

SPECULATIVE BUY

Price C\$1.06 (1-22-2024 close)

FLASH NOTE

Positive drilling on Sigma's doorstep builds momentum ahead of DFS

Summary

Impact: Slight Positive. LTH has released 16 holes from their Bandeira Project as part of their 2023 50,000m drilling program in 2H23. **While likely intersecting mineralization obliquely, highlight hole ITDD-23-228 hit 1.31% Li₂O over 24m from ~100m downhole.** We are encouraged by i) the width of this hole, which should build/upgrade tonnage ahead of the resource estimate/DFS to be released in 1Q24 at Bandeira and ii) the location proximal to SGML's Barreiro deposit, pointing to a potential optimization scenario. Overall, length-weighted-average grade from today's print was 1.42% Li₂O, accretive to the current 29.51MMt @ 1.37% Li₂O resource at Bandeira.

Key Points**What's new?**

- Lithium Ionic announced drilling results from its main Bandeira deposit in Minas Gerais, Brazil. Highlights:
 - ITDD-23-228: 1.31% Li₂O over 24.0m from 99m depth, including 1.86% Li₂O over 6.0m.
 - ITDD-23-226: 2.12% Li₂O over 7.2m from 35m depth and 1.53% Li₂O over 8.0m from 172m depth.
 - ITDD-23-243: 1.33% Li₂O over 10.4m from 44m depth, including 1.65% Li₂O over 8.0m.

Implications

- The length-weighted-average grade from today's announced intercepts is 1.42% Li₂O. Today's intercepts show good grades over minable widths and are typical of drilling that has taken place at Bandeira since drilling cut-off in August 2023 ahead of the current Mineral Resource Update in October 2023.
- Recall that Bandeira currently hosts an MI&I resource of 29.51MMt grading 1.37% Li₂O for 998kt LCE.
- Today's best intercept, from hole ITDD-23-228 (1.31% Li₂O over 24.0m) was drilled adjacent to hole ITDD-23-221 (1.72% Li₂O over 53.7m) reported in December 2023. These excellent intercepts are located at the extreme south-east of Bandeira right across the property line with Sigma Lithium's Grota do Cirilo Project, *raising the possibility of potential strategic activity in a future optimized development scenario.*

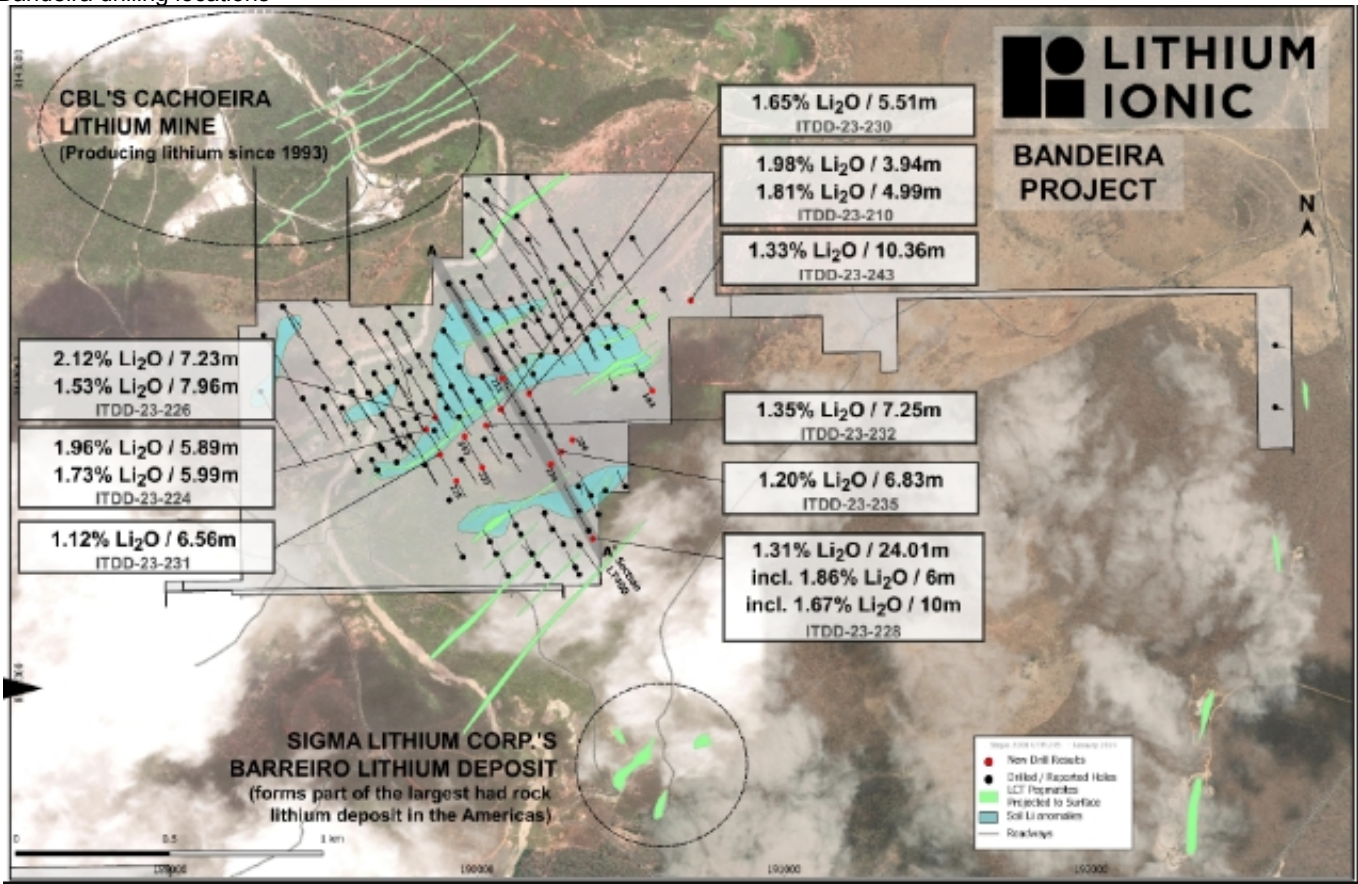
What's Next?

- The company is currently preparing a Feasibility Study for Bandeira that will include an updated resource estimate. The DFS is expected this quarter.
- Approvals for the Concomitant Environmental and Installation License for the Bandeira Project are expected in mid-2024, which would authorize construction commencement.

Valuation

- Lithium Ionic currently trades at an EV/tonne LCE of \$73, compared to the Brazilian hardrock developer average of \$101.
- On a P/NAV basis, LTH trades at 0.14x, a discount to peers at 0.21x.

Bandeira drilling locations



Source: Company release

Investment Thesis

Resource growth from a prospective land package. Lithium Ionic's Itinga Project is located within the exceptionally fertile Aracuaí lithium-cesium-tantalum Pegmatite District. The company has built up a substantial land package of prospective tenements across the district that will likely lead to further resource growth beyond a maiden resource estimate with continued exploration.

Supportive government for rapid progress. LTH is operating near the town of Aracuaí in the Brazilian state of Minas Gerais, where support for the development of lithium projects is strong at the local, state, and federal levels. Streamlined permitting and tax holidays should be available to support the project.

Infrastructure proximity. Company lithium deposits are steps from established road networks and any future development scenario will have easy access to established renewable-power infrastructure. Combined with straightforward processing, this will likely mean a low-capital-intensity build as already proven by area peers.

Strategic location. Company properties are adjacent to other advanced projects and an established mine and therefore could make for desirable targets in a district ripe for consolidation.

Target Price Methodology/Risks

Our target price, via a 0.75x NAV multiple, is C\$5.50/sh.

Commodity Price Risk: Any material decline in lithium product pricing from our estimates would negatively impact the profitability of the projects and may also render them uneconomical.

Exploration/Resource Risk: Any issues with resource delineation or definition could adversely affect the profitability of the project.

Financing Risk: The execution of the Itinga Project will be dependent on LTH's ability to fully fund the project and advance it to a positive final investment decision.

Execution Risk: There is the possibility that the projects will not be able to advance into the mine phase.

Construction Risks: A project during construction is subject to a number of engineering risks that might create unforeseen costs and schedule overruns, thus impacting economics.

Company-Specific Risk: We make several assumptions in our valuation, including estimates on mine life, throughput, metal recoveries, and unit costs. Such assumptions are subject to change as more project-specific information is available, which could adversely affect valuations.

Jurisdictional Risk: Every asset is subject to varying types of risks depending on its location. Such risks include government policies, taxation, import/export regulation, title rights, environmental regulations, complex permitting procedures and social challenges.

Company Description

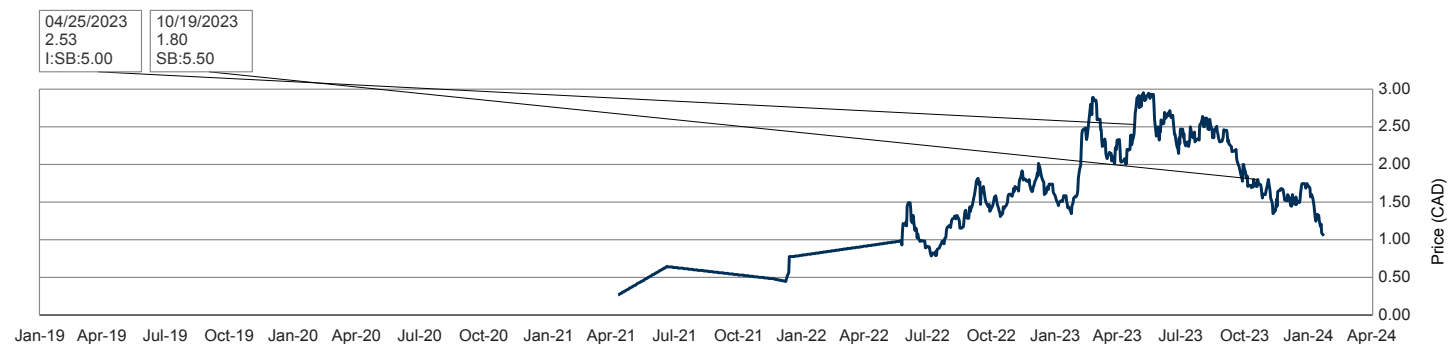
Lithium Ionic is a lithium development company with properties covering 14,183ha located in the prolific Aracuaí province in Minas Gerais State, Brazil. The Project Area is proximal to infrastructure, including highways, hydroelectrical grid power, water, and nearby commercial ports. Its Itinga Project neighbours CBL's Cachoeira lithium mine and Sigma Lithium Corp.'s construction-stage Grota do Cirilo project.

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Lithium Ionic Corp (LTH CN) as of January 22, 2024 (in CAD)



*Represents the value(s) that changed.

Buy=B; Speculative Buy=SB; Hold=H; Sell=S; Discontinued=D; Suspended=SU; Initiation=I

For a price chart with our ratings and target price changes for LTH CN go to http://stifel2.bluematrix.com/sellside/Disclosures.action?ticker=LTH_CN

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¹ This rating is only utilised by Stifel Canada.

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