

January 14, 2025

Canada - Metals & Mining

SPECULATIVE BUY

Price C\$0.88 (intraday 1/14/25)

FLASH NOTE**Salinas goes Grande****Summary**

Impact: Positive. From [Baixa] Grande to Venti - Lithium Ionic announced a 32% increase to their Baixa Grande (formerly Salinas) resource. Today's news builds confidence in our investment thesis that LTH can build value via exploration across their substantial and mostly unexplored land package while simultaneously advancing flagship project Bandeira (now awaiting construction permits). **Importantly, Baixa Grande is directly adjacent to the Colina deposit, recently acquired by lithium major Pilbara Minerals for an implied value of \$152/tonne Lithium Carbonate Equivalent, substantially higher than LTH's current valuation of \$46/t** — and we see potential to narrow this valuation gap given the likely synergies for a combined Colina+Baixa Grande development scenario.

Key Points**What's New?**

- Lithium Ionic announced an increase in the former Salinas resource, now renamed "Baixa Grande", increasing the resource size by 32%.
 - The resource now measures 19.42MMt grading 1.01% Li₂O for ~486kt contained Lithium Carbonate Equivalent (LCE), compared to the maiden estimate for the deposit in April measuring 14.76MMt grading 1.02% Li₂O for ~372kt contained LCE.

Implications and Valuation

- Executing on resource growth.** The increase in the resource at Baixa Grande reflects our dual-track investment thesis on LTH, which can a) build value via *de-risking the nimble and quick-to-market Bandeira Project* while also b) *growing resources* across an under-explored ~17,000ha land package in a fertile emerging lithium district in mining-friendly Minas Gerais, Brazil. We also note that today's updated resource increase at Baixa Grande was achieved at essentially the same grade as the earlier estimate (1.01% Li₂O vs the earlier 1.02% Li₂O).
- Recent next-door neighbour M&A implies strong valuation for deposit.** In August, lithium producer Pilbara Minerals (PLS) paid \$376 million in share value to acquire Latin Resources (LRS), at an implied EV/LCE value of \$152/tonne. *Recall that Baixa Grande is directly adjacent to Latin Resources' Colina deposit* (see Fig. 1 below).
 - We see a future development scenario combining the two deposits as preferable given likely economics of scale and the risk of sterilizing parts of the Colina deposit given pit wall constraints.
 - At the same take-out value, the PLS+LRS deal would imply a value of US\$73 million for Baixa Grande, or C\$0.65/share. We estimate today's resource increase adds approximately C\$0.16/sh in value based on the LRS take-out valuation.
- Shares remain cheap versus recent transaction prices.** LTH trades at \$46/t on an EV/LCE basis, vs \$136/t for average M&A comps in 2024 and \$152/tonne for Pilbara Minerals take-out valuation for next-door neighbour Latin Resources. At a similar valuation, LTH would be worth C\$3.03/share; while LTH remains smaller, we think this valuation gap has potential to narrow thanks to financing and permitting milestones being ticked off, leaving a low cost, scalable beachhead project on sale.

Upcoming Catalysts

- Decision on Construction License expected soon.** Approvals for the Concomitant Environmental and Installation License (LAC) for the Bandeira Project are expected in the coming weeks, which would authorize construction commencement.

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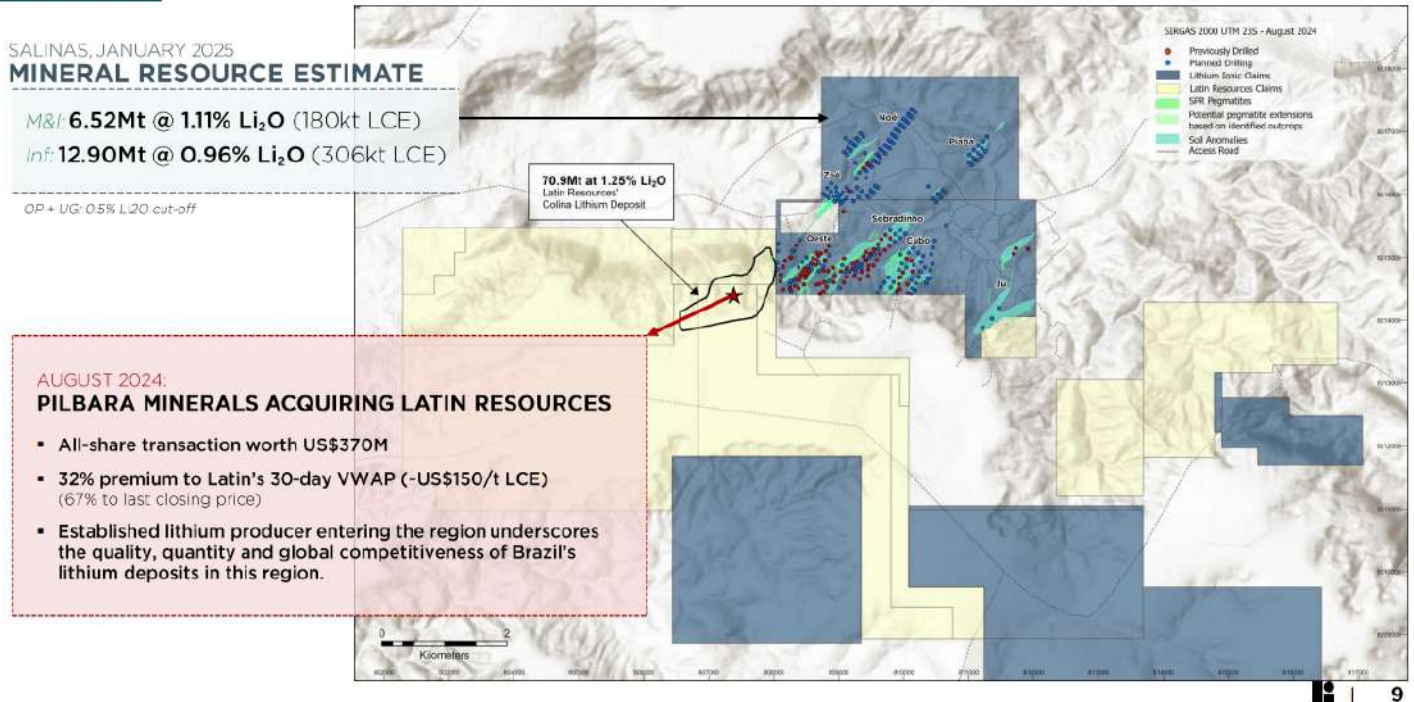
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Figure 1 - Baixa Grande (Salinas) proximity to Latin Resources' Colina deposit

SALINAS PROJECT



Source: Company presentation

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 January 13, 2025 (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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