

Lithium Ionic Corp (LTH CN) | C\$1.45 | Speculative Buy***New drill results highlight the growing strategic importance of Salinas******Summary***

Lithium Ionic announced the latest drill results from its Salinas Lithium Project in Minas Gerais, Brazil. **The results were highlighted by the best-yet intercept at Salinas on a width x grade basis, 1.13% Li₂O over 27.6m.** The results come just one day after neighbour Latin Resources announced an updated Mineral Resource Estimate for their Colina deposit, which is geologically contiguous with LTH's Salinas property. We view today's results as a positive that highlights the increasing likelihood of competitive tension for Salinas considering the likely improved economics in a development scenario combining the two assets. LTH currently trades at a P/NAV of 0.19x, a discount to peers at 0.28x and we rate it as a Speculative Buy with a target price of C\$5.50/share.

What's New? Lithium Ionic announced results from their Salinas Lithium Project. Salinas is located approximately 100km north of its main Itinga properties in Minas Gerais, Brazil. Hole BGDD-23-109 was the best hole yet drilled at Salinas from a grade x width perspective, where today's results had a weighted-average grade of 1.28% Li₂O, slightly higher than the previous length-weighted-average at Salinas of 1.23% Li₂O.

Context: Recall that yesterday Latin Resources released 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). LTH's Salinas Project is adjacent to LRS's Colina (see Figure 3).

Thus, we posit the question, how much has LTH invested in Salinas thus far, and what is the discovery/valuation potential?

- Neolit (Salinas) was acquired in March 2023 in a combined cash, shares, and warrants deal expensed for C\$19.6 million. Since then, LTH has drilled approximately 24,000m at the project. Based on exploration and drilling expense for the 9 months ending on September 30th, 2023 of C\$20.7 million on approximately 59,000m of drilling, we estimate a conservative drilling cost of C\$350/metre or C\$8.4 million at Salinas.
- Via a discovery rate of between 20-40t LCE discovered per metre drilled, the Aracuai Pegmatite District has showcased significant geological fertility. LTH's Bandeira & Outro Lado deposits have yielded a discovery rate of ~24t LCE/metre drilled, while Colina (adjacent to LTH's Salinas Project) has yielded a discovery rate of ~31.7t LCE/ metre drilled. With 24,000m drilled at LTH's Salinas to date, geologically contiguous with Colina, we see conservative potential for a +10MMt (~320kt LCE @ weighted average grades) exploration target on the property, where Brazilian hardrock developers currently trade at US\$124/t LCE.

Table 1 - Aracuai lithium drilling discovery rate

Aracuai Pegmatite Belt Discovery Rate							
Company	Date	Tonnage (MMt)	Grade (% Li ₂ O)	LCE (kt)	Metres Drilled	Cumulative Metres Drilled	LCE Tonnes/Metre Drilled
Colina (Latin Resources)	Dec-22	13.3	1.20%	395	10,528	10,528	37.5
	Jun-23	45.2	1.34%	1447	28,505	39,033	37.1
	Dec-23	63.5	1.30%	2056	25,736	64,769	31.7
Bandeira + Outro Lado (Lithium Ionic)	Jun-23	19.4	1.42%	683	28,204	28,204	24.2
	Oct-23	32.9	1.38%	1121	19,134	47,338	23.7
Salinas (Lithium Ionic)	-	-	-	-	24,000	24,000	?

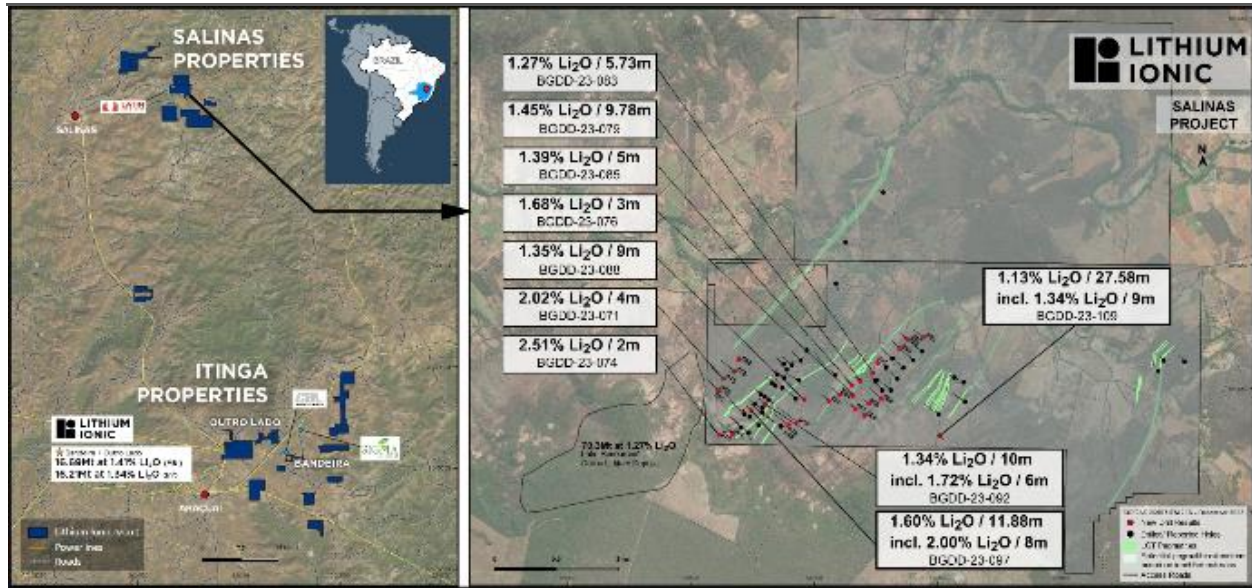
Source: Company disclosures, Stifel research

Implications?

- Importantly, many of today's announced intercepts are both near-surface and just steps from the outlined Colina resource. This suggests the possibility for eventual strategic activity to optimize the properties in a future development scenario. With their resource abutting LTH to the east, Latin Resources may be particularly motivated to contemplate expanding across their property line, lest they run into pit-wall constraints that leave a portion of their resource sterilized.
- With the strategic value of Salinas more apparent, we highlight this asset as the company progresses towards their DFS at Bandeira and ultimately project finance. The greater visibility and project clarity achieved by completing the DFS

for Bandeira will also more easily enable the company to seek non-traditional financing (such as offtake agreements) to advance their projects.

Figure 1 - Salinas project location and drill holes



Source: Company release

What's Next?

- 4 drill rigs are currently active at Salinas and the company hopes to establish a Mineral Resource Estimate for the deposit in 2024. So far 99 holes over 24,000m have been drilled.

Valuation

- Lithium Ionic currently trades at an EV/tonne LCE of \$105, compared to the Brazilian hardrock developer average of \$124.
- On a P/NAV basis, LTH trades at 0.19x, a discount to peers at 0.28x.