

**Lithium Ionic Corp (LTH CN) | C\$1.77 | Speculative Buy*****High grades mark infill drilling at Bandeira******Summary***

Lithium Ionic announced assays from infill drilling at their main Bandeira lithium deposit in Minas Gerais Brazil. Highlights include 1.64% Li<sub>2</sub>O over 13.5m and 1.37% Li<sub>2</sub>O over 10.4m. Today's length-weighted average grade is 12% higher than the current resource grade of 1.37% Li<sub>2</sub>O and indicates the potential for improving the resource at Bandeira. Upgrade drilling is underway to support a Feasibility Study expected in early 2024. Lithium Ionic currently trades at a P/NAV of just 0.23x, a discount to its peer average of 0.33x and we rate it as a Speculative Buy with a target price of C\$5.50/share.

**What's New?**

- Lithium Ionic announced results of infill drilling at their Bandeira lithium deposit in Minas Gerais, Brazil. Highlights from the 15 reported drill holes include:
  - 1.64% Li<sub>2</sub>O over 13.5m from 388m downhole, including 2.06% Li<sub>2</sub>O over 7.8m.
  - 1.37% Li<sub>2</sub>O over 10.4m from 211m downhole and 1.65% Li<sub>2</sub>O over 4.3m from 343m downhole.
  - 2.18% Li<sub>2</sub>O over 5.82m from 204m downhole.
- Recall that Bandeira is the company's main deposit and forms the basis of their [recently released Preliminary Economic Assessment \(PEA\)](#). This study proposes an all-underground operation that would produce an average of 217kt 5.5% spodumene concentrate Eq annually over a 20-year LoM, resulting in an NPV8% of \$1.6B and IRR of 121%, based on an assumed SC6 spodumene concentrate price of \$1,859/tonne.

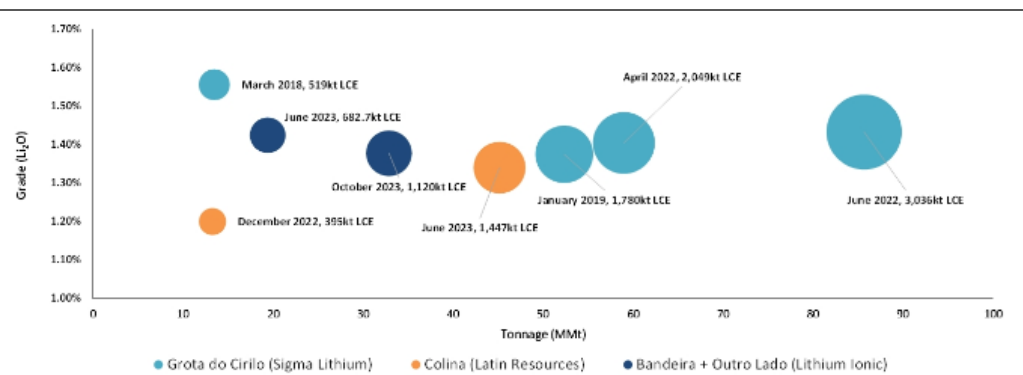
## Implications & Upcoming

- The length-weighted average grade from today's reported intercepts is 1.54% Li<sub>2</sub>O. This is higher than the recently-updated Mineral Resource Estimate at Bandeira of 29.51MMt @ 1.37% Li<sub>2</sub>O for contained Lithium Carbonate Equivalent of 998kt. Today's results follow similarly positive infill assays from 13 holes from Bandeira released last week, which showed a length-weighted average grade of 1.51% Li<sub>2</sub>O.
- Together, the results build confidence towards upgrading the confidence level of resources at Bandeira requisite for a Feasibility Study, which, along with an updated mineral resource estimate (MRE), is expected in early 2024.
- Today's results are part of the 50,000m of drilling planned for H2. In addition to upgrading and expanding the resource at Bandeira, this program will test prospective regional targets.
- We continue to believe that the company's 14,183ha land package will yield more resource growth through drilling, as exemplified in August at the previously undrilled Itira property, where the first holes returned highlights of 1.19% Li<sub>2</sub>O over 8.9m and 1.64% Li<sub>2</sub>O over 4.7m. LTH's neighbours in Araçuaí showed progressive resource growth through exploration, with initial estimates exhibiting substantial growth with intensive exploration (see Figure 1 below).

## Valuation

- LTH currently trades at a P/NAV multiple of 0.23x, a discount to peers at 0.33x. On an EV/t LCE basis, LTH trades at just \$135/t LCE. This compares to \$180/t for lithium hardrock developers in Canada and \$460/t for Australian peers.

**Figure 1 - Brazilian lithium resource growth**



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Source: Company disclosures, Stifel research

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