

Lithium Ionic Corp. EV Materials

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Rating
SPECULATIVE BUY

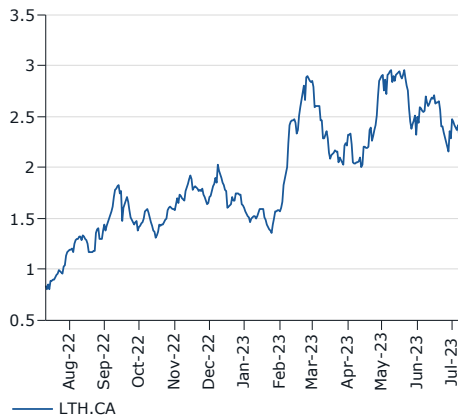
Price Target
C\$5.00

LTH-TSXV

Price
C\$2.30

Market Data

52-Week Range (C\$) :	0.71 - 3.05
Avg Daily Vol (000s) :	383.43
Shares Out. (M) :	121.6
Market Cap (C\$M) :	279.6
Dividend /Shr (C\$) :	0.00
Dividend Yield (%) :	0.0



Priced as of close of business 10 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.

High-grade hits continue at Bandeira

What's new? This morning Lithium Ionic announced additional assay results from its Bandeira property, located within the Araçuaí Pegmatite District in the state of Minas Gerais, Brazil. The results are part of an ongoing 50,000m drill program, which is targeting both definition drilling at Bandeira and Outro Lado, as well as regional exploration targets (Salinas, Itira, etc.).

Our take – positive: The holes reported today continue to demonstrate exceptionally high-grade at Bandeira and continuity between the previous holes drilled, with several of the reported holes exceeding the grade of the current mineral resource (~1.41% Li₂O). With an aggressive drill program underway (~7,000m per month at Bandeira alone), we expect continued results of this nature to support a material upgrading of inferred resources to the M&I category for inclusion in the upcoming Feasibility Study (targeting before year-end). To date, ~39% of the company's maiden mineral resource, 19.4Mt at 1.42% Li₂O (Figure 2) is classified in the M&I category. The MRE was based on only 28,204m of drilling, of the ~53,000m completed to date.

As detailed in our recent [initiation report](#), 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 through regional exploration upside.

Drill intercept highlights: Each intercept is shown in Figure 3; highlights include:

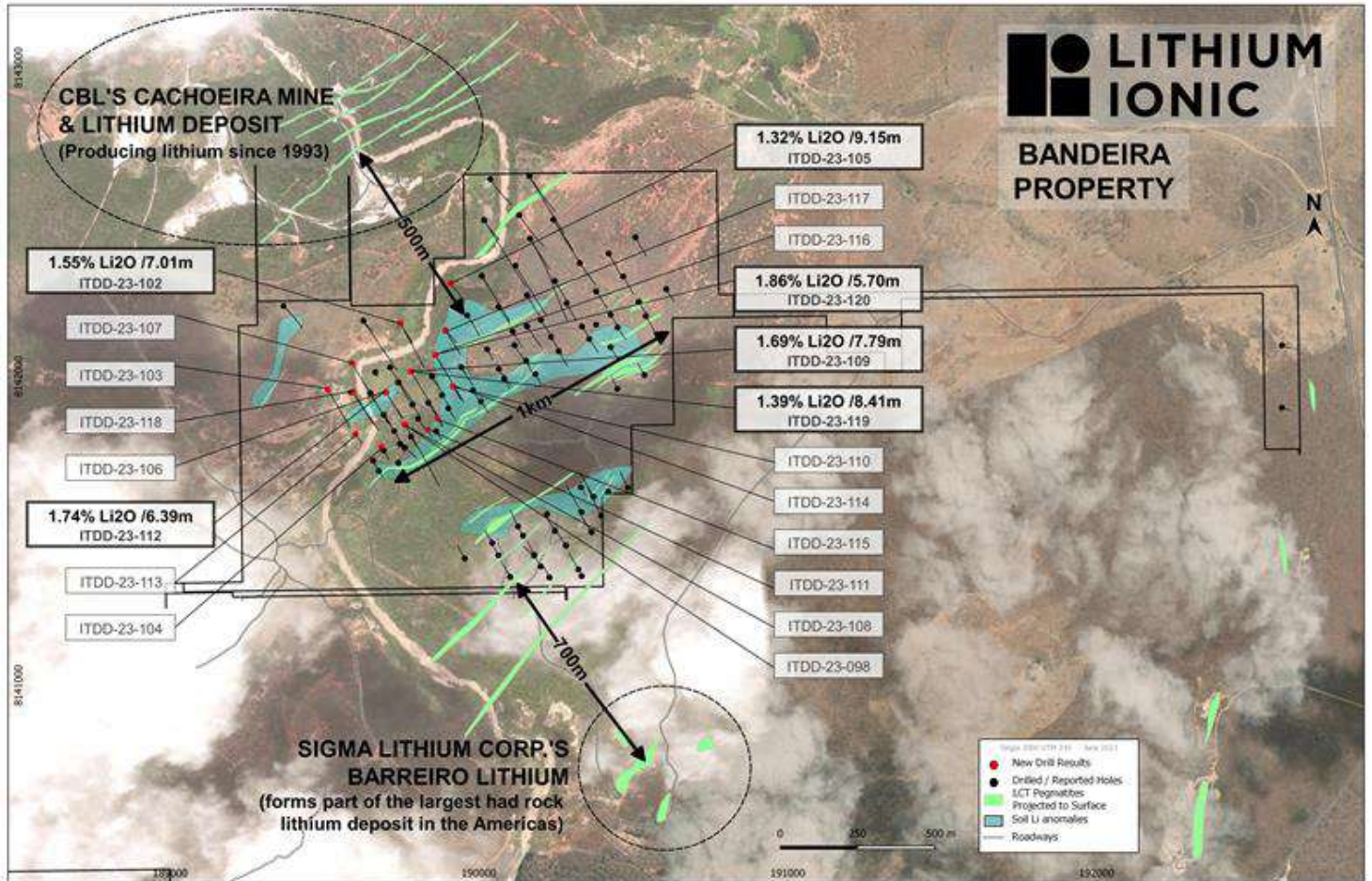
- 1.69% Li₂O over 7.79m
- 1.32% Li₂O over 9.15m
- 1.39% Li₂O over 8.41m
- 1.74% Li₂O over 6.39m
- 1.55% Li₂O over 7.01m
- 1.86% Li₂O over 5.70m

Bandeira – in the fast lane: The Bandeira project is located within 500m of Companhia Brasileira de Lítio's (CBL) Cachoeira lithium mine, and ~700m north of Sigma Lithium's Barreiro deposit. The proximity of LTH's projects to other operating lithium mines in the region gives us comfort over the quick permitting and approvals process in Minas Gerais, with SGML having received its Phase 1 permits in less than 18 months from submission (and during COVID).

In our view, LTH is well-positioned to fast-track Bandeira into production. We forecast first production of spodumene concentrate in 2027 at a low upfront capital cost of \$130 million. In our view, the current mineral resource, before further expansions, can easily support up to 200ktpa of production at an operating cost of ~\$450/t (well below the current SC6 spot price of ~\$4,000/t).

Attractive relative valuation: Our target is based on 1.0x our fully risked NAV13%, forecast as at July 1, 2024. LTH currently trades at an attractive discount to peers at 0.47x NAV vs. peers at 0.56x (LRS 0.80x, SGML 1.06x). We expect LTH to re-rate higher over the next 12 months as management looks to publish an updated resource estimate, PEA, FS, as well as regional exploration results, which we believe will define new deposits.

Figure 1: Bandeira property map with drill hole highlights



Source: Company Reports

Figure 2: Itinga (Bandeira + Outro Lado) maiden mineral resource estimate by category

Mineral Resources			
	Tonnage (Mt)	Li ₂ O %	LCE (kt)
Measured			
Bandeira OP	1.14	1.43%	40.2
Bandeira UG	0.00	1.10%	0.1
Outro Lado (Galvani) UG	2.58	1.47%	93.7
Indicated			
Bandeira OP	3.11	1.33%	102.3
Bandeira UG	0.35	1.26%	11.0
Outro Lado (Galvani) UG	0.39	1.43%	13.9
Total Measured & Indicated	7.57	1.39%	261.2
Inferred			
Bandeira OP	5.91	1.40%	205.4
Bandeira UG	5.53	1.47%	201.0
Outro Lado (Galvani) UG	0.42	1.48%	15.2
Total Inferred	11.86	1.44%	421.5
Total Resource	19.43	1.42%	682.7

Source: Company Reports, Canaccord Genuity estimates

Figure 3: Bandeira drill results

Hole ID	Az	Dip	From	To	Metres	Li2O (%)
ITDD-23-098	150	-50	62.59	67.59	5.00	1.64
and			194.04	196.69	2.65	1.02
ITDD-23-102	150	-76	52.60	55.60	3.00	1.29
and			226.35	233.36	7.01	1.55
ITDD-23-103	150	-50	197.00	200.00	3.00	1.33
ITDD-23-104	0	-90	55.89	60.33	4.44	0.79
ITDD-23-105	150	-86	97.01	99.52	2.51	1.47
and			110.73	116.40	5.67	1.49
and			220.44	229.59	9.15	1.32
and			370.38	375.38	5.00	1.24
ITDD-23-106	150	-50	133.08	135.23	2.15	0.95
ITDD-23-107	150	-53	197.74	199.94	2.20	1.37
and			209.54	214.49	4.95	1.51
ITDD-23-108	0	-90	75.26	81.26	6.00	1.59
and			86.52	88.84	2.32	1.51
ITDD-23-109	150	-50	120.09	127.08	6.99	1.28
and			247.87	255.66	7.79	1.69
ITDD-23-110	150	-50	58.58	62.84	4.26	2.15
ITDD-23-111	150	-50	27.80	34.40	6.60	1.51
ITDD-23-112	150	-74	124.79	131.18	6.39	1.74
and			142.43	144.36	1.93	1.20
ITDD-23-113	150	-72	97.33	99.89	2.56	1.75
ITDD-23-114	0	-90	71.78	78.15	6.37	0.96
ITDD-23-115	150	-50	34.08	41.00	6.92	1.26
ITDD-23-116	150	-72	112.82	117.36	4.54	2.18
ITDD-23-117	150	-67	166.63	169.18	2.55	0.74
ITDD-23-118	150	-50	161.16	164.07	2.91	1.12
ITDD-23-119	150	-73	124.13	132.54	8.41	1.39
ITDD-23-120	150	-50	109.66	115.92	6.26	1.24
and			253.93	259.63	5.70	1.86

Source: Company Reports

Appendix: Important Disclosures

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Investment Recommendation

Date and time of first dissemination: July 11, 2023, 09:57 ET

Date and time of production: July 11, 2023, 09:57 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 07/11/23)

Rating	Coverage Universe		IB Clients
	#	%	%
Buy	617	65.64%	22.53%
Hold	134	14.26%	7.46%
Sell	15	1.60%	6.67%
Speculative Buy	160	17.02%	45.62%
	940*	100.0%	

*Total includes stocks that are Under Review

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BUY: The stock is expected to generate risk-adjusted returns of over 10% during the next 12 months.

HOLD: The stock is expected to generate risk-adjusted returns of 0-10% during the next 12 months.

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

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12-Month Recommendation History (as of date same as the Global Stock Ratings table)

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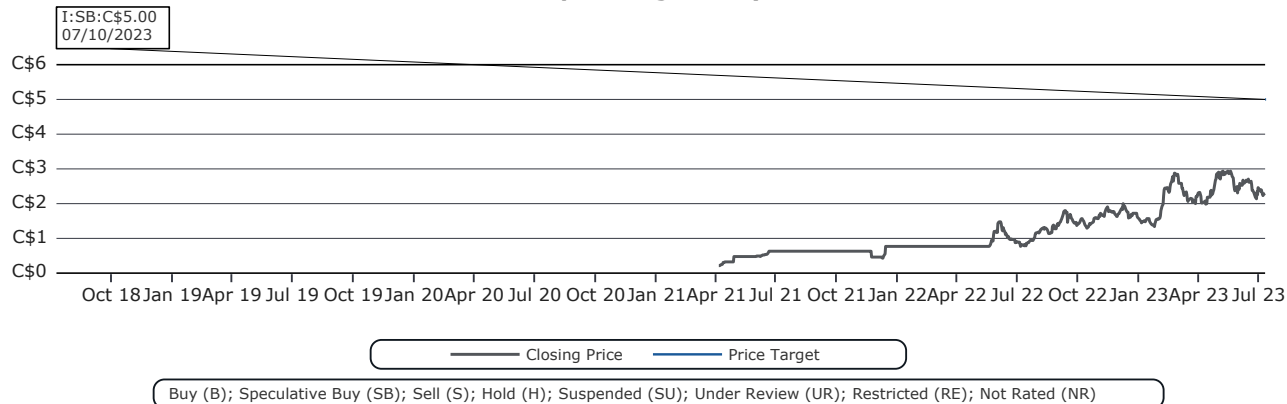
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An analyst has visited the material operations of Lithium Ionic Corp.. No payment was received for the related travel costs.

Lithium Ionic Corp. Rating History as of 07/10/2023



Past performance

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note price history refers to actual past performance, and that past performance is not a reliable indicator of future price and/or performance.

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