

**SPECULATIVE BUY**

Price C\$0.75 (intraday, 4/12/24)

**FLASH NOTE****Quantity and quality on display with updated resource estimate for Bandeira****Summary**

Lithium Ionic announced an updated Mineral Resource estimate for their flagship Bandeira deposit. Resources at Bandeira were increased by 42%, and overall company resources increased by 26% to 60.1MMt. We note that this upsized resource also increases the proportion of Measured & Indicated tonnage over Inferred, all while maintaining stable grade. We view today's update as a positive that highlights the ability of the company to grow its resource base across its land package and is a positive read-through for the Feasibility Study for Bandeira, expected to be released next month. With today's update, LTH trades at an EV/tonne contained LCE of \$30 versus closest comparable Latin Resources (LRS) at \$136/t, and we believe this discount is unwarranted, especially considering LTH's potentially streamlined permitting path.

**Key Points****What's New?**

- Lithium announced an updated Mineral Resource Estimate for their flagship Bandeira deposit in Minas Gerais, Brazil. Key metrics:
  - Bandeira is now estimated at 41.9MMt grading 1.35% Li<sub>2</sub>O for contained Lithium Carbonate Equivalent (LCE) of 1.4MMt.
  - The company's global resource estimate is increased by 26% to 60.1MMt grading 1.28% Li<sub>2</sub>O for contained LCE of 1.9MMt.

**Implications**

- **Quantity:** Today's update confirms one leg of our dual-track investment thesis, namely the potential for the company to rapidly grow its resource base. Showcasing the geological fertility of its tenements in the Eastern Brazilian Pegmatite Province, LTH has grown its global resource 278% from the initial (June 2023) 19.4MMt @ 1.42% Li<sub>2</sub>O for 683kt LCE to 60.1MMt @ 1.28% Li<sub>2</sub>O for 1.9MMt LCE.
- **...and quality:** While the global number is important, they have increased M&I tonnage 38% from 22.5MMt @ 1.42% Li<sub>2</sub>O for 750kt LCE to 32.5MMt @ 1.31% Li<sub>2</sub>O for 1.05MMt LCE. 56% of resources at Bandeira are now in the M&I category, compared to 46% previously. Moreover, the increase in overall tonnage at Bandeira, up 42%, was achieved with only a 2 basis point reduction in grade.

**Looking Ahead**

- An upsize and upgrade in the resource at Bandeira is a positive read-through for the second leg in our thesis: the potential for quick project advancement. We expect this resource update to help inform a Feasibility Study for Bandeira, likely coming in May, ahead of environmental permitting guided to in Q3 of this year.

**Valuation**

- **Valuation discount not warranted by scale:** With today's update, LTH is now trading at an EV/tonne contained LCE of \$30 versus closest comparable Latin Resources (LRS) at \$136/t. Both now have very similar tonnages (1.9MMt versus 2.2MMt respectively) and grades nearly similar. We believe this valuation disconnect is all the more unwarranted when one considers the likely longer permitting timeline for closology plays pursuing larger open pit style operations, versus the underground scenario contemplated by LTH for Bandeira.
- Valuation on LTH remains compelling on a P/NAV basis as well, with the stock trading at just 0.10x, a discount to peers at 0.25x and the **cheapest stock by this metric in our coverage universe.**

**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**

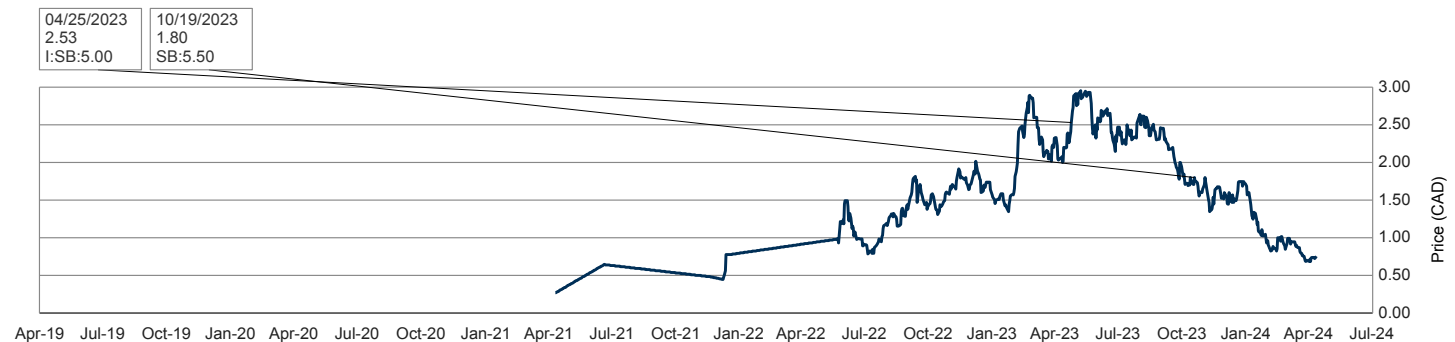
Lithium Ionic is a lithium development company with properties covering 14,183ha located in the prolific Aracuaí province in Minas Gerais State, Brazil. The Project Area is proximal to infrastructure, including highways, hydroelectrical grid power, water, and nearby commercial ports. Its Itinga Project 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 April 11, 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](http://stifel2.bluematrix.com/sellside/Disclosures.action?ticker=LTH_CN)

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**Buy** - We expect a total return of greater than 10% over the next 12 months with total return equal to the percentage price change plus dividend yield.

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