

June 27, 2023

Canada - Metals & Mining

SPECULATIVE BUY

Price C\$2.20 (intraday 6-27-23)

FLASH NOTE**Itinga Resource a Beachhead; LTH to Drill 50,000m Thru Remainder of 2023****Summary**

Lithium Ionic announced its maiden Mineral Resource Estimate (MRE) for the Bandeira and Outro Lado (formerly Galvani) deposits, part of its Itinga Project located in Minas Gerais state, Brazil. The global resource is **19.43MMt grading 1.42% Li₂O for total contained LCE of 682.7kt**. We view this announcement as a positive that comes in ahead of our earlier estimate of 18.7MMt grading 1.3% Li₂O for 601kt contained LCE. The MRE should be seen as an initial beachhead that is likely to expand over time as the company continues to intensively drill its substantial land package in the Eastern Brazilian Pegmatite Province; 50,000m are expected to be drilling through the remainder of the year with 13 rigs on site. Lithium Ionic currently trades at a P/NAV multiple of 0.31x, a discount to peers at 0.48x and we rate it as a BUY with a target price of C\$5.00/share.

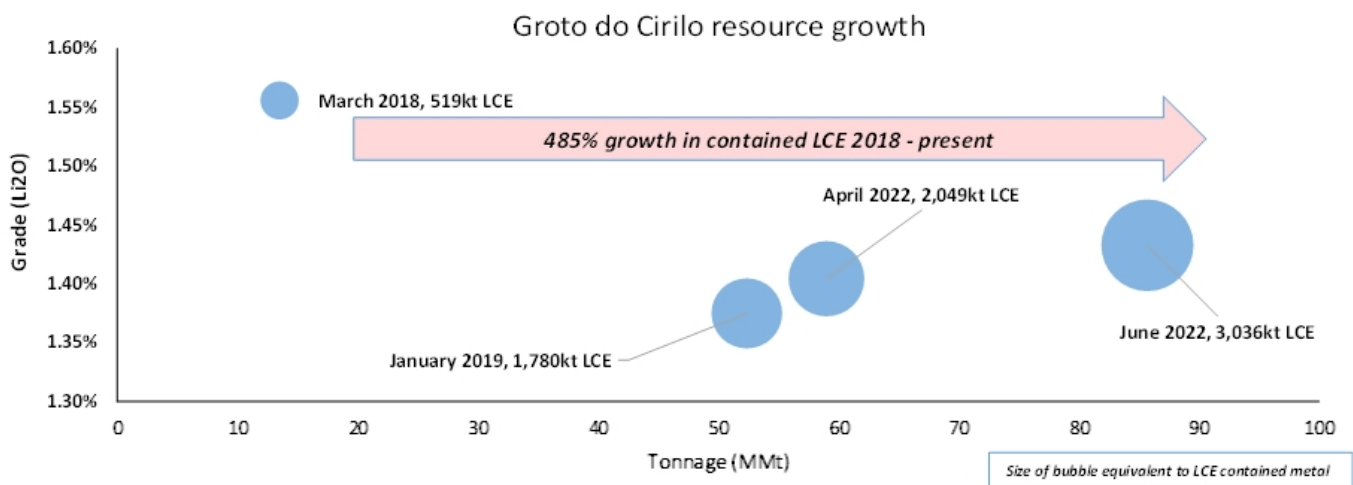
Key Points**What's New?**

- Lithium Ionic has announced the maiden Mineral Resource Estimate (MRE) for its Itinga Project in Minas Gerais, Brazil. Key points are as follows:
 - The MI&I resource is 7.57MMt grading 1.4% Li₂O and Inferred resources of 11.86Mt grading 1.44% Li₂O for a **global resource of 19.43MMt grading 1.42% Li₂O for total contained LCE of 682.7kt**.
 - The resource is split between Bandeira with 16Mt grading 1.41% Li₂O for 559kt LCE and Outro Lado (formerly named Galvani) with 3.4MMt grading 1.46% Li₂O for 122kt LCE. Bandeira is further divided between an open-pit resource (10.2MMt grading 1.38% Li₂O for 348kt LCE) and an underground resource (5.9Mt grading 1.46% Li₂O for 212kt LCE).
- Recall that the Itinga Project encompasses exploration tenements adjacent to CBL's producing underground lithium Cachoeira mine and Sigma Lithium's Groto do Cirilo Project, now in production (see map below).

Assessment

- Today's announced MRE is slightly accretive to our modeled estimate of 18.7MMt @ 1.30% Li₂O for 601kt contained LCE.
- We view today's MRE as an initial estimate that will be used to inform a beachhead production scenario that will likely expand over time. Remember that LTH controls exploration tenements totaling 14,183ha in the Eastern Brazilian Pegmatite Province (EBPP), a globally significant belt of lithium-cesium-tantalum (LCT) bearing spodumene pegmatites. Continued systematic drilling of these tenements could potentially lead to a similar resource growth trajectory seen with comparable companies in the valley.

Sigma Lithium resource growth



Source: Company disclosures, Stifel

Cole McGill, Vice President | (416) 943-6631 | cmcgill@stifel.com

Derek Rosin | (416) 941-0208 | drosin@stifel.com

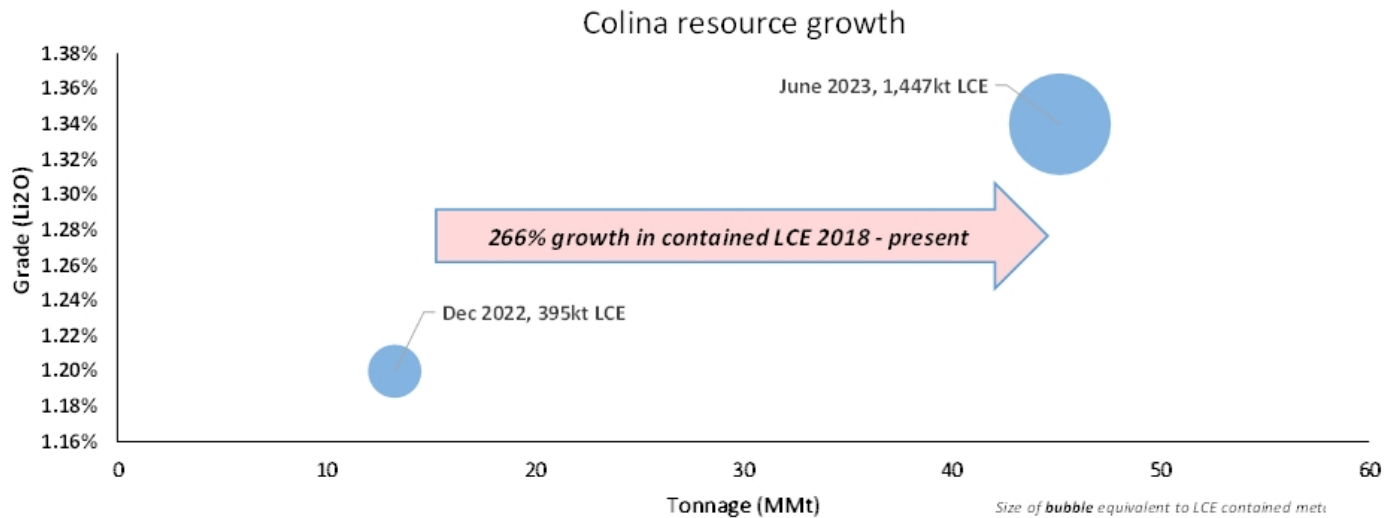
Completed: 27 June 2023 10:05EDT
Disseminated: 27 June 2023 10:05EDT

Prepared by Stifel Nicolaus Canada Inc.

Stifel does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

All relevant disclosures and certifications appear on pages 5 to 7 of this report.

Latin Resources resource growth



Source: Company disclosures, Stifel

- Accretive tonnage. Resource growth via drilling could provide a compelling case to right-size production beyond the scale of an initial construction decision/scenario and consequently we have modeled the potential NAV accretion of new discoveries to our base case assumption of a ~19Mt initial resource, and value each additional 10MMt discovery at ~C\$2.00/share.

Scenario	Assumption	Tonnage MMt processed	Scale Average MMtpa	Annual Production				Initial		Itinga Project NAV			
				Average ktpa SC6	Average ktpa LCE	Max (Year 5)		Capex US\$6,000/t CAREX Intensity, US\$MM	EBITDA Max Runrate @ US\$1,750/t SC6, US\$MM	Fully-Funded Take-Out			%
Base Case	Base Case	19	1.4	156	21	198	26	156	254	974	6.32	7.32	
Scenario 1	One 10MMt Pegmatite discovery	30	2.3	253	33	306	40	242	395	1,517	8.15	10.95	29%
Scenario 2	Two 10MMt Pegmatite discoveries	40	3.1	331	44	395	52	312	510	1,999	10.12	14.42	60%

*Fully funded scenario assumes initial capital raised by 50/50 debt/equity

Source: Company disclosures, Stifel estimates

What's Next?

- Exploration ongoing. The drill bit will remain busy beyond the MRE - a 50,000m drill program is currently underway, with 13 drill rigs operating, split between Itinga and Salinas.
- Work on a Preliminary Economic Assessment (PEA) is underway for Itinga and is expected to be completed in Q3 2023.

		Xuxa SGML	Barreiro SGML	NDC SGML	Outro Lado LTH	Galvani LTH
Resources	Global Resource Tonnage (Mt)	21.2	28.9	26.8	16.04	3.39
	Grade (% Li ₂ O)	1.56	1.38	1.49	1.41	1.46
	Contained LCE (kt)	815	989	984	560	123
Reserves	P&P Tonnage (Mt)	11.8	21.76	21.19	-	-
	Grade (% Li ₂ O)	1.55	1.36	1.45	-	-
	Contained LCE (kt)	452	730	759	-	-
Drill Density	drill holes	100	136	124	120	61
	metres drilled	15,531	26,976	22,014	20,509	7,659
	tonnes LCE/metre drilled	52	37	45	27	16

Source: Company disclosures, Stifel estimates

Valuation

- Lithium Ionic currently trades at a P/NAV multiple of 0.31x, a discount to peers at 0.48x. On a EV/contained LCE basis using today's mineral resource estimate, it trades at \$277/tonne LCE. This compares to \$266/tonne for lithium hardrock developers in Canada and \$571/tonne

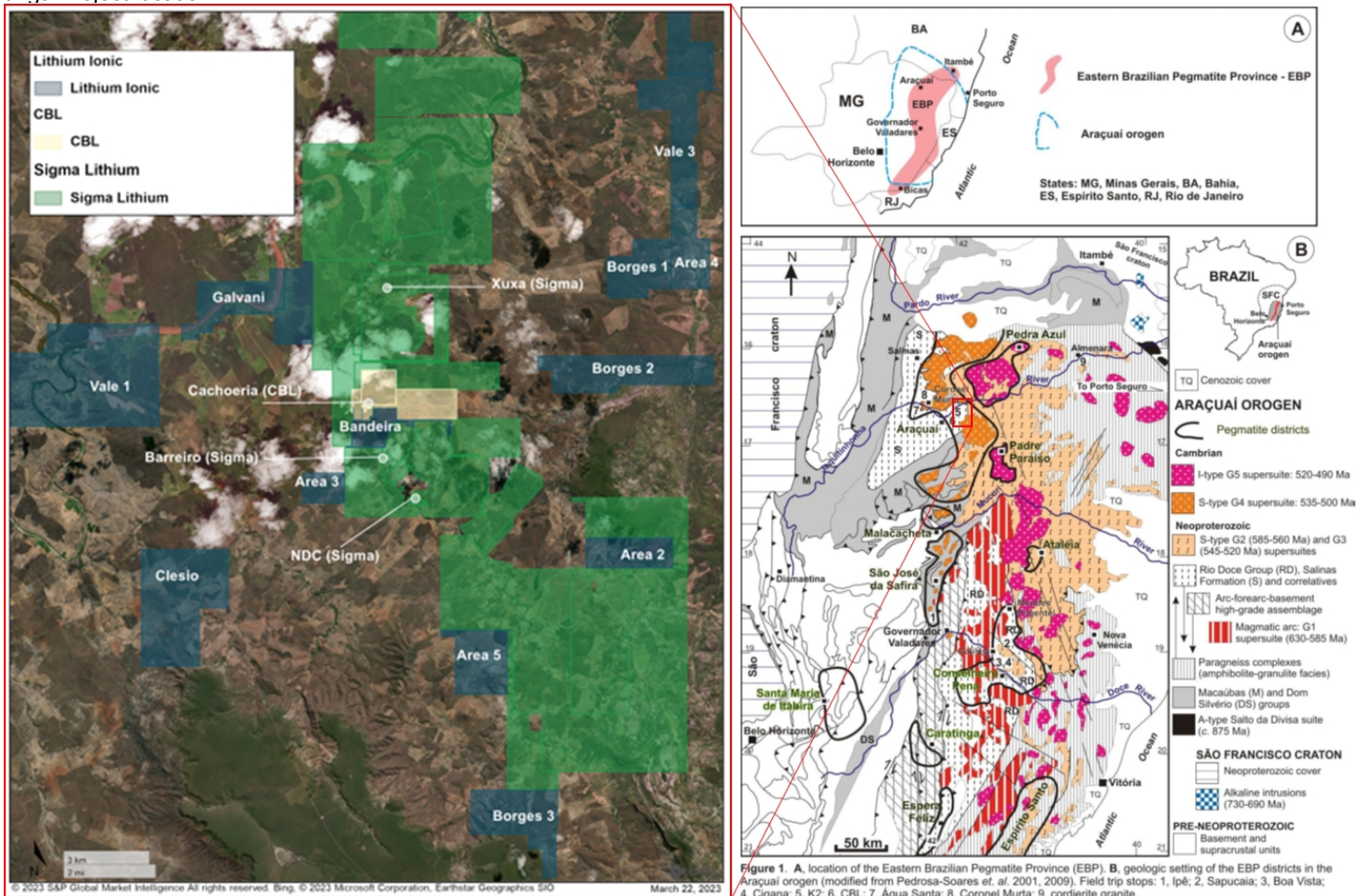
for Australian peers. LTH's neighbour Sigma Lithium trades at an EV of ~\$1,200/tonne LCE, indicating the potential for valuation upside through project advancement over time.

EV/LCE regional comps

Company	Enterprise Value (US\$M)	Global Resource Contained LCE (kt)	EV/LCE
Sigma Lithium	3641	3036	\$1,199
Latin Resources	422	1477	\$286
Lithium Ionic	189	682.7	\$277

Source: FactSet, company disclosures

Itinga Project location



Source: S&P Capital IQ, Stifel

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 level. 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\$5.00/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 cost 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

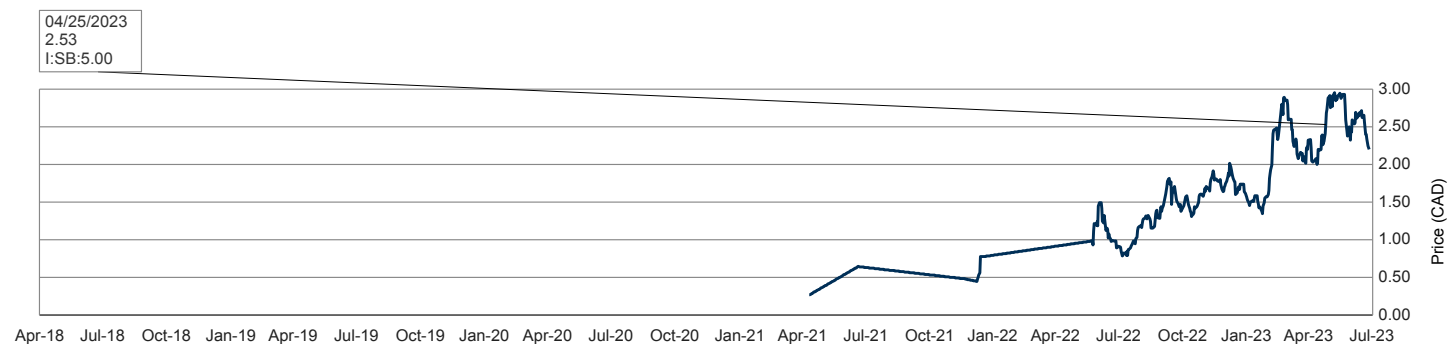
Lithium Ionic is a lithium development company with properties covering 14,183ha located in the prolific Aracuaí province in Minas Gerais State, Brazil. The Project Area is proximal to infrastructure, including highways, hydroelectrical grid power, water, and nearby commercial ports. Its Itinga Project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

Important Disclosures and Certifications

I, Cole McGill, research analyst, certify that the views expressed in this research report accurately reflect my personal views about the subject securities or issuers; and I, Cole McGill, certify that no part of my compensation was, is, or will be directly or indirectly related to the specific recommendations or views contained in this research report.

Our European Policy for Managing Research Conflicts of Interest is available at www.stifel.com/institutional/ImportantDisclosures.

Lithium Ionic Corp (LTH CN) as of June 26, 2023 (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

Stifel or an affiliate expects to receive or intends to seek compensation for investment banking services from Lithium Ionic Corp in the next 3 months.

The equity research analyst(s) responsible for the preparation of this report receive(s) compensation based on various factors, including Stifel's overall revenue, which includes investment banking revenue.

Investment Rating System

Our investment rating system is defined as follows:

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.

Speculative Buy¹ - We expect a total return of greater than 30% over the next 12 months, with total return equal to the percentage price change plus dividend yield, accompanied by substantially higher than normal risk including the possibility of a binary outcome.

Hold - We expect a total return between -5% and 10% over the next 12 months with total return equal to the percentage price change plus dividend yield.

Sell - We expect a total return below -5% over the next 12 months with total return equal to the percentage price change plus dividend yield.

Occasionally, we use the ancillary rating of **Suspended (SU)** to indicate a long-term suspension in rating and/or target price, and/or coverage due to applicable regulations or Stifel policies. Alternatively, **Suspended** may indicate the analyst is unable to determine a "reasonable basis" for rating/target price or estimates due to lack of publicly available information or the inability to quantify the publicly available information provided by the company and it is unknown when the outlook will be clarified. **Suspended** may also be used when an analyst has left the firm.

¹ This rating is only utilised by Stifel Canada.

Of the securities we rate, 53% are rated Buy, 1% are rated Speculative Buy, 25% are rated Hold, 1% are rated Sell and 20% are rated Suspended.

Within the last 12 months, Stifel or an affiliate has provided investment banking services for 14%, 3%, 6% and 6% of the companies whose shares are rated Buy (includes Speculative Buy), Hold, Sell and Suspended, respectively.

Within the last 12 months, Stifel or an affiliate has provided material services for 30%, 36%, 17%, 17% and 16% of the companies whose shares are rated Buy, Speculative Buy, Hold, Sell and Suspended, respectively.

The securities of the company or companies mentioned in this report may not be registered in certain states or other jurisdictions and as a result, the securities may not be eligible for sale in some states or jurisdictions. Additionally, the securities of non-U.S. issuers may not be registered with, nor be subject to the reporting requirements of, the U.S. Securities and Exchange Commission. The information contained

herein is not an offer to sell or the solicitation of an offer to buy any security in any state or jurisdiction where such an offer or solicitation would be prohibited.

Additional Disclosures

Please visit the Research Page at www.stifel.com for the current research disclosures and respective target price methodology applicable to the companies mentioned in this publication that are within the Stifel coverage universe. For a discussion of risks and changes to target price including basis of valuation or methodology please see our stand-alone company reports and notes for all stocks.

The information contained herein has been prepared from sources believed to be reliable but is not guaranteed by us and is not a complete summary or statement of all available data, nor is it considered an offer to buy or sell any securities referred to herein. Opinions expressed are as of the date of this publication and are subject to change without notice. These opinions do not constitute a personal recommendation and do not take into account the particular investment objectives, financial situation or needs of individual investors. Employees of Stifel, or its affiliates may, at times, release written or oral commentary, technical analysis or trading strategies that differ from the opinions expressed within. Stifel or any of its affiliates may have positions in the securities mentioned and may make purchases or sales of such securities from time to time in the open market or otherwise and may sell to or buy from customers such securities on a principal basis; such transactions may be contrary to recommendations in this report. Past performance should not and cannot be viewed as an indicator of future performance. Unless otherwise noted, the financial instruments mentioned in this report are priced as of market close on the previous trading day and presumed performance is calculated always over the next 12 months.

As a multi-disciplined financial services firm, Stifel regularly seeks investment banking assignments and compensation from issuers for services including, but not limited to, acting as an underwriter in an offering or financial advisor in a merger or acquisition, or serving as a placement agent in private transactions.

Affiliate Disclosures

References to “**Stifel**” (collectively “Stifel”) refer to SFC and other associated affiliated subsidiaries including (i) Stifel, Nicolaus & Company, Incorporated (“**SNC**”); (ii) Keefe, Bruyette & Woods, Incorporated (“**KBWI**”), which are both U.S. broker-dealers registered with the United States Securities and Exchange Commission (“**SEC**”) and members of the Financial Industry National Regulatory Authority (“**FINRA**”), respectively; (iii) Stifel Nicolaus Canada, Incorporated. (“**Stifel Canada**”), which is authorised and regulated by Investment Industry Regulatory Organization of Canada (“**IIROC**”), and also trades under the names “**Stifel GMP**” and/or “**Stifel FirstEnergy**”; (iv) Stifel Nicolaus Europe Limited (“**SNEL**”), which is authorised and regulated by the Financial Conduct Authority (“**FCA**”) (FRN 190412) and is a member of the London Stock Exchange and also trades under the name Keefe, Bruyette & Woods Europe (“**KBW Europe**”); (v) Stifel Europe Bank AG (“**SEBA**”), which is regulated by the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht; “**BaFin**”) and is a member of Deutsche Boerse and SIX Swiss Exchange and (vi) Stifel Schweiz AG (“**STSA**”), which is representative of SEBA in Switzerland and regulated by the Eidgenössische Finanzmarktaufsicht (“**FINMA**”). SNEL, SEBA and STSA are collectively referred to as **Stifel Europe**.

Registration of non-US Analysts: Any non-US research analyst employed by Stifel contributing to this report is not registered/qualified as a research analyst with FINRA and is not an associated person of the US broker-dealer and therefore may not be subject to FINRA Rule 2241 restrictions on communications with a subject company, public appearances, and trading securities held by a research analyst account.

Global Research Notes: Research analysts contributing content to these reports are subject to different regulatory requirements based on the jurisdiction in which they operate. Clients seeking additional information should contact the Stifel entity through which they conduct business.

SEBA & STSA Sponsored research: At SEBA & STSA, analysts may produce issuer paid research ('sponsored research'). This research is produced by analysts in accordance with local regulatory requirements relating to such research. In certain jurisdictions, this issuer paid research may be deemed to be independent research albeit not produced to the same conflicts of interest standards required by all jurisdictions for independent research. Where research has been paid for by an issuer, this will be clearly labelled. Please see our [European Policy for Managing Research Conflicts of Interest](#) for additional information.

Country Specific and Jurisdictional Disclosures

United States: Research produced and distributed by Stifel Europe is distributed by Stifel Europe to “Major US Institutional Investors” as defined in Rule 15a-6 under the US Securities Exchange Act of 1934, as amended. SNC may also distribute research prepared by Stifel Europe directly to US clients, including US clients that are not Major US Institutional Investors. In these instances, SNC accepts responsibility for the content. Stifel Europe is a non-US broker-dealer and accordingly, any transaction by a US client in the securities discussed in the document must be effected by SNC. US clients wishing to place an order should contact their SNC representative.

UK: This report is distributed in the UK by SNEL, which is authorised and regulated by the Financial Conduct Authority (FCA). In these instances, SNEL accepts responsibility for the content. Research produced by Stifel Europe is not intended for use by and should not be made available to retail clients as defined by the FCA.

European Economic Area (EEA): This report is distributed in the EEA by SEBA, which is authorized and regulated by the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht; “**BaFin**”). In these instances, SEBA accepts responsibility

for the content. Research produced by Stifel Europe is not intended for use by and should not be made available to retail clients as defined under MiFID II.

The complete preceding 12-month recommendations history related to recommendation(s) in this research report is available at <https://stifel2.bluematrix.com/sellside/MAR.action>

Australia: Research produced by Stifel is distributed by SNEL under the Australian Securities and Investments Commission (“ASIC”) Class Order [CO 03/1099] exemption from the requirement to hold an Australian Financial Services Licence (“AFSL”). This research may only be distributed to a “Wholesale Client” within the meaning of section 761G of the Corporations Act 2001 (Cth).

Brunei: This document has not been delivered to, registered with or approved by the Brunei Darussalam Registrar of Companies, Registrar of International Business Companies, the Brunei Darussalam Ministry of Finance or the Autoriti Monetari Brunei Darussalam. This document and the information contained within will not be registered with any relevant Brunei Authorities under the relevant securities laws of Brunei Darussalam. The interests in the document have not been and will not be offered, transferred, delivered or sold in or from any part of Brunei Darussalam. This document and the information contained within is strictly private and confidential and is being distributed to a limited number of accredited investors, expert investors and institutional investors under the Securities Markets Order, 2013 (“Relevant Persons”) upon their request and confirmation that they fully understand that neither the document nor the information contained within have been approved or licensed by or registered with the Brunei Darussalam Registrar of Companies, Registrar of International Business Companies, the Brunei Darussalam Ministry of Finance, the Autoriti Monetari Brunei Darussalam or any other relevant governmental agencies within Brunei Darussalam. This document and the information contained within must not be acted on or relied on by persons who are not Relevant Persons. Any investment or investment activity to which the document or information contained within is only available to, and will be engaged in only with Relevant Persons.

Canada: Stifel Canada is a member of IIROC and a participant of the TSX, and TSX Venture Exchange. All relevant disclosures required by regulatory rules (including IIROC) and Stifel Canada’s recommendation statistics and research dissemination policies can be obtained at www.Stifel.com/Research or by calling Stifel Canada’s Compliance Department. Stifel Canada will provide, upon request, a statement of its financial condition and a list of the names of its Directors and senior officers. Research produced by Stifel Europe is distributed in Canada by SNC in reliance on the international dealer exemption. This material is intended for use only by professional or institutional investors. None of the investments or investment services mentioned or described herein is available to other persons or to anyone in Canada who is not a “permitted client” as defined under applicable Canadian securities laws.

Republic of South Africa: Research produced by Stifel is distributed by SNEL to “Clients” as defined in FSCA FAIS Notice 20 of 2018 (the “FAIS Notice”) issued by the Financial Sector Conduct Authority. Research distributed by SNEL is pursuant to an exemption from the licensing requirements under Section 7(1) of the Financial Advisory and Intermediary Services Act, 2002.

In jurisdictions where Stifel is not already licensed or registered to trade securities, transactions will only be affected in accordance with local securities legislation which will vary from jurisdiction to jurisdiction and may require that a transaction is carried out in accordance with applicable exemptions from registration and licensing requirements. Non-US customers wishing to effect transactions should contact a representative of the Stifel entity in their regional jurisdiction except where governing law permits otherwise. US customers wishing to effect transactions should contact their US salesperson.

The securities discussed in this report may not be available for sale in all jurisdictions and may have adverse tax implications for investors. Clients are advised to speak with their legal or tax advisor prior to making an investment decision.

The recommendation contained in this report was produced at 27 June 2023 10:05EDT and disseminated at 27 June 2023 10:05EDT.

Additional Information Is Available Upon Request

© 2023 Stifel. This report is produced for the use of Stifel customers and may not be reproduced, re-distributed or passed to any other person or published in whole or in part for any purpose without the prior consent of Stifel.