

Lithium Ionic Corp. EV Materials

Rating SPECULATIVE BUY	Price Target C\$5.00
LTH-TSXV	Price C\$2.45

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Market Data

52-Week Range (C\$) :	1.18 - 3.05
Avg Daily Vol (000s) :	424.79
Shares Out. (M) :	121.6
Market Cap (C\$M) :	297.8



— LTH.CA
Source: FactSet

Priced as of close of business 23 August 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.

Initial results from Itira; catalyst-rich H2 2023 expected

This morning, Lithium Ionic reported initial assay results from the Itira deposit at its flagship Itinga project, in addition to infill results from the ongoing drill program at the Bandeira deposit. Highlights from Itira include:

- 1.19% Li₂O over 8.9m (hole EXDD-23-011)
- 1.64% Li₂O over 5.9m (hole EXDD-23-010)

Our take – Itira looks promising, but still early days: We are encouraged by the initial results at Itira, which demonstrate high-grade over decent widths. In our view, there is still considerable upside potential, with LTH having barely scratched the surface in terms of exploration. As a reminder, the Itira property covers ~3,100 hectares, located ~8km from Bandeira (Figure 1). Itira currently has numerous outcropping spodumene-bearing pegmatites that have yet to be tested and, over the coming months, LTH plans to methodically test these targets in order to determine which targets warrant more aggressive drilling.

Bandeira – infill drilling continues to improve drill spacing with the goal of upgrading existing resources to the measured & indicated and/or proven & probable categories. We expect the ongoing results to inform an updated mineral resource early in Q4 2023, in addition to a Preliminary Economic Assessment. Recent highlights from infill drilling include:

- 1.44% Li₂O over 6.9m (hole ITDD-23-137)
- 1.59% Li₂O over 5.9m (hole ITDD-23-132)
- 1.85% Li₂O over 5m (hole ITDD-23-144)

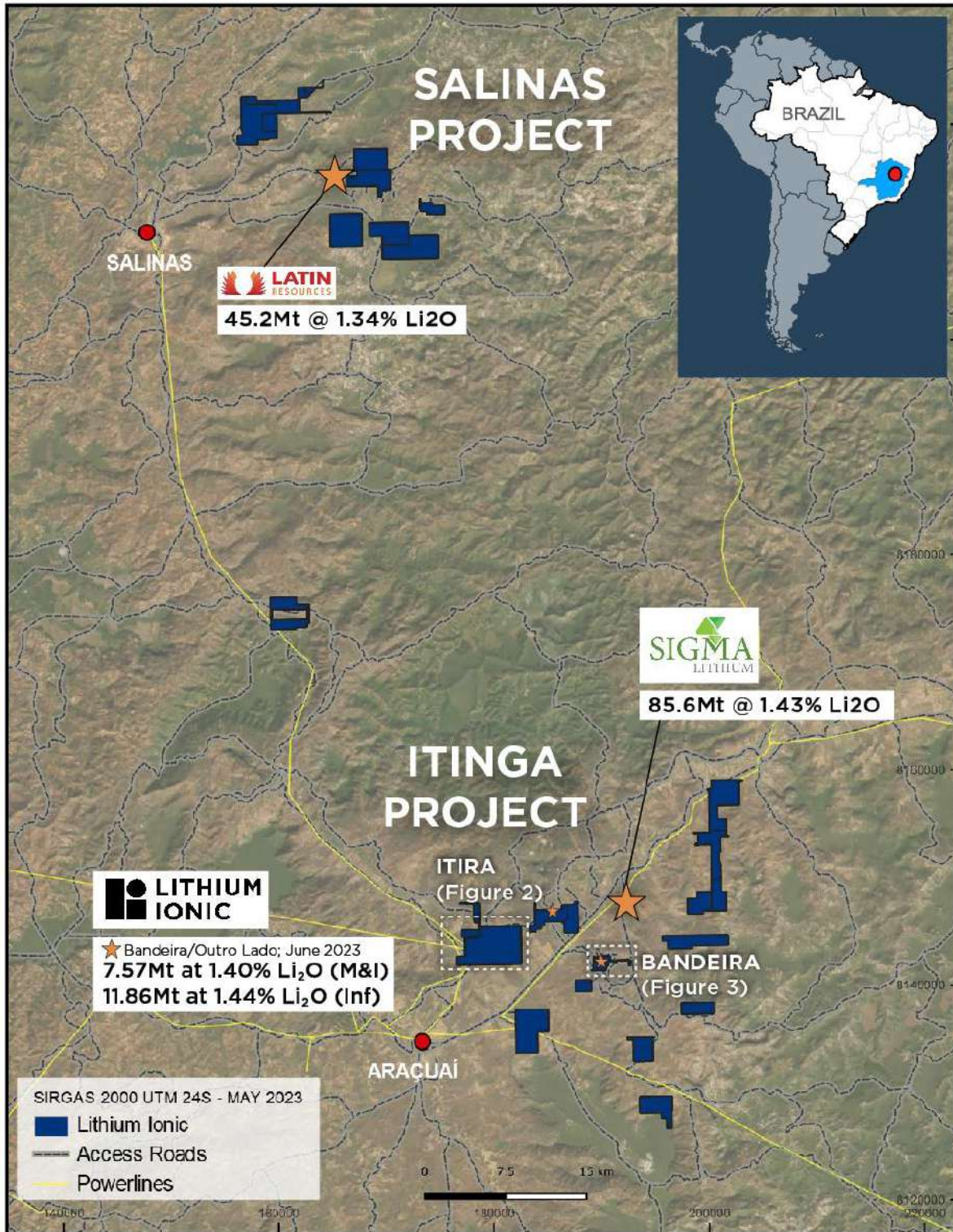
Fast tracking development; a potentially catalyst-rich H2 2023 on deck: Lithium Ionic remains focused on rapidly advancing the Itinga project, which includes the Bandeira and Outro Lado deposits (19.4Mt at 1.42% Li₂O), while also pursuing an aggressive 50,000m drill program to define and expand upon regional targets (Itira, Salinas, etc). Thirteen drill rigs are currently operating at four different drill sites. Before year-end, we look forward to numerous upcoming potential catalysts:

- an updated mineral resource at Bandeira
- a maiden mineral resource at Salinas
- ongoing drill results from other regional targets
- a PEA for the Itinga project
- submission of the Environmental Impact Assessment for the Itinga – before YE
 - On July 19, LTH announced the signing of a non-binding MOU with Invest Minas, which grants both the Itinga and Salinas project priority status in the state, to streamline and expedite project permitting and licensing.
- potential offtake and/or strategic partnership agreements

Maintain SPEC BUY; C\$5.00/sh target price: Our estimates are unchanged at this time. Our target price remains based on 1.0x NAV, measured as at July 1, 2024. LTH currently trades at 0.50x NAV, in line with developer peers and at an attractive discount to Brazilian peers (LRS 0.74x and SGML 0.85x).

We continue to view LTH as a compelling investment given its ability to advance quickly to production and its medium-term growth potential through a high-quality portfolio located in Brazil's Lithium Valley, an area that is quickly emerging as the next world-class hard-rock lithium district.

Figure 1: LTH's portfolio of property in Minas Gerais, Brazil



Source: Company Reports

Figure 2: Itira drill results

Hole ID	Az	Dip	From	To	Metres	Li2O (%)
EXDD-23-001	0	-90	<i>nsv</i>			
EXDD-23-002	100	-50	39.98	45.53	5.55	1.09
<i>incl.</i>			39.98	43.98	4.00	1.29
EXDD-23-003	120	-50	<i>nsv</i>			
EXDD-23-004	120	-50	<i>nsv</i>			
EXDD-23-005	120	-50	126.84	129.98	3.14	1.60
EXDD-23-006	0	-90	89.82	92.84	3.02	1.41
EXDD-23-007	0	-90	<i>nsv</i>			
EXDD-23-008	120	-50	89.78	92.78	3.00	0.69
EXDD-23-009	0	-90	47.49	48.29	0.80	2.90
<i>and</i>	150	-84	109.07	110.15	1.08	0.77
EXDD-23-010	120	-50	164.43	169.00	4.57	1.02
<i>and</i>			191.40	196.10	4.70	1.64
<i>and</i>			205.04	207.04	2.00	1.30
EXDD-23-011	120	-50	184.93	193.80	8.87	1.19
EXDD-23-012	120	-50	114.59	115.72	1.13	0.66
EXDD-23-013	120	-50	<i>Assays Pending</i>			
EXDD-23-014	120	-50	<i>nsv</i>			
EXDD-23-015	0	-90	<i>nsv</i>			
EXDD-23-016	120	-65	<i>nsv</i>			
EXDD-23-017	0	-90	<i>nsv</i>			
EXDD-23-018	100	-55	132.46	134.71	2.25	0.94
EXDD-23-019	100	-75	<i>nsv</i>			
EXDD-23-020	0	-90	<i>nsv</i>			

Source: Company Reports

Figure 3: Bandeira drill results

Hole ID	Az	Dip	From	To	Metres	Li2O (%)
ITDD-23-130	150	-72	88.49	91.08	2.59	1.15
and	150	-68	240.32	242.41	2.09	1.46
ITDD-23-131	150	-85	99.48	101.88	2.40	1.67
and	150	-80	274.94	278.00	3.06	1.33
ITDD-23-132	150	-77	69.51	72.73	3.22	1.66
and	0	-90	166.14	169.88	3.74	1.36
and	150	-50	172.68	178.59	5.91	1.59
ITDD-23-133	150	-54	150.20	154.79	4.59	1.20
ITDD-23-134	150	-76	32.45	34.95	2.50	2.43
and			138.85	141.96	3.11	2.24
ITDD-23-135	150	-65	121.85	123.46	1.61	1.74
and			136.02	137.59	1.57	2.96
ITDD-23-136	150	-50	<i>Pending</i>			
ITDD-23-137	150	-90	81.68	85.18	3.5	1.48
and			182.18	183.7	1.52	0.92
and			185.16	187.28	2.12	1.35
and			189.8	196.65	6.85	1.44
ITDD-23-138	150	-79	289.52	296.62	7.10	1.01
ITDD-23-139	150	-82	<i>Pending</i>			
ITDD-23-140	0	-90	28.83	30.62	1.79	1.22
ITDD-23-141	0	-90	39.98	43.98	4.00	1.36
and			47.25	51.61	4.36	0.63
ITDD-23-142	150	-68	<i>Pending</i>			
ITDD-23-143	150	-66	<i>Pending</i>			
ITDD-23-144	150	-79	82.50	82.98	0.48	2.34
and			94.46	99.42	4.96	1.85

Source: Company Reports

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Investment Recommendation

Date and time of first dissemination: August 24, 2023, 09:42 ET

Date and time of production: August 24, 2023, 09:42 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 08/24/23)

Rating	Coverage Universe		IB Clients
	#	%	%
Buy	607	66.63%	22.24%
Hold	120	13.17%	7.50%
Sell	16	1.76%	6.25%
Speculative Buy	156	17.12%	49.36%
	911*	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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12-Month Recommendation History (as of date same as the Global Stock Ratings table)

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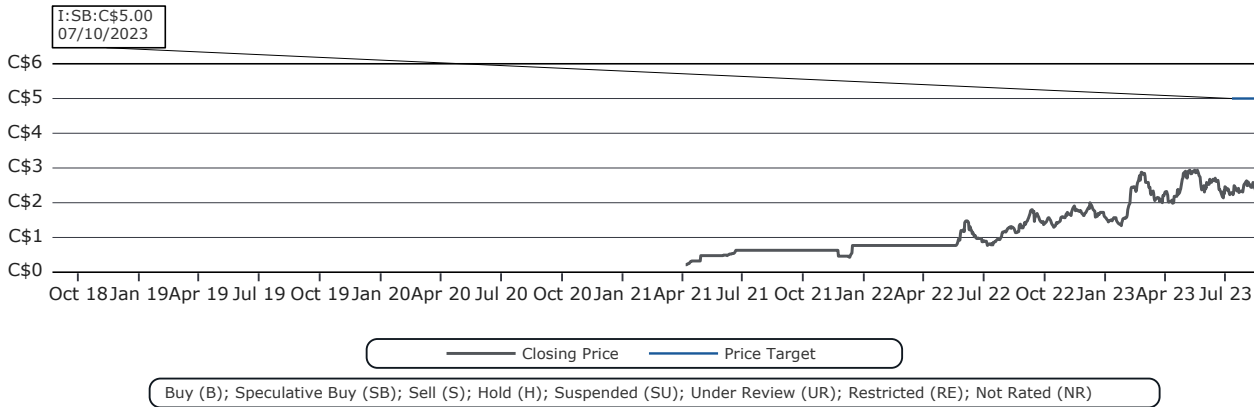
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An analyst has visited the material operations of Lithium Ionic Corp.. No payment was received for the related travel costs.

Lithium Ionic Corp. Rating History as of 08/23/2023



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