

Rating SPECULATIVE BUY	Price Target C\$4.50
LTH-TSXV	Price C\$1.60

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Market Data

52-Week Range (C\$) :	1.28 - 3.05
Avg Daily Vol (000s) :	369.96
Shares Out. (M) :	119.7
Market Cap (C\$M) :	191.5
Dividend /Shr (C\$) :	0.00
Dividend Yield (%) :	0.0



Priced as of close of business 30 October 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.

Power infrastructure secured; FS on deck

This morning, Lithium Ionic announced the signing of an agreement in support of the construction and electrification of essential power infrastructure for the Bandeira project. The agreement was signed between MGLIT (LTH's 100% owned subsidiary) and Cemig Distribuição S.A., the largest electricity distributor in Brazil, serving, through its network extensions, ~96% of the State of Minas Gerais. **Under the agreement, the Bandeira site will be connected to Cemig's existing grid, located ~3km away.**

Our take: This agreement highlights the robust existing infrastructure accessible to LTH. With electricity now secured for commercial operations, LTH can continue to rapidly advance Bandeira towards production in the near-term. 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.

Key features of the agreement include:

- The electrical transmission infrastructure will include 3km of new transmission lines, as well as a new substation adjacent to the future Bandeira mine (Figure 1).
- MGLIT will directly undertake the construction of the electric connection systems, including negotiations with contractors and suppliers, as well as the purchase of materials and services, in accordance with Cemig's pre-approved list.
- MGLIT and Cemig will jointly manage environmental licensing and land management.
- The total project cost is expected to be ~C\$4.65 million. Following the completion of the project, LTH is eligible for reimbursement of up to ~C\$816,000, subject to certain requirements.
- The construction of the new electrical infrastructure is scheduled to be completed by Q4 2025, with electrification scheduled for the same period (subject to specific requirements). This would be sufficient for targeted production.
- Following the construction and a technical inspection by Cemig, the transmission lines and substation will be transferred to Cemig. The operation and maintenance of electrical infrastructure downstream of the new substation will be MGLIT's responsibility.

Feasibility Study scheduled for early 2024: Following completion of the PEA for the project earlier this month (see note [here](#)), work is underway on a Feasibility Study for Bandeira, which the company expects to complete early next year.

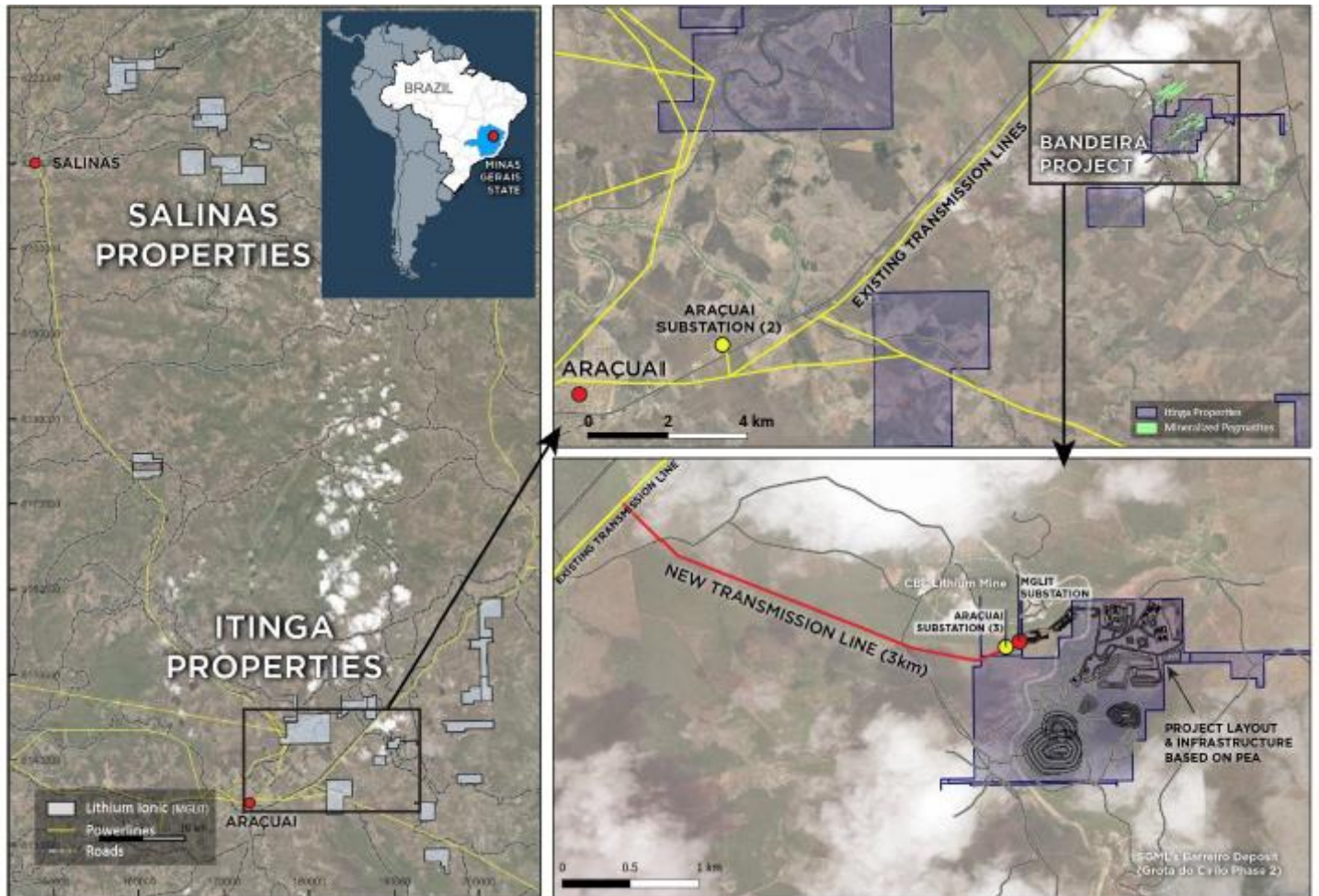
Maintain SPEC BUY; C\$4.50/sh target price: Our estimates remain unchanged at this time. We maintain our C\$4.50/sh target price and SPEC BUY rating. Our target remains based on 1.0x NAV, forecast as at October 1, 2024.

LTH continues to trade at an attractive discount to peers at 0.36x NAV vs. peers at 0.45x. We expect LTH to re-rate higher over the next 12 months as management looks to publish an updated resource estimate, FS, as well as regional exploration results, which we believe will define new deposits.

Upcoming potential catalysts:

- Environmental Impact Assessment – Q4 2023
- Bandeira Feasibility Study – early 2024
- Maiden mineral resource estimate for Salinas

Figure 1: Proposed grid connection to Bandeira project



Source: Company Reports

Appendix: Important Disclosures

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Individuals identified as "Sector Coverage" cover a subject company's industry in the identified jurisdiction, but are not authoring analysts of the report.

Investment Recommendation

Date and time of first dissemination: October 31, 2023, 10:56 ET

Date and time of production: October 31, 2023, 10:56 ET

Target Price / Valuation Methodology:

Lithium Ionic Corp. - LTH

Our target price is based on 1.0x NAV, measured as at October 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 10/31/23)

Rating	Coverage Universe		IB Clients
	#	%	%
Buy	607	67.00%	22.90%
Hold	114	12.58%	10.53%
Sell	15	1.66%	6.67%
Speculative Buy	160	17.66%	50.00%
	906*	100.0%	

*Total includes stocks that are Under Review

Canaccord Genuity Ratings System

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.

SELL: The stock is expected to generate negative risk-adjusted returns during the next 12 months.

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

"Risk-adjusted return" refers to the expected return in relation to the amount of risk associated with the designated investment or the relevant issuer.

Risk Qualifier

SPECULATIVE: Stocks bear significantly higher risk that typically cannot be valued by normal fundamental criteria. Investments in the stock may result in material loss.

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

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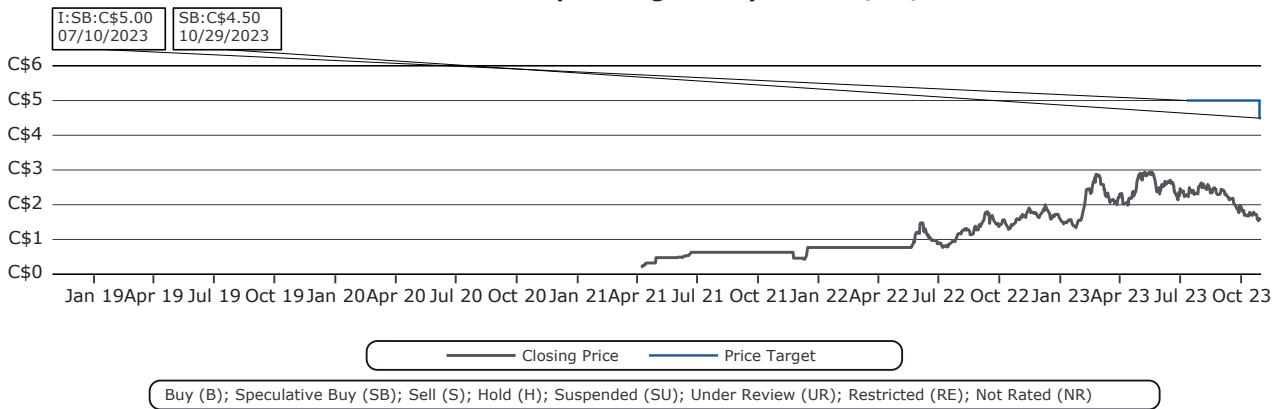
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An analyst has visited the material operations of Lithium Ionic Corp.. No payment was received for the related travel costs.

An analyst has visited the material operations of Lithium Ionic Corp.. Full payment was received for the related travel costs.

Lithium Ionic Corp. Rating History as of 10/30/2023



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