

SPECULATIVE BUY

Price C\$0.89 (10-7-24 close)

FLASH NOTE**Widest Intercept yet at Bandeira****Summary**

Impact: Small Positive. Lithium Ionic announced the results of four infill holes drilled at their flagship Bandeira deposit, which was highlighted by an intercept of 1.39% Li₂O over 64.7m, the widest-yet mineralized intercept at Bandeira. The result can aid confidence in deposit continuity, with positive implications for resource conversion, particularly important at Bandeira considering the relatively large (~24MMt) amount of tonnage not included in the current mine plan. LTH trades at just \$37/tonne on an EV/LCE basis, significantly lower than a recent Brazilian M&A comp at \$151/tonne and we note increased resource confidence as one factor to potentially help narrow this discount.

Key Points**What's New?**

- Lithium Ionic announced infill drilling results from 4 holes drilled at their flagship Bandeira deposit in Minas Gerais, Brazil. Highlighted among the results is hole ITDD-24-276 that returned 1.39% Li₂O over 64.7m, including 1.67% Li₂O over 22m and 1.62% Li₂O over 20m.

Implications

- Shallow, wide, and high-grade builds confidence in overall tonnage.** Today's result is the *widest mineralized intercept yet drilled at Bandeira* and the second-highest on a grade-width basis. In addition, the intercept is shallow, beginning just 35.0m downhole. Finally, we highlight the high-grade of the intercept, which, at 1.39% Li₂O, is accretive to the run-of-mine grade of 1.16% in the current mine plan.
 - Results such as today's are particularly important given the narrow dyke swarm-type mineralization typical of Bandeira and the Eastern Brazilian Pegmatite Province more generally - and *wide, grade-accretive infill drilling helps to increase confidence in the overall resource and the success rate on resource conversion.*
- Positive resource conversion translates to longer mine life.** We note that the current Feasibility Study for Bandeira proposes mining just 17.2MMt out of a global resource of 42MMt. With a conversion rate of just 50% on the excess tonnage, this could allow for a 9-year extension to mine life, accretive to project economics.
- Resource growth story continues.** LTH has grown its maiden MRE ~209% from an initial 395kt LCE to the current 1.9MMt LCE. In a fertile belt, where LTH has realized a *drilling efficiency of 26.1t LCE/metre drilled at Bandeira*, we see potential for further tonnage, and scale to be added post construction. Recall that the company sits on a ~17,000 hectare land package, the large majority of which remains undrilled.

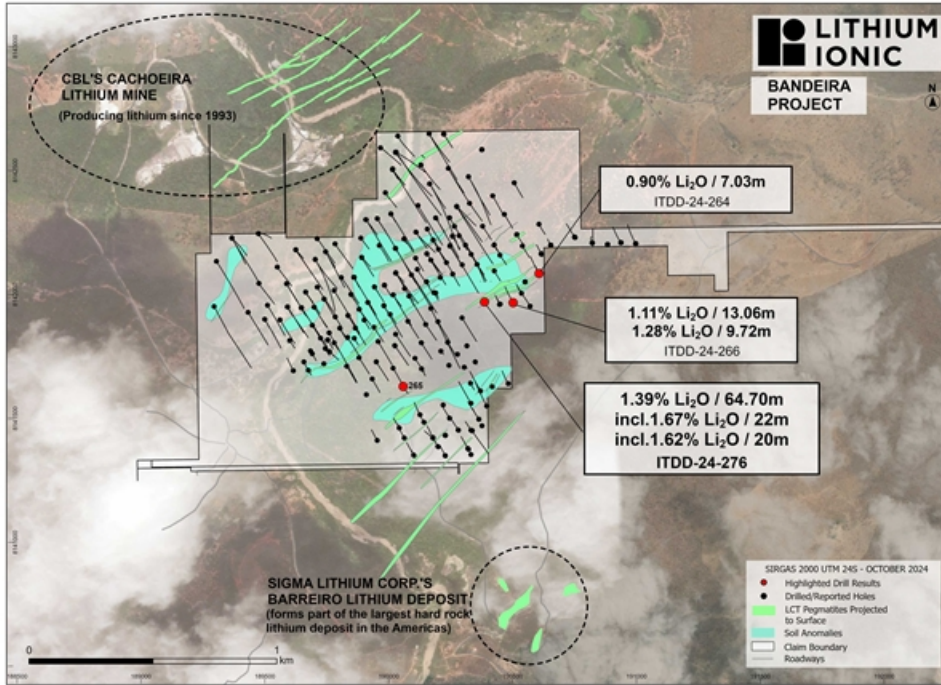
Upcoming catalysts

- The next major expected catalyst for the company is receipt of the Concomitant Environmental and Installation License, or LAC, which will authorize the beginning of project construction. The company expects to receive the permit before year-end.

Valuation

- At C\$0.89/share, LTH is trading at an EV/tonne lithium carbonate equivalent of just ~US\$37/t, ~4x lower than the Pilbara's recent take-out offer valuation for Brazilian neighbour Latin Resources of ~US\$151/tonne. Applying a similar value of US\$151/t to LTH's resource would translate to C\$2.65/share, more than double the current share price.

Bandeira drilling map



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\$3.50/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 October 07, 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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