

Lithium Ionic Corp (LTH CN) | C\$1.46 | Speculative Buy***Growth on the doorstep to LTH's Salinas Project******Summary***

Latin Resources (*not covered*) has announced an updated Mineral Resource Estimate for their deposits in Minas Gerais, Brazil, now totaling ~70MMt grading 1.27% Li₂O for a 56% increase in contained Lithium Carbonate Equivalent (LCE) of the global resource to 2.207MMt. We view the announcement as a positive read-through for Lithium Ionic that i) *highlights the strong potential for deposits of this nature to grow over time via systematic drilling; we expect an updated MRE from LTH early in the new year, and ii) increases the strategic value of LTH's Salinas project, which lies adjacent to Latin's main Colina deposit.* LTH currently trades at an EV/Global resource LCE of \$106/tonne, a discount to Latin resources at \$126/tonne and we rate LTH as a Speculative Buy with a target price of C\$5.50/share.

What's New?

- Australia-based Latin Resources (LRS-ASX) announced a new updated Mineral Resource Estimate (MRE) for its main Colina deposit in Minas Gerais, Brazil. The new estimate is 63.5MMt @ 1.3% Li₂O for 2.056MMt Lithium Carbonate Equivalent (LCE), a 41% increase to June 2023's estimate of 45.2MMT @1.34% Li₂O for 1.447MMt LCE.
- Latin also added a resource estimate for a new deposit, Fog's Block, for a global MRE of 70.28MMt @ 1.27% Li₂O for 2.207MMt LCE.
- The results will be reflected in a DFS scheduled for completion in mid-2024. Recall the company currently has a PEA for Colina (*average annual production ~400kt 5.5% spodumene concentrate, \$308M capex, IRR 132%, NAV_{8%} \$2.5B*).

Implications

- ***Strategic value of the eastern margin of Colina:*** Looking closely at infill drilling at LRS' Colina, the majority of infill has occurred on the eastern margin of the deposit, where higher grade tonnage occurs closer to surface. This is proximal to LTH'S Salinas Project (*see Figure 1, drilling highlights include 1.53% Li₂O over 11.4m, 1.22% Li₂O over 13.8m*).

What's Next?

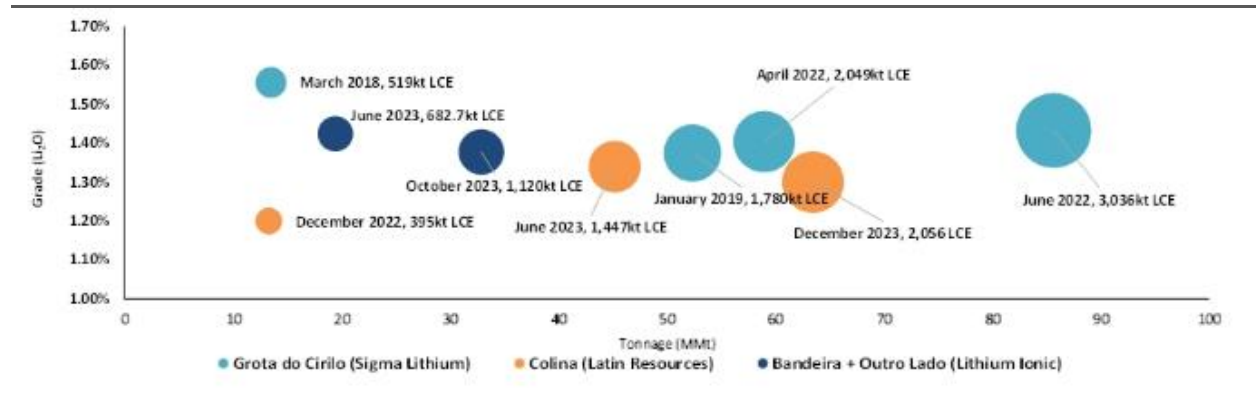
- LTH is expected to release an updated MRE and DFS early in the new year, and today's news is a positive read-through for resource growth potential for lithium deposits in the Eastern Brazilian Pegmatite Province (EBPP), one of the world's fastest growing belts of LCT bearing spodumene

pegmatites. LTH controls exploration tenements totaling 14,183ha in the EBPP and we believe that **systematic drilling of these tenements can potentially lead to a similar resource growth trajectory seen with Sigma Resources and Latin Resources (see Figure 2).**

Valuation

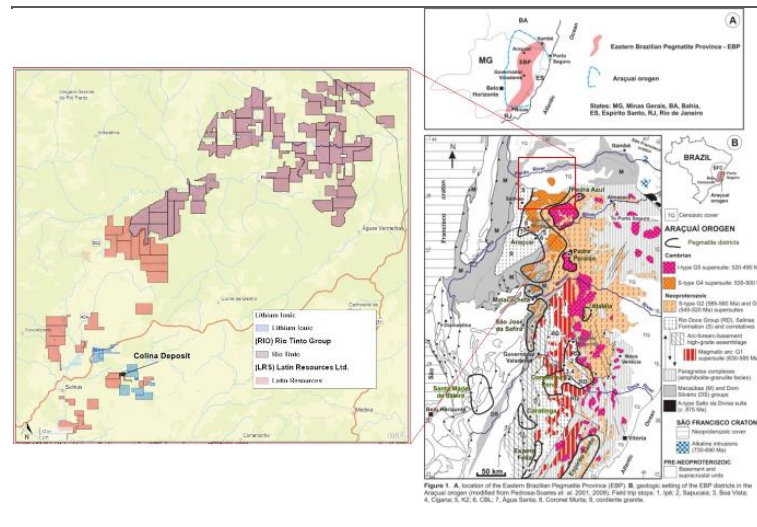
- Post-update, LRS trades at an EV/tonne LCE of \$126/tonne, compared to \$106/tonne for LTH. Latin Resources stock jumped 12% in Australian trading overnight after the release of this update. LTH currently trades at a P/NAV of 0.19x, a discount to peers at 0.27x.

Figure 1 - Temporal Resource Growth of Brazilian LCT Pegmatite systems



Source: Stifel estimates, company reports

Figure 2 - Minas Gerais lithium exploration properties



Source: S&P Capital IQ, company reports, Stifel research