestones highlighted



Source: FactSet, Company reports, Canaccord Genuity

Key assumptions in our valuation

Operating assumptions: Our project level valuation for Itinga is based on the successful development and construction of both Bandeira and Outro Lado. Our estimates are based on benchmarking of similar projects, including Sigma Lithium's Grota do Cirilo project, adjusted as follows:

- We forecast mining and processing rates based on neighboring projects and what we view as a realistic run-rate given the current mineral resource.
- For Bandeira, we forecast production of up to 200kt per year of spodumene concentrate over a 13-year mine life – combined open pit and underground. Our flowsheet assumes up to 1.3Mtpa of ore is treated through a conventional DMS-only plant which should deliver lower capital intensity and de-risk commissioning and ramp-up (similar to Grota do Cirilo).
- For Outro Lado, we forecast a small “starter” operation, producing up to 50kt per year of spodumene concentrate over a 6-year mine life.
- We assume an initial capital cost of US\$130 million for Bandeira and US\$30 million for Outro Lado.
 - Our capital cost is based on industry benchmarking of hard rock lithium development projects and assumes US\$100/t capital intensity (slightly above Sigma, but below other hard rock peers).
- We assume mining costs in line with neighboring projects.
 - For open pit, we model \$2.68/t mined, in line with Sigma's most recent technical report
 - For underground, we model US\$80/t mined. This is based on discussions with local mining engineers during our most recent site visit which suggested an operating cost between US\$60/t and US\$80/t for the nearby CBL mine.
- Our processing, G&A and transport costs are in line with Grota do Cirilo.
- At Outro Lado, we forecast a construction start date of H2 2024, with first production occurring in 2025 (1-year construction timeline). For this to occur, permits must be received by mid-year 2024.
- At Bandeira, we forecast a construction start date of 2025, with first production occurring in 2027 (2-year construction timeline).

Financing assumptions: We assume all financing requirements going forward will be addressed via a mix of cash, project debt financing, and LTH equity:

- We estimate that equity (C\$20-C\$30 million) will be required in H2 2023 to bridge funding gaps in support of ongoing exploration and PEA level work. We model C\$30 million at a slight discount to the current share price.
- We assume C\$50 million in debt financing with the remaining balance to be funded through LTH equity and internally generated cash flow (Outro Lado).
- We assume LTH will need to raise an additional ~C\$130 million via equity. We model all equity raises for project funding at LTH's current share price (C\$2.29). In our view, this is a very conservative assumption, and eventual financing could be far less dilutive than our current estimates suggest.
- All equity dilution is included in our per share NAV calculation. We estimate additional dilution of 72.6 million shares, for total shares issued and outstanding of ~194 million (includes ITM warrants + options).

Figure 17: Key assumptions in our valuation

Operating Assumptions			CG Estimate
Outro Lado			
Mine Life		years	6
Ore mined / processed	LOM Total	mt	1.5
Grade	LOM Avg	%	1.46%
Recovery	LOM Avg	%	65%
Production - 6% Li ₂ O concentrate	LOM Total	kt	237
	LOM Avg	kt	40
	Run-Rate	kt	50
Operating cost	LOM Avg	US\$/t conc	\$612
Initial capex	LOM Total	US\$MMs	\$30
Construction start date		year	H2 2024
Production start date		year	2025
Bandeira			
<u>Open Pit</u>			
Mine life		years	9
Waste mined	LOM Total	mt	132.0
Ore mined	LOM Total	mt	10.2
Strip ratio	LOM Avg	w:o	13.0
Grade	LOM Avg	%	1.40%
<u>Underground</u>			
Mine life		years	5
Ore mined	LOM Total	mt	5.9
Grade	LOM Avg	%	1.40%
Ore processed	LOM Total	mt	16.0
Grade processed	LOM Avg	Li ₂ O %	1.40%
Recovery	LOM Avg	%	60%
Production - 5.5% Li ₂ O concentrate	LOM Total	kt	2,450
	LOM Avg	kt	188
	Run-Rate	kt	200
Operating cost	LOM Avg	US\$/t conc	\$445
Initial capex	LOM Total	US\$MMs	\$130
Construction start date		year	2025
Production start date		year	2027
Consolidated			
Cash cost (incl. royalties + transportation)	LOM Avg	US\$/t conc	\$614
AISC	LOM Avg	US\$/t conc	\$634
Initial capital	LOM Total	US\$MMs	\$162
Sustaining capital	LOM Total	US\$MMs	\$53
Financial Assumptions			CG Estimate
LT spodumene price		US\$/t	\$1,500
Discount rate		%	13.0%
NPV 13% - from start of construction		C\$MMs	928
NPV 13% - from start of construction*		US\$MMs	696
NPV 8% - from start of construction		C\$MMs	1,334
NPV 8% - from start of construction*		US\$MMs	1,000
After-tax IRR		%	110%

*assumes fx rate 0.75

Source: Company reports, Canaccord Genuity estimates

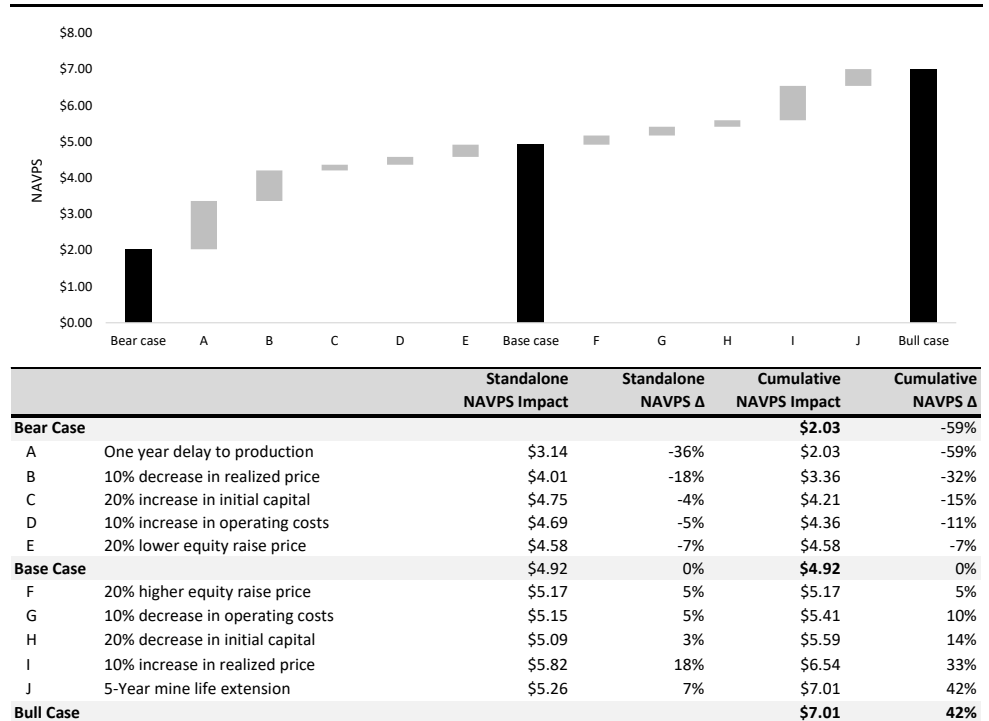
Scenario analysis

We have utilized scenario analyses to assess various changes to the key assumptions and risks in our base case valuation. We outline how those changes impact our target NAVPS below (Figure 18).

In our view, Lithium Ionic offers a potential risk/reward outlook skewed to the positive.

The impact of our downside scenarios (A-E) suggests a bear case target NAVPS of C\$2.03, or -12% from current price levels (C\$2.29/sh). Conversely, our upside scenarios (F-J) suggest a bull case target of C\$7.01, or +206% from current price levels. In our view, Lithium Ionic offers a potential risk/reward outlook skewed to the positive.

Figure 18: Sensitivity of our NAVPS to changes in our key assumptions



Source: Canaccord Genuity estimates

Key risks to our estimates

Key risks to our estimates include exploration, financing, permitting, and commodity price sensitivity.

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 additional 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-PEA), we assume an elevated 13.0% 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. We present our target NAV sensitivity to changes in our lithium price deck in Figure 19.

Figure 19: Target NAV sensitivity to lithium price deck

	Px Δ								
	-20%	-15%	-10%	-5%	0%	5%	10%	15%	20%
NAVPS	\$3.11	\$3.56	\$4.01	\$4.47	\$4.92	\$5.37	\$5.82	\$6.27	\$6.72
NAVPS (% Δ)	-37%	-28%	-18%	-9%	0%	9%	18%	28%	37%

Source: Canaccord Genuity estimates

Upcoming potential catalysts

- Results from ongoing 50,000m drill program
- Additional mineral resource updates – Itinga + Salinas
- Preliminary Economic Assessment (Q3 2023)
- Definitive Feasibility Study (targeting before year-end)
- Surface sampling & trenching with aim to make new discoveries
- Submission of application for LAC and LP (project permits) – targeting before year-end
- M&A – LTH continues to explore strategic acquisitions

Company overview

Figure 20: Lithium Ionic logo



Source: Company reports

Lithium Ionic is a TSXV-listed explorer and developer with pegmatite lithium properties in Brazil. Its projects, Itinga and Salinas, cover ~14,182 hectares in the Araçuaí province in Minas Gerais state Brazil.

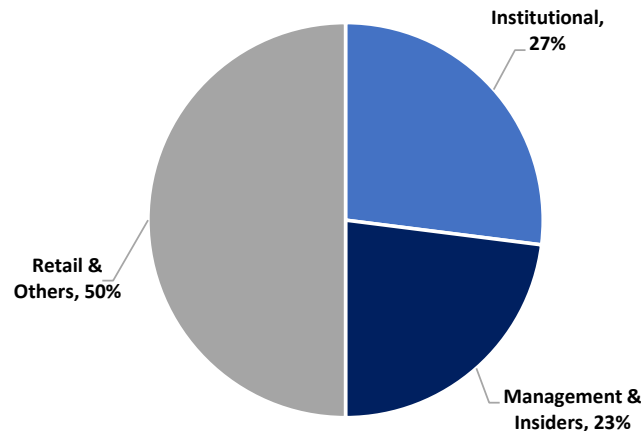
Lithium Ionic owns the properties through its wholly owned subsidiary MGLIT Empreendimentos Ltda., which was acquired in October 2021.

Capital markets profile

Lithium Ionic is incorporated in Canada, with its corporate office in Toronto, Ontario. Its common shares are listed on the TSX-V under the ticker 'LTH', the OTC under 'LTHCF', and the Frankfurt Stock Exchange under 'H3N'. The company began trading on the TSX Venture Exchange in May 2022. The company has ~121.5 million common shares outstanding, along with ~11.7 million outstanding options and ~5.3 million warrants at a weighted average exercise price of C\$1.05 and C\$1.09, respectively.

Since July 1, 2022, an average of ~465,000 shares have been traded daily. Management and insiders currently own 23% of the shares outstanding, with the remaining held by institutions (27%) and retail (50%). LTH's growth to date has been funded by capital market transactions. We present an overview of the company's transactions in Figure 22 below.

Figure 21: LTH capital structure



Source: Company reports, FactSet

Figure 22: Capital markets transactions

Close Date	Description	Amt Raised (C\$MMs)	Currency	Deal Type	Security Type	Offer Price
25 Jan '21	POCC.P-CA Founders & Others IPO	0.22	CAD	Equity	Common Shares	0.10
08 Feb '22	POCC.P Private Placement Offering	14.00	CAD	Equity	Shares	0.70
05 Oct '22	LTH Private Placement Offering	25.00	CAD	Equity	Shares	1.60

Source: FactSet, Company reports, Canaccord Genuity

Financial position and cash flow projections

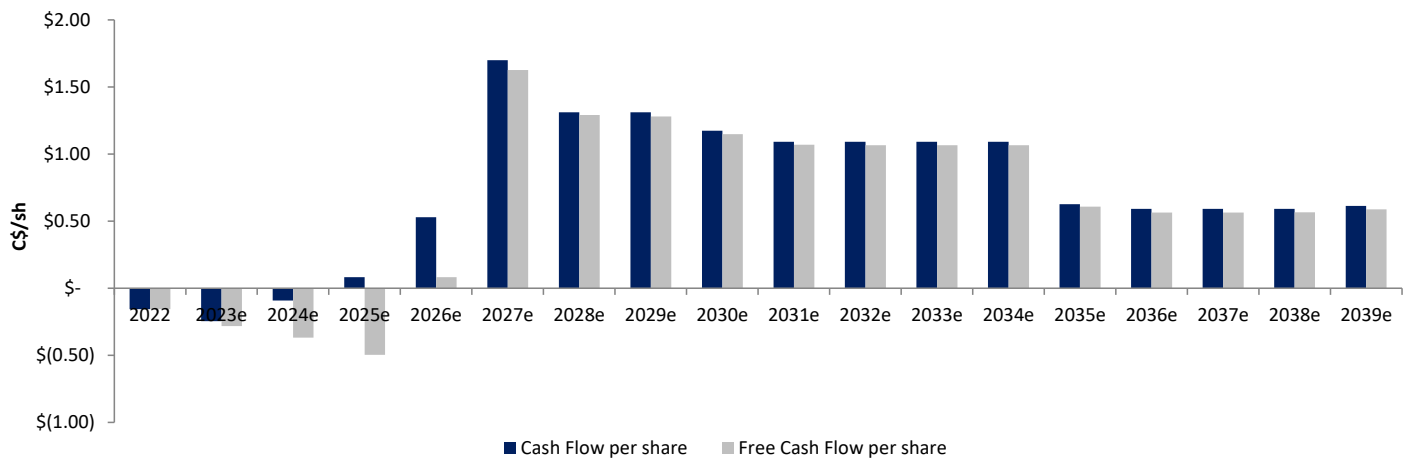
As of March 31, 2023, Lithium Ionic had C\$19.8 million in cash on hand and no debt. A 50,000m drill program is planned for the remainder of 2023 that we suspect will cost C\$13 million based on an all-in cost of ~US\$200/m drilled. We estimate a quarterly burn rate of C\$3 million, excluding exploration expenditures. Based on these forecasts we foresee a need to raise additional capital before year-end to help accelerate project development and support additional drilling (CGe C\$30m)

Figure 23: Project timeline and potential upcoming



Source: Company reports

Figure 24: Forecast operating and free cash flow



Source: Canaccord Genuity estimates

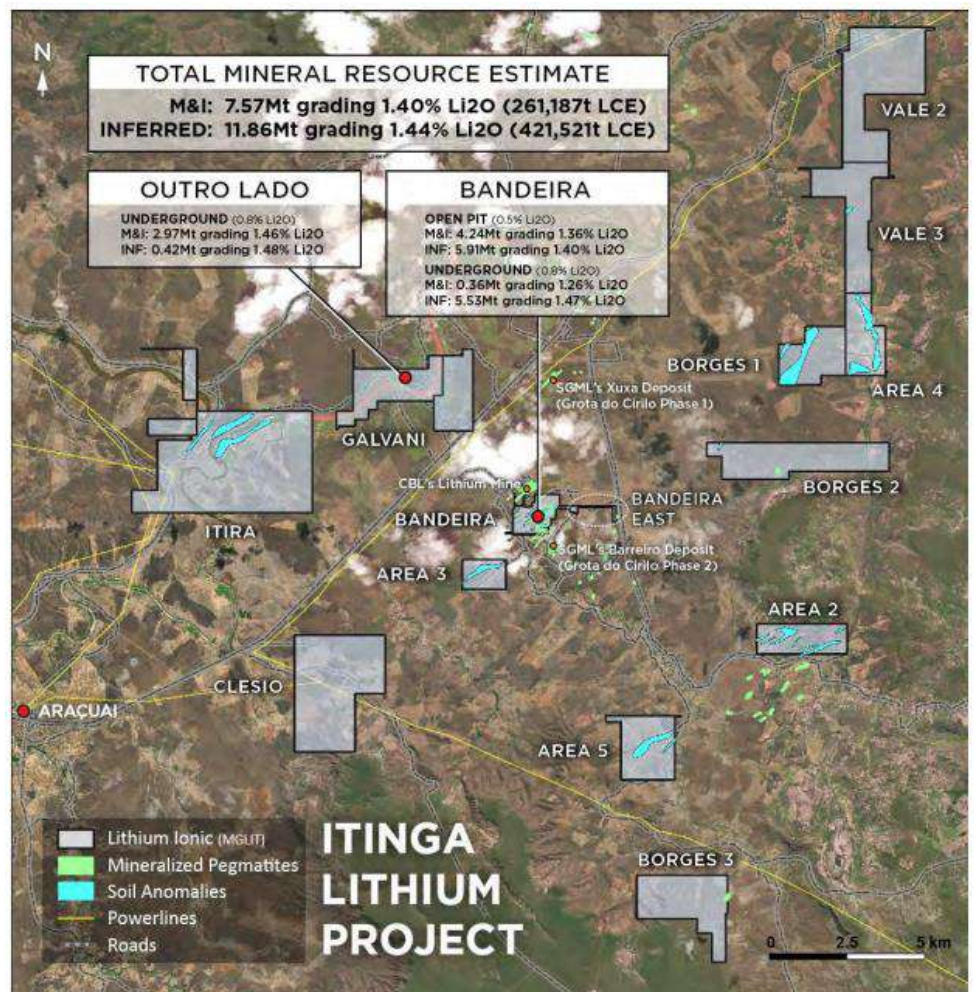
Portfolio overview

Itinga Project

The Itinga Project is LTH's 100%-owned flagship project in Brazil.

The Itinga project is Lithium Ionic's 100%-owned flagship project, located in the state of Minas Gerais, Brazil. The current project area totals ~7,700 hectares and includes three main targets: Bandeira, Outro Lado (Galvani), and Itira.

Figure 25: Itinga project map



Source: Company reports

Exploration activities are conducted through LTH's Brazilian subsidiary, MGLIT Empreendimentos Ltda. MGLIT acquired the initial Itinga mineral licenses in December 2021 from Falcon Metais Ltda. The Outro Lado mining licenses were later acquired in September 2022 and are also held through MGLIT.

Geology and mineralization

The Itinga Project is located within the Eastern Brazilian Pegmatite Province (EBPP), a 150,000 km² area, stretching from the state of Bahia, through Minas Gerais, to Rio de Janeiro. The EBPP is one of the world's most significant granitic pegmatite provinces and is host to numerous minerals including quartz, feldspar, and mica.

The Araçuaí Pegmatite District (APD) within the EBPP, where Itinga is hosted, is composed of residual type pegmatites derived from G4 granitic bodies. The lithium-bearing pegmatites in the Araçuaí region were formed during the final crystallization

stages of the granite, where residual fluids accumulated at the top of the granitic magma chamber and entered the fractures and fault zones of the host rock.

Lithium mineralization occurs with a halo of pegmatitic dykes and apophyses, with the mineralized pegmatites dispersed along a complex and crosscutting system of northeast and northwest trending faults that were exploited by the dykes. The primary lithium-bearing minerals are spodumene and petalite.

Project resource

On June 27, 2023, LTH announced its maiden mineral resource estimate for the Itinga project, which incorporates both the Bandeira and Outro Lado targets. In total, the project hosts 7.57Mt grading 1.40% Li₂O of Measured & Indicated resources, and 11.86Mt grading 1.44% Li₂O of inferred resources. We present the detailed mineral resource estimate in Figure 26 below. A cut-off grade of 0.5% Li₂O was used for open pit, and 0.8% Li₂O for underground.

This maiden estimate is based on extensive drilling conducted on site over the last ~18 months, including a total of 181 diamond drill holes over 28,204m completed between April 2022 and June 2023.

Figure 26: Itinga project maiden mineral resource - June 2023

Mineral Resources			
	Tonnage (Mt)	Li ₂ O %	LCE (kt)
Bandeira Open Pit			
Measured	1.14	1.43%	40.2
Indicated	3.11	1.33%	102.3
Inferred	5.91	1.40%	205.4
Bandeira Underground			
Measured	0.00	1.10%	0.1
Indicated	0.35	1.26%	11.0
Inferred	5.53	1.47%	201.0
Bandeira - Total M&I+I	16.04	1.41%	559.9
Outro Lado Underground			
Measured	2.58	1.47%	93.7
Indicated	0.39	1.43%	13.9
Inferred	0.42	1.48%	15.2
Outro Lado - Total M&I+I	3.39	1.47%	122.8
Measured & Indicated	7.57	1.40%	261.2
Inferred	11.86	1.44%	421.5
Itinga - Total M&I+I	19.43	1.42%	682.7

Source: Company reports, Canaccord Genuity

Lithium Ionic continues to actively drill at all three targets within the Itinga properties. The company intends to complete 50,000m of drilling over the remainder of 2023, with the goal of increasing the existing mineral resource, defining mineral reserves at Bandeira and Outro Lado, and defining a maiden resource estimate at Itira (and Salinas).

Figure 27: Bandeira drill core



Source: Canaccord Genuity – February 2023 site visit

Figure 28: Bandeira drill core (at the rig)



Source: Canaccord Genuity – February 2023 site visit

Infrastructure

As detailed in our [Investment Highlights](#), the Itinga project has excellent access to infrastructure that we believe could help simplify and accelerate project development including nearby roads, hydropower, water and commercial ports (Porto de Ilhéus and Porto de Vitória).

Permitting

Minas Gerais state has a rich mining history and a clear and efficient permitting process. In Brazil, mining legislation is well established and governed by the 1967 Mining Code and 2017 Mining Regulations. The National Mining Agency is responsible for managing the application of the Mining Code, as well as issuance of licences and approvals. Exploration licences are issued with a term of 1-4 years (with extensions), with extraction licences issued on submission and approval of a detailed economic viability study including an Environmental Impact Assessment.

At Bandeira, an Environmental Impact Assessment (EIA) is already underway and is targeting completion in Q4 2023, at which point LTH can apply for the “Prior License” or “LP”, the first stage of the environmental licensing process for mining projects in Brazil. WSP (formerly Golder) has been engaged to assist in this work. Management’s current timeline assumes LP approval in Q2 2024 (Figure 23).

At Outro Lado, where LTH is targeting a smaller operation, the company plans to apply for a “Concomitant Installation License”, also known as a “LAC”. This license is only available to projects where the plant and infrastructure are expected to cover a small footprint of ~8 hectares and do not required deforestation. LTH has engaged Neo Agroambiental to complete required field work and the report for this application, which is expected to be filed in Q3 2023. Management’s current timeline assumes LAC approval in Q1 2024.

Taxes and royalties

While the corporate income tax rate in Brazil is 25%, under the Sudene Corporate Tax Benefit program this rate is reduced to just 6.25%. Sudene is a government agency tasked with stimulating economic growth in the northeastern region of Brazil, one of the poorest of the country. As the project is situated in a Sudene-covered area, a tax incentive is granted to the project, which calls for a 75% reduction of income tax for 10 years.

In addition to the 6.25% income tax rate, LTH will pay a social contribution of 9%

of taxable income, for an effective tax rate of 15.25%. This effective tax rate is expected to apply during the first 10 years of production, after which the rate will increase to 34% (25% income tax + 9% social contribution).

The Brazilian government also levies a royalty on mineral production, called the *Compensação Financeira pela Exploração de Recursos Minerais (CFEM)*. The 2.0% CFEM royalty is payable on gross revenue and considered in our model.

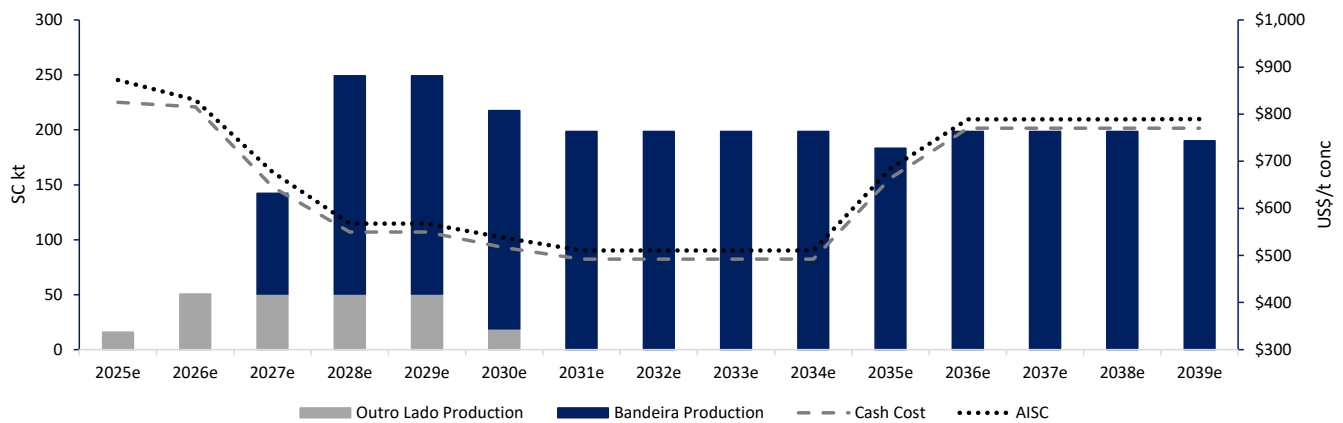
In addition to the CFEM, the *Outro Lado* project is subject to a 1.0% gross revenue royalty that is payable to the surface owner. Negotiations are ongoing to potentially purchase back this royalty.

Our estimates

We forecast a combined 15-year mine life, based on the mineral resource estimate of 19Mt grading ~1.42% Li₂O. Over this mine life, we model average annual production of ~180ktpa of spodumene concentrate at a combined cash cost of US\$614/t of concentrate (including royalties) and an all-in sustaining cost (AISC) of US\$634/t. Our capital cost and operating cost assumptions are broadly based on Sigma Lithium’s Feasibility level technical reports, with adjustments where we deem appropriate.

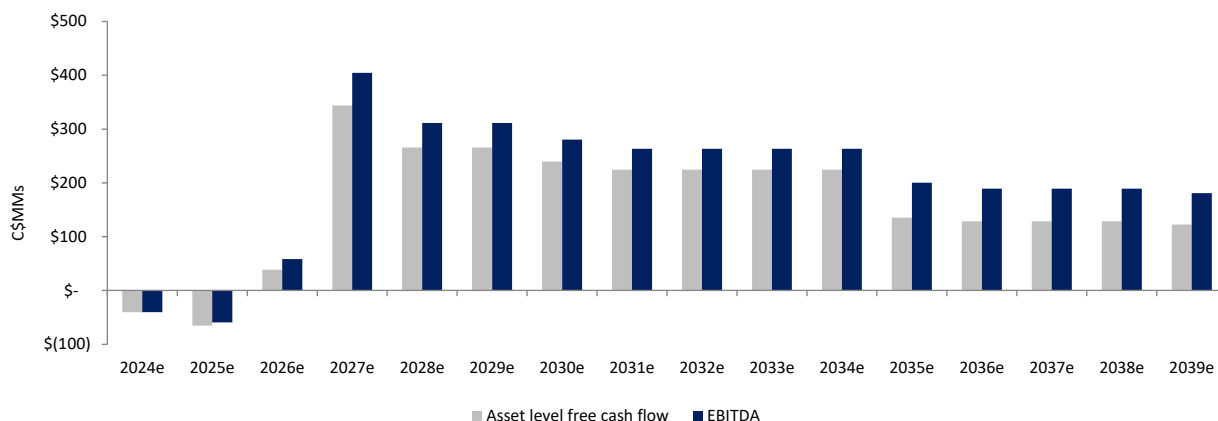
We present our project-level forecasts for production, costs and free cash flow in Figures 29 and 30 below.

Figure 29: Itinga - production and cost profile



Source: Canaccord Genuity estimates

Figure 30: Itinga - project-level free cash flow profile



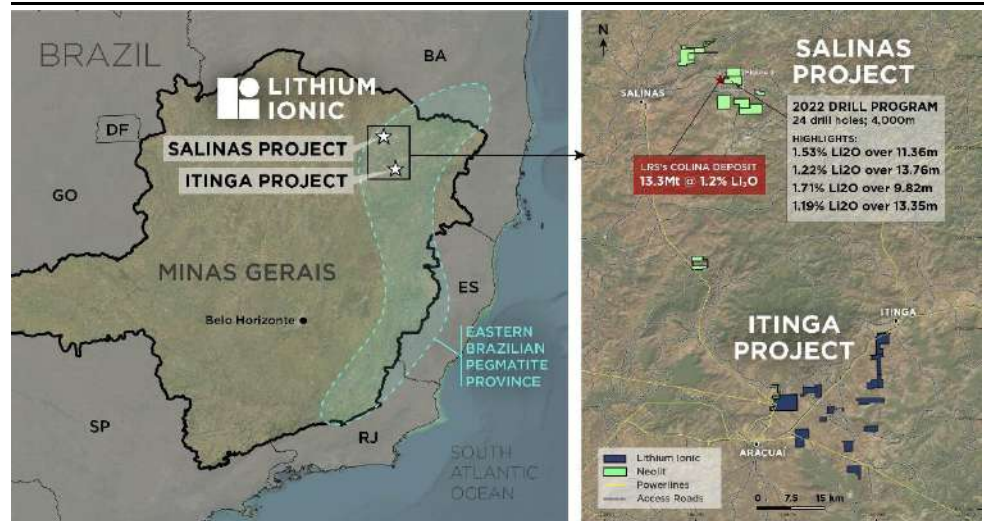
Source: Canaccord Genuity estimates

Salinas Project

In March 2023, LTH acquired Neolit Minerals Participações Ltda., a Brazilian company which holds a 40% interest in the Salinas Project. Subject to certain exploration requirements, Lithium Ionic also retains the right to acquire up to 85% ownership of the project.

The project area consists of 9 tenements over 5,713 hectares, located ~100km north of Itinga (Figure 31). Salinas is also located directly adjacent to Latin Resources' Colina deposit, which contains an estimated 45Mt at 1.34% Li₂O (recently updated from 13.3Mt at 1.2% Li₂O).

Figure 31: Salinas Project location



Source: Company reports

Following LTH's acquisition of Salinas, the company completed soil geochemistry in several areas of the property in order to help identify priority drill targets for future drilling. LTH followed up this geochemistry work with an initial 20,000m program at Salinas, which commenced in May 2023. Drilling is ongoing on site, with exploration expanded as part of the recently announced 50,000m program planned for the second half of 2023. We look forward to future results.

Project resource

A mineral resource has yet to be defined at Salinas. Preliminary drill results include:

- 11.36m at 1.53% Li₂O
- 9.82m at 1.71% Li₂O
- 13.76m at 1.22% Li₂O
- 13.35m at 1.19% Li₂O
- 7.44m at 1.09% Li₂O
- 4.26m at 1.32% Li₂O
- 3.85m at 1.55% Li₂O
- 4.08m at 1.26% Li₂O

The results are from five main targets across a 3.5km area known as Zoe, Oeste, Sobradinho, Cubo and Ju.

It is also worth noting that LTH's property surrounds a large outcropping pegmatite that has been mined for spodumene intermittently for several decades called "Lavra do Zoe". This pegmatite body, located only 40m away from the company's tenement, has a footprint of at least 15m by 210m.

Our estimates

Based on the early-stage nature of Salinas, we currently do not ascribe it any value. As management continues to execute on its drill program, we will reassess this assumption as we believe there is potentially material upside to our forecasts as the company looks to define a maiden mineral resource, possibly before year-end.

Finding new targets through strategic acquisitions

Figure 32: LTH's land position growth



Source: Company reports

LTH has also continued to pursue expansion of its land position through other strategic acquisitions, which, given the prospectively of the region, we view as potentially valuable medium- to long-term exploration upside. Through a series of acquisitions completed over the last ~18 months, including the addition of the Galvani claims and the Salinas project to the portfolio, LTH has successfully increased its landholdings more than 10x between May 2022 and March 2023. Management has also indicated that it intends to continue to pursue additional acquisitions as appropriate, in an effort to consolidate the Lithium Valley of Brazil.

Conclusions

Restating our investment thesis

We are initiating coverage of Lithium Ionic Inc. with a SPEC BUY rating and a C\$5.00 per share target price. Lithium Ionic is an exploration and development company that is steadily advancing its flagship Itinga project in Minas Gerais state, Brazil, in addition to the earlier stage Salinas project. We view LTH as a compelling investment for investors looking for exposure to lithium as its property hosts high-grade deposits that we believe can advance quickly to production in addition to medium-term growth that we project through regional exploration upside.

Investment highlights

- **High-grade lithium deposits in an emerging district:** The Itinga and Salinas projects are both located in the Araçuaí Pegmatite District, an area that is quickly emerging as the next world-class hard-rock lithium district. In June, LTH published a maiden mineral resource estimate for its Itinga project of 19.4Mt at 1.42% Li₂O (Bandeira + Outro Lado). The company's goal is to accelerate both deposits towards production as quick as possible with a PEA on track for Q3/23, followed shortly thereafter by a Feasibility Study. The speed at which Sigma has been able to progress from preliminary resource through to production (~5 years) reflects the quick permitting process in Minas Gerais. We forecast first production at Outro Lado in 2025, followed by Bandeira in 2027. Our modelled production scenario (Figure 4) sees the potential for up to 250ktpa SC over a 15-year mine life, at an AISC of \$634/t concentrate, resulting in a robust after-tax NPV13% of C\$928 million and an IRR of 110%.
- **Substantial exploration upside:** LTH owns ~14,000ha in the Araçuaí Pegmatite District, the majority of which remains under explored. In our view, there is significant potential for additional high-grade deposits to be discovered. We highlight Salinas, located west of LRS's Colina deposit (45Mt at 1.34% Li₂O) where there are several spodumene-bearing pegmatites outcropping at surface, and recent drilling has returned 1.53% Li₂O over 11.36m. A 50,000m drill program is underway across LTH's property; the goal of the program is to (1) increase and upgrade the existing mineral resource and (2) define new resource estimates at other regional targets.
- **Robust existing infrastructure:** LTH's projects are located close to existing infrastructure including roads, water, hydroelectric power (transmission line runs through Itinga), and commercial ports. We expect access to existing infrastructure to significantly lower the upfront capital cost of the project relative to peers. We forecast a capital intensity of US\$100/t throughput vs. peers at ~US\$130/t.
- **Promising metallurgical results:** Using heavy liquid separation, LTH was successful in producing a high-quality 6% Li₂O spodumene concentrate from both Bandeira and Outro Lado. Recoveries were excellent, achieving 77.99% and 82.52%, respectively, with low iron content of 0.24% and 0.51%. These preliminary HLS results act as a positive indicator that lower-cost and quicker-to-market dense media separation could work as a part of the project flowsheet.

Upcoming potential catalysts

- Results from ongoing 50,000m drill program
- Additional mineral resource updates – Itinga + Salinas
- PEA (Q3 2023) and DFS (Q4 2023)
- M&A

Appendix A – Management & Board

(Appended from company website)

Blake Hylands

CEO & Director

Mr. Hylands is a Professional Geoscientist with over a decade of experience in advanced and early-stage exploration. Mr. Hylands is co-founder of Troilus Gold Corp. where he led its technical team to the discovery of over eight million gold equivalent ounces at its development stage asset in northern Quebec. He has successfully trained and managed large teams with a focus in gold, base metals, and iron ore in Canada and internationally including South America and Europe. 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 with exploration and mining activities and has served as the Managing Director of Brazil Potash Corp. since July 2009. Mr. Diniz started his career with GENCOR South Africa where he was involved in the evaluation and development of the Sao Bento gold mine in Brazil currently operated by Eldorado Gold Corp. 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 – Agua Metais, gold – Belo Sun Mining and oil shale – Irati Petroleo e Energia Ltda.

Tom Olesinski

CFO

Mr. Olesinski has over 20 years of finance and executive management experience. He formerly worked as a managing forensic accountant for BDO Dunwoody, where he earned a Certified Fraud Examiner designation, before moving into the marketing communications industry. He formerly served as Director of Finance and Operations for Cossette Communication Group, and CEO and CFO at Havas Media Canada. Most recently, he served as COO and CFO for Brainrider. He currently serves as a board member for Troilus Gold Corp. Mr. Olesinski holds a Bachelor of Commerce and Economics from the University of Toronto and is a Chartered Professional Accountant.

Carlos Costa

VP Exploration

Mr. Costa has 39 years' work experience with 29 years' work experience in base metals, gold and PGE exploration throughout Brazil. He has participated and managed several exploration programs, from regional grassroots to bankable feasibility studies. He has also 10 years' work experience in mine geology, including underground and open pit operations. Mr. Costa has worked as Brazil's Country Manager of Emerita, Belo Sun (\$80 Mi budget – 200,000m drill program) and Xstrata, former Falconbridge (\$50 Mi budget). He Also worked for Vale and BP Mineração (British Petroleum Group). Mr. Costa holds a P.Geo. (APGO) and a BS Geology from Federal University of Rio de Janeiro (1982).

Damian Lopez

Corporate Secretary

Mr. Lopez is a corporate securities lawyer who works as a legal consultant to various TSX and TSX Venture Exchange listed companies. He previously worked as a securities and merger & acquisitions lawyer at a large Toronto corporate legal firm, where he worked on a variety of corporate and commercial transactions. Mr. Lopez obtained a Juris Doctor from Osgoode Hall, and he received a Bachelor of Commerce with a major in Economics from Rotman Commerce at the University of Toronto.

André Guimarães

VP Corporate Development

Mr. Guimarães is a geology graduate with a PhD specialization in igneous petrology who has over 10 years of experience in research. Mr. Guimarães founded Neolit in early 2020 and has been directly involved in all corporate and exploration activities, including field work and contract negotiations. With his strong background in igneous petrology, he participates directly in the analyses and interpretation of geological data, particularly geochemical results. Prior to his career in geology, he worked as an archaeologist who was involved in rescue archaeology projects associated with the development of mining sites in Brazil. During this time, he acquired extensive experience dealing with the necessary social-related foundational work required for the development of a mining site.

Patrizia Ferrarese

Director

Ms. Ferrarese has more than 20 years of experience in capital markets, entrepreneurship, and strategy consulting. She is currently Vice President (VP) of Business Design and Innovation at Investment Planning Counsel (IPC), overseeing strategic growth initiatives in wealth management. Prior to joining IPC as VP of Product Management, Ms. Ferrarese held senior roles in product management and performance optimization at Tangerine Bank and Praxair, with responsibility for strategic growth across Canada. Her management consulting experience includes engagements in South America and EMEA spanning graphite, oil and gas, and potash industries focused on identifying new market opportunities. Her career includes equity and options market making and trading in North America, culminating in portfolio and commodity trading manager roles as co-founder of an investment management company. Beyond her professional career, Ms. Ferrarese mentors case competition teams at the Rotman School of Management and is a Volunteer Advisor with the Canadian Executive Service Organization (CESO). Ms. Ferrarese is currently pursuing her Doctorate in Business Administration at SDA Bocconi and holds an MBA from Wilfrid Laurier University and a Bachelor of Arts (Honours) in Economics from York University.

David Gower

Director

Mr. Gower has held Executive and Director positions with several junior and midsize mining companies for the past 12 years, including Chief Executive Officer and Director of Emerita Resources, Nobel Resources and President of Brazil Potash Corp. David spent over 20 years with Falconbridge (now Glencore) as Director of Global Nickel and PGM exploration and as a member of the Senior Operating Team for mining projects and operations. He led exploration teams that made brownfield discoveries at Raglan and Sudbury, Matagami, Falcondo, in the Dominican Republic, and greenfield discoveries at Araguaia in Brazil, Kabanga in Tanzania and Amazonas in Brazil. Mr. Gower is a Director of Alamos Gold.

Lawrence Guy

Director

Larry Guy is a Managing Director with Next Edge Capital focused on driving the business forward via strategic partnerships, initiatives, and sourcing of new product

ideas. Previously, Mr. Guy was a Vice President with Purpose Investments having joined the firm in its infancy and saw vast growth prior to his departure. Prior to Purpose, Mr. Guy was a Portfolio Manager with Aston Hill Financial Inc. Prior to Aston Hill, Larry Guy was Chief Financial Officer and Director of Navina Asset Management Inc., a company he co-founded that was subsequently acquired by Aston Hill Financial Inc. Mr. Guy holds a BA (Economics) degree from the University of Western Ontario and is a Chartered Financial Analyst.

Michael Shuh

Director

Mr. Shuh is a Managing Director, Investment Banking, at Canaccord Genuity. Mr. Shuh has over 20 years of investment banking experience and leads the Financial Institutions Group at Canaccord Genuity, Canada's largest independent investment bank. In addition to covering traditional financial institutions, Mr. Shuh has deep expertise in structured finance and special purpose acquisition corporations (SPACs). Mr. Shuh is also the CEO and Chairman of Canaccord Genuity Growth II Corp., a publicly listed SPAC that raised \$100MM to pursue acquisitions. Mr. Shuh received an Honours, Bachelor of Business Administration from the Lazaridis School of Business & Economics at Wilfrid Laurier University and a Master of Business Administration from the Richard Ivey School of Business at Western University.

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Investment Recommendation

Date and time of first dissemination: July 10, 2023, 04:01 ET

Date and time of production: July 09, 2023, 16:54 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 07/10/23)

Rating	Coverage Universe		IB Clients
	#	%	%
Buy	615	65.64%	22.60%
Hold	133	14.19%	7.52%
Sell	16	1.71%	6.25%
Speculative Buy	159	16.97%	45.91%
	937*	100.0%	

*Total includes stocks that are Under Review

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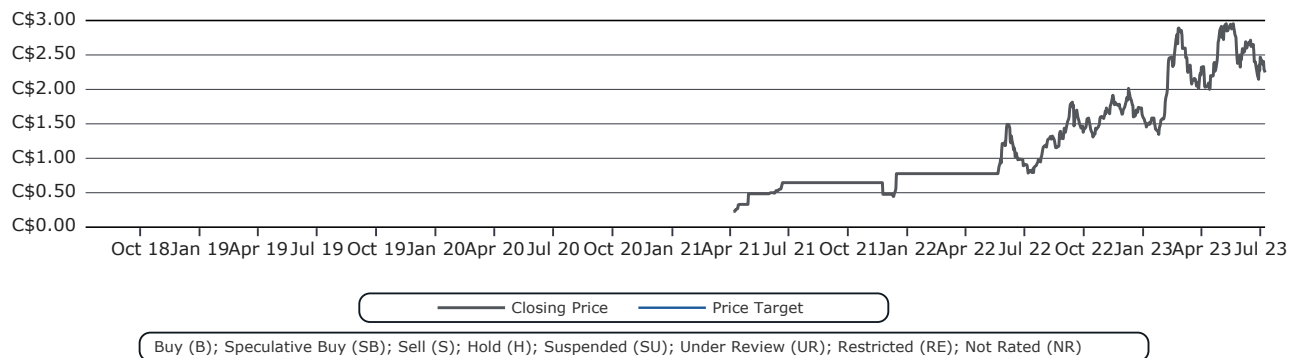
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An analyst has visited the material operations of Lithium Ionic Corp.. No payment was received for the related travel costs.

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



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