

## Australian Equity Research

4 February 2016

Reg Spencer | Analyst | Canaccord Genuity (Australia) Ltd. | reg.spencer@canaccord.com.au | +61.2.9263.2701

Tim McCormack | Analyst | Canaccord Genuity (Australia) Ltd. | tim.mccormack@canaccord.com.au | +61.407.195.774

Larry Hill | Associate Analyst | Canaccord Genuity (Australia) Ltd. | larry.hill@canaccord.com.au | +61.2.9263.2789

## SPECULATIVE BUY

unchanged

PRICE TARGET A\$0.25 ↑

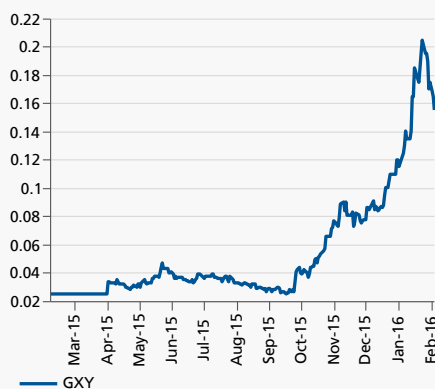
from A\$0.16

Price (4-Feb) A\$0.18

Ticker GXY-ASX

52-Week Range (A\$):	0.02 - 0.21
Avg Daily Vol (M) :	3.1
Market Cap (A\$M):	221
Shares Out. (M) :	1,264.4
Enterprise Value (A\$M):	246
Cash (A\$M):	10.49
Long-Term Debt (A\$):	(35.5)
NAV /Shr (AUC):	0.24

FYE Dec	2015E	2016E	2017E
EBITDA (A\$M)	(10.4) ↑	(0.3) ↓	12.6 ↓
Previous	(10.6)	3.7	18.5
Net Income (A\$M)	50.1	(4.2)	9.0
EV/EBITDA (x)	NM	NM	18.6
P/E (x)	(52.8)	24.5	17.1



Source: FactSet

## Raising Target Price

## Sal de Vida moves forward; Mt. Cattlin nearing production

In our view, GXY remains well placed to capitalise on rapidly improving lithium market fundamentals, with a diverse and comparatively advanced asset base. The shares trade at a significant discount to our revised target price, and we highlight the potential for further valuation upside in the event of higher lithium prices. Maintain SPECULATIVE BUY rating.

**Argentina economic reforms and increasing lithium prices put Sal de Vida back in focus:** GXY announced it has commenced a review of the 2013 DFS for the Sal de Vida lithium brine project. The 2013 DFS assessed the viability of a 40-year, 25ktpa lithium carbonate ( $\text{Li}_2\text{CO}_3$ ) project, with capital costs estimated at US\$369m. The depreciation of the ARS vs the USD following the lifting of the "dollar clamp," the removal of export duties and relaxation of restrictions on capital flows following the recent change of government, combined with expected increases in  $\text{Li}_2\text{CO}_3$  prices, are expected to have a positive impact on project economics. Subject to the completion of the review, we anticipate GXY to re-assess development opportunities for the project during 2016.

**Could a full-scale development be back on the table?** We note that GXY had previously assessed a possible staged development at Sal de Vida, with a view to reducing upfront capex. We now consider that the financing of a full-scale development is more possible based on the increase in GXY's market cap, improved project economics owing to Argentinian reforms, GXY's 100% ownership, and a rapidly improving outlook for the lithium market. While there is currently no firm development timetable for the project, pending completion of the DFS review, financing and construction, it is possible that Sal de Vida could commence  $\text{Li}_2\text{CO}_3$  production in late 2018/early 2019.

**Mt. Cattlin moves closer to production:** GXY has also announced an update on development activities at the Mt. Cattlin spodumene project (subject to 50% earn-in by General Mining (GMM : ASX : A\$0.27 | SPEC BUY)). GMM has confirmed capital commitments of A\$7m (estimated re-start capex), with test work on the flow sheet re-design confirming base case operating parameters. The project timetable remains mostly in line with our expectations, with commissioning of the fines circuit on track for Mar'16, first product sales in Jul'16, and full project optimisation (i.e. nameplate production) to be completed in Dec'16. An update on product offtake is expected in Feb'16, and we continue to see this as a key, near-term de-risking event for the project.

## Valuation

We have revised our valuation for GXY, with changes including a re-interpretation of modelled tax losses against GXY's attributable share of our estimated Mt. Cattlin NPV10%, and updated currency and modelled cost assumptions for the DCF component of our blended Sal de Vida valuation. The revisions result in an increase to our target price (attributable Mt. Cattlin NPV10%, blended DCF/market based valuation for Sal de Vida, net of corporate and other adjustments) to A\$0.25 from A\$0.16.

## FINANCIAL SUMMARY

Galaxy Resources Ltd

ASX:GXY

Analyst: Reg Spencer  
Date: 4/02/2016  
Year End: December

Rating:  
Target Price:

**SPEC BUY**  
**\$0.25**

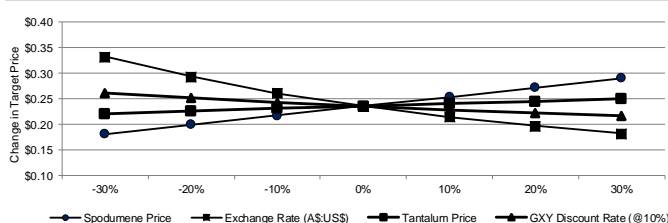
### Market Information

Share Price	A\$	0.18
Market Capitalisation	A\$m	221.3
12 Month Hi	A\$	0.21
12 Month Lo	A\$	0.02
Issued Capital	m	1264.43
ITM Options	m	37.00
Fully Diluted	m	1301.43

Valuation		A\$m	A\$/share
Mt Cattlin	NPV10%	197.6	0.16
Sal de Vida	Estimate	160.1	0.13
Exploration & Other (James Bay)	Estimate	15.0	0.01
Corporate		(49.9)	(0.04)
Cash		10.5	0.01
Debt		(35.5)	(0.03)
<b>TOTAL</b>		<b>297.8</b>	<b>0.24</b>
Target Price			0.25
P/NAV			0.70x

Assumptions	2015e	2016e	2017e
Lithium Carbonate (US\$/t)	6,000	6,200	6,300
Spodumene Concentrate (US\$/t)	402	459	467
Tantalum (US\$/lb)	75	75	75
AUD:USD	0.69	0.69	0.68

### Valuation Sensitivity



Production Metrics	2015e	2016e	2017e
<b>Mt Cattlin (50%)</b>			
Spodumene concentrate (kt)	0.0	52.0	104.4
LCE production (kt)	0.0	0.0	0.0
Tantalum concentrate (Mlb)	0.0	1.4	4.0
AISC (A\$/tonne LCE)	0.0	344	218

<b>Sal de Vida (100%)</b>			
Lithium Carbonate (kt)	0.0	0.0	0.0
AISC (US\$/tonne LCE)	0.0	0.0	0.0

### Reserves & Resources

Mt Cattlin (50%)	Mt	Grade (Li <sub>2</sub> O)	Mt LCE	Ta2O5 (Mlbs)
Resources	16.4	1.08%	0.178	5.68
Reserves	10.0	1.04%	0.104	3.28

<b>James Bay (50%)</b>				
Resources	22.2	1.25%	0.278	

<b>Sal de Vida (100%)</b>			
Resources	1.8	753	7.25
Reserves	0.4	489	1.14

### Directors & Management

Name	Position
Martin Rowley	NE Chairman
Anthony Tse	Managing Director
Charles Whitfield	Exec Director
Jian-Nan Zhang	Non-exec Director

Substantial Shareholders	Shares (m)	%
Acorn Capital	87.48	6.9%
Paradise Investment Mgt	66.49	5.3%

### Company Description

Galaxy Resources Limited (ASX:GXY) is an Australian based, globally diversified lithium development company. Its primary assets are Mt Cattlin spodumene operation in WA (earning out to 50%), the Sal de Vida lithium brine development project in Argentina (100%) and the James Bay spodumene exploration project in Canada (earning out to 50%). Mt Cattlin is planned to be in production in early 2016 at an initial rate of +100ktpa spodumene concentrate (~15ktpa LCE) plus tantalum credits. Sal de Vida is a DFS stage project, which has the potential to be brought into production in the next 3-4 years.

Profit & Loss (A\$m)	2014a	2015e	2016e	2017e
<b>Revenue</b>	0.00	0.02	6.38	19.40
Operating Costs	-0.3	-3.6	0.0	0.0
Corporate & O'heads	-9.2	-6.0	-6.1	-6.2
Exploration (Expensed)	0.0	-0.8	-0.6	-0.6
<b>EBITDA</b>	<b>-9.6</b>	<b>-10.4</b>	<b>-0.3</b>	<b>12.6</b>
Dep'n	-0.2	-0.1	0.0	0.0
<b>EBIT</b>	<b>-9.7</b>	<b>-10.5</b>	<b>-0.3</b>	<b>12.6</b>
Net Interest	-9.6	-6.7	-3.9	-3.5
Tax	0.0	0.0	0.0	0.0
<b>NPAT</b>	<b>-19.3</b>	<b>-17.2</b>	<b>-4.2</b>	<b>9.0</b>
Abnormals	-35.9	67.3	0.0	0.0
<b>NPAT (reported)</b>	<b>-55.2</b>	<b>50.1</b>	<b>-4.2</b>	<b>9.0</b>

Cash Flow (A\$m)	2014a	2015e	2016e	2017e
Cash Receipts	25.6	2.4	6.4	19.4
Cash paid to suppliers & employees	-35.6	-6.3	-6.1	-6.2
Tax Paid	0.0	0.0	0.0	0.0
Net Interest	-15.6	-14.0	-3.9	-3.5
<b>Operating Cash Flow</b>	<b>-25.6</b>	<b>-17.9</b>	<b>-3.6</b>	<b>9.7</b>
Exploration and Evaluation	0.0	-2.2	-2.0	-2.0
Capex	-2.1	-0.0	0.0	0.0
Other	8.2	87.2	4.5	6.0
<b>Investing Cash Flow</b>	<b>6.1</b>	<b>85.0</b>	<b>2.5</b>	<b>4.0</b>
Debt Drawdown (repayment)	25.8	-72.8	-6.5	-10.0
Share capital	0.0	0.0	0.0	0.0
Dividends	0.0	0.0	0.0	0.0
Financing Expenses	0.0	0.0	0.0	0.0
<b>Financing Cash Flow</b>	<b>25.8</b>	<b>-72.8</b>	<b>-6.5</b>	<b>-10.0</b>
Opening Cash	2.8	13.4	10.5	2.9
Increase / (Decrease) in cash	6.3	-5.7	-7.6	3.7
FX Impact	4.2	2.8	0.0	0.0
<b>Closing Cash</b>	<b>13.4</b>	<b>10.5</b>	<b>2.9</b>	<b>6.6</b>

Balance Sheet (A\$m)	2014a	2015e	2016e	2017e
Cash + S/Term Deposits	13.4	10.5	2.9	6.6
Other current assets	189.0	0.2	1.7	4.9
<b>Current Assets</b>	<b>202.4</b>	<b>10.7</b>	<b>4.6</b>	<b>11.4</b>
Property, Plant & Equip.	1.9	1.8	1.8	1.8
Mining, Expl'n & Develop.	131.0	199.7	201.1	202.6
Other Non-current Assets	0.0	0.0	0.0	0.0
Payables	5.2	0.1	0.5	1.6
Short Term debt	101.2	6.5	10.0	14.5
Long Term Debt	0.0	29.0	19.0	4.4
Other Liabilities	178.9	78.3	83.8	92.1
<b>Net Assets</b>	<b>50.1</b>	<b>98.5</b>	<b>94.3</b>	<b>103.3</b>
Shareholders Funds	450.7	450.7	450.7	450.7
Reserves	12.0	10.1	10.1	10.1
Retained Earnings	-417.5	-367.1	-371.3	-362.3
<b>Total Equity</b>	<b>50.1</b>	<b>98.5</b>	<b>94.3</b>	<b>103.3</b>

Ratios & Multiples	2014a	2015e	2016e	2017e
EBITDA Margin	nm	nm	nm	65%
EV/EBITDA	nm	nm	nm	16.8x
Op. Cashflow/Share	-\$0.02	-\$0.01	\$0.00	\$0.01
P/CF	-8.7x	-12.3x	-61.7x	22.9x
EPS	\$0.05	\$0.00	\$0.00	\$0.01
EPS Growth	-192%	nm	-316%	43%
PER	3.7x	-52.8x	24.5x	17.1x
Dividend Per Share	\$0.00	\$0.00	\$0.00	\$0.00
Dividend Yield	0%	0%	0%	0%
ROE	-110%	51%	-4%	9%
ROIC	-2%	-2%	0%	3%
Debt/Equity	0%	29%	20%	4%
Net Interest Cover	-1.4x	-2.5x	-0.1x	5.1x
Book Value/share	\$0.04	\$0.08	\$0.07	\$0.08
Price/Book Value	4.4x	2.2x	2.3x	2.1x

Source: Company reports and Canaccord Genuity estimates

## Sal de Vida - update

### ARGENTINIAN ECONOMIC REFORMS

- Former Buenos Aires mayor Mauricio Macri was elected president following a general election held on 22 Nov'15. In mid-Dec'15, the newly elected Government announced a number of economic reforms, including an immediate lifting of the US dollar "clamp," which resulted in an immediate and significant depreciation of the ARS:USD to ~14:1.
- Other reforms announced include elimination of export duties on a number of industrial and agricultural products (including lithium-based products), the lifting of controls on the importation of goods into Argentina, and the relaxation of restrictions on outbound capital flows which has the effect of easing the repatriation of dividend profits of multi-national companies..
- The Government also announced plans for a US\$1.6bn infrastructure development program for Northern Argentina, including investments in roads and railways.

### PROJECT DEVELOPMENT UPDATE

- As a result of the anticipated positive impact of the announced reforms, GXY has announced that it will be commencing a review of the 2013 DFS for the Sal de Vida lithium brine project.
- The 2013 DFS was based on a Reserve of 0.44 km<sup>3</sup> at a grade of 488ppm Li, containing ~1.14 Mt LCE (lithium carbonate equivalent). The study assessed the development of a +40 year, 25ktpa Li<sub>2</sub>CO<sub>3</sub> and 95ktpa potash project, designed around the development of evaporation ponds, a lithium Li<sub>2</sub>CO<sub>3</sub> plant and potash production circuit. The key study outcomes are shown in Figure 1 below.

**Figure 1: Sal de Vida 2013 DFS – key outcomes**

Definitive Feasibility Study (US \$)	10% Discount	8% Discount
Lithium Carbonate Production	25,000 tpa	
Potash Production	95,000 tpa	
Mine Life	>40 years	
Capital Costs	\$369 million	
Operating Costs (after KCl net back)	\$2,200/t LC	
Total Revenue	\$215 million	
Av Cash Flow (pre interest, tax)	\$118 million	
Av Battery Grade Price (Roskill forecast for 2017)	\$6,395 /t LC	
Net Present Value (pre-tax)	\$645 million	\$921 million
Internal Rate of Return (pre-tax)	23.0 %	23.0%
Net Present Value (post-tax)	\$380 million	\$565 million
Payback	4 Yrs 7 Mths	4 Yrs 7 Mths
Internal Rate of Return (post-tax)	19.4%	19.4%

Source: Company reports

- GXY had previously commenced a development optimisation assessment at Sal de Vida with a view to reducing upfront capital costs. The assessment was centered on a potential staged development of the project comprising the following:
  - Stage 1 - 8-10kt Li<sub>2</sub>CO<sub>3</sub> , capex US\$100-120m
  - Stage 2 – subsequent expansion to 25ktpa Li<sub>2</sub>CO<sub>3</sub>

- We understand that the review of the 2013 DFS will be completed in mid-2016, and anticipate that the impact of the Argentinian economic reforms combined with an outlook of significantly higher  $\text{Li}_2\text{CO}_3$  prices could have a positive impact on the economics of the project.
- Furthermore, we are of the view that the financing and construction of a larger project than the previously suggested staged development concept could potentially be now more achievable. We base this view on the increase in GXY's market capitalisation, the positive outlook for the lithium market, the favourable characteristics of the project (resource size, location, chemistry), and GXY's 100% ownership of the asset.
- There remains no firm development timetable for the project, but subject to the completion of the DFS review, financing and construction, it is possible that Sal de Vida could commence  $\text{Li}_2\text{CO}_3$  production in late 2018/early 2019.

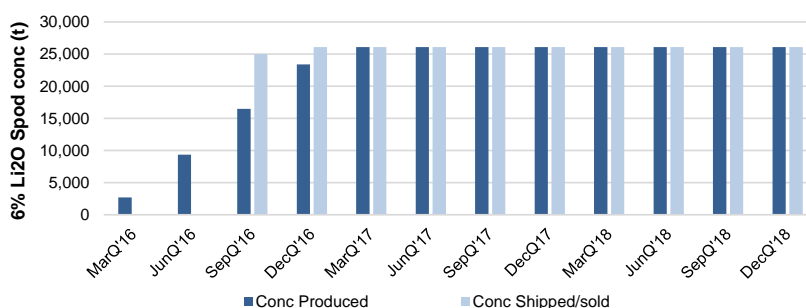
## Mt. Cattlin - update

- GXY recently announced an update on development activities at the Mt. Cattlin (General Mining earning 50%) spodumene/tantalum project. The project is believed capable of producing ~110ktpa of 6%  $\text{Li}_2\text{O}$  spodumene concentrate, and 1.8ktpa of tantalite (tantalum) concentrate over a ~15 year mine life, and is expected to be commissioned during the MarQ'16.
- GXY has confirmed that GMM has met the first milestone on its earn-in on the project through capital commitments totaling A\$7m as at 31 Dec '15.
  - Pursuant to the agreement between GXY and GMM, GMM is entitled to earn a 50% interest in the project, through funding a re-start of production by 31 Mar'16 (at a capital cost of A\$7m) and making cash payments to GXY totaling A\$18m over a three-year period from the commencement of production.

### DEVELOPMENT ACTIVITIES & PROJECT TIMETABLE

- GMM, as operator of the project, has confirmed that all long-lead items required for the commissioning have been ordered, with the re-design of processing flow sheet nearing completion. The re-design of the flow sheet is anticipated to address a number of the design flaws of the processing plant when the operation was previously in production (see "Lithium sector set to charge" 16/12/15).
- GXY has also provided an updated project timeline as per below:
  - Fines circuit commissioning – Mar'16
  - Coarse circuit commissioning – Jun'16
  - First concentrate shipment – Jul'16
  - Full plant optimisation – Dec'16
- The timetable corresponds mostly with our current modelled assumptions; however, we note that first concentrate sales are now scheduled for Jul'16 versus our previous expectations of Jun'16. However, we understand that the expected timing for the first product shipment (and sale) is based on a minimum tonnage, but given high demand for spodumene concentrate, the first product shipment may occur sooner on a smaller volume.
- We have pushed out our first shipment date to the SepQ'16 (i.e. Jul'16) with our revised production/sales forecasts (CY16-CY18) illustrated in Figure 2 below.

Figure 2: CG modelled Mt. Cattlin production ramp up & shipment schedule



Source: Canaccord Genuity estimates

**PRODUCT OFFTAKE - UPDATE**

- GMM has reported that the company, in concert with Mitsubishi Corporation (exclusive sales and distribution agent) and GXY, now expects to finalise binding product offtake arrangements in Feb'16 (versus original expectations of Jan'16).
- We continue to see finalisation of offtake arrangements as a material near-term de-risking event for the project.

## Valuation changes

**SAL DE VIDA**

- We continue to value Sal de Vida using a blend of our estimated NPV10% and market based methodology for comparable asset transactions. Our NPV valuation continues to assume a staged development, and is based on the assumptions detailed in Figure 3, with our market based methodology derived from the asset transactions listed in Figure 4.

Figure 3: CG Sal de Vida project valuation assumptions

Capex - Stage 1*	US\$m	120.0
Capex - Stage 2*	US\$m	185.0
Mine life	yrs	40.0
Prodn - Stage 1**	ktpa Li <sub>2</sub> CO <sub>3</sub>	10.0
Prodn - Stage 2***	ktpa Li <sub>2</sub> CO <sub>3</sub>	25.0
Prodn Costs - Stage 1	US\$/t Li <sub>2</sub> CO <sub>3</sub>	~US\$3,900/t
Prodn Costs - Stage 2	US\$/t Li <sub>2</sub> CO <sub>3</sub>	~US\$2,750/t

Source: Company Reports, Canaccord Genuity estimates  
\*Capex assumes US\$70m reduction vs DFS (including no Potash circuit)  
\*\*commences MarQ'19; \*\*\* commences MarQ'22

Figure 4: Comparable transaction valuation summary

Year	Asset	Acquirer	Interest	Value (US\$m)	Implied Project Value (US\$m)	Seller
2008	Salar de Rincon	Sentient Group	100%	22.0	22.0	Admiralty Res*
2012	Salar de Olaroz	Toyota Tsusho	25%	55.0	220.0	Orocobre
2015	Sal de Vida	Galaxy Resources	4%	2.5	62.5	KORES
2015	Cauchari-Olaroz	Western Lithium	100%	63.0	63.0	Lithium Americas**
				<b>Average</b>	<b>91.9</b>	

Source: Company Reports, Canaccord Genuity estimates

- Following the announcement of economic reforms in Argentina by the newly elected Government, we have made the following revisions to our NPV valuation:
  - Lowered our ARS:USD assumptions by ~30% to 13.5 (vs spot at 14.15)
  - Removed the 5% export duty
  - Increased our ARS denominated unit cost assumptions by ~20% to account for in-country inflation

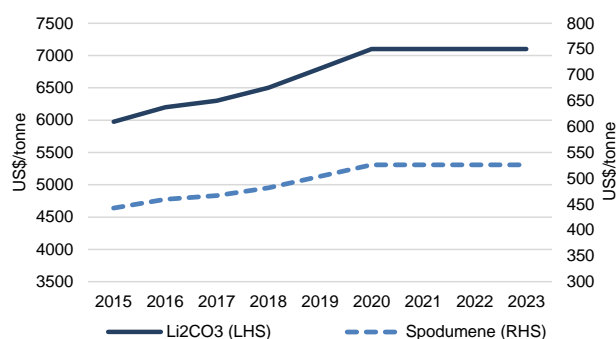
The revisions have resulted in an increase to our estimated NPV10% to US\$137m (A\$191m).

**MT CATTLIN**

- We have revised our valuation for GXY's attributable share of our estimated Mt. Cattlin NPV10% (we continue to assume that GMM complete their 50% earn-in on the project). We note GXY currently has A\$189m in tax losses, which we have now modelled against GXY's 50% share of net cash flow in deriving our attributable NPV.
- We have also updated our AUD:USD currency assumptions, which now sees LT (from 2020) assumptions of 0.672 (from 0.696). The changes have resulted in our estimated attributable NPV increasing from A\$132m to A\$197m.

**NET ASSET VALUATION**

- Our spodumene concentrate and Li<sub>2</sub>CO<sub>3</sub> pricing assumptions (Figure 5) remain unchanged. Following the revisions, we have increased our net asset valuation estimate for GXY from A\$201m to A\$297m. Based on a current issued capital of 1,264m shares, we increase our target price from A\$0.16/sh to A\$0.25/sh (rounded).

**Figure 5: Lithium pricing assumptions**

Source: Canaccord Genuity estimates

**Figure 6: GXY NAV estimate**

	US\$m	A\$m	A\$/share
Sal de Vida NPV10%	137.71		
Sal de Vida Mkt based estimate	91.88		
Sal de Vida (Blended)	114.79	159.77	\$0.13
Mt Cattlin		197.60	\$0.16
Exploration & Other (James Bay)		15.00	\$0.01
Corporate		-49.90	-\$0.04
Cash		10.49	\$0.01
Debt		-35.45	-\$0.03
<b>TOTAL</b>		<b>297.51</b>	<b>\$0.24</b>

Source: Canaccord Genuity estimates

**PRODUCT MARKET UPDATE & VALUATION SENSITIVITY**

- We have previously noted significant increases in Chinese lithium carbonate (Li<sub>2</sub>CO<sub>3</sub>) spot prices in the last 3-4 months, with GXY reporting that it continues to see anecdotal evidence of a continued tightening of the lithium mineral concentrate market. Based on the increase in Li<sub>2</sub>CO<sub>3</sub> prices (essentially allowing for increased margins for converters), GXY anticipate concentrate pricing higher than the US\$445/t used as the basis for GMM's Independent Review of Mt. Cattlin completed in Oct'15.
- Our current Li pricing assumptions are illustrated in Figure 5, but for illustrative purposes, we have undertaken sensitivity analysis of our valuation based on varying spodumene concentrate and Li<sub>2</sub>CO<sub>3</sub> price scenarios. The outcome of this analysis is shown in Figure 7 below.

**Figure 7: NAV sensitivity (NAV estimates incorporate blended Sal de Vida valuation)**

Spodumene Conc (US\$/tonne)		Lithium carbonate (US\$/t)					
		Base case	7500	8500	9500	10500	11500
Base case	Base case	\$0.24	\$0.27	\$0.34	\$0.41	\$0.49	\$0.55
	600	\$0.27	\$0.29	\$0.33	\$0.38	\$0.42	\$0.47
	650	\$0.29	\$0.30	\$0.35	\$0.40	\$0.44	\$0.49
	700	\$0.30	\$0.32	\$0.37	\$0.41	\$0.46	\$0.51
	750	\$0.32	\$0.34	\$0.39	\$0.43	\$0.48	\$0.52
	800	\$0.34	\$0.36	\$0.40	\$0.45	\$0.49	\$0.54

Source: Canaccord Genuity estimates

## Appendix: Important Disclosures

### Analyst Certification

Each authoring analyst of Canaccord Genuity whose name appears on the front page of this research hereby certifies that (i) the recommendations and opinions expressed in this research accurately reflect the authoring analyst's personal, independent and objective views about any and all of the designated investments or relevant issuers discussed herein that are within such authoring analyst's coverage universe and (ii) no part of the authoring analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by the authoring analyst in the research.

Analysts employed outside the US are not registered as research analysts with FINRA. These analysts may not be associated persons of Canaccord Genuity Inc. and therefore may not be subject to the FINRA Rule 2241 and NYSE Rule 472 restrictions on communications with a subject company, public appearances and trading securities held by a research analyst account.

### Target Price / Valuation Methodology:

Galaxy Resources Limited - GXY

To reach our A\$0.25/sh target price, We value GXY on a NAV basis comprising our NPV10% for Mt. Cattlin, our blended DCF/market-based value for Sal de Vida, and exploration, net of corporate and other adjustments.

General Mining Corporation Limited - GMM

To reach our A\$0.45/sh target price, we value GMM on a net asset valuation basis, comprising a 50% interest in our base case Mt Cattlin NPV<sub>10%</sub>, 50% of our nominal valuation for James Bay, net of corporate and other adjustments.

### Risks to achieving Target Price / Valuation:

Galaxy Resources Limited - GXY

The key investment risks for GXY include:

Funding risk

As a pre-production company with no material income, GXY is reliant on equity and debt markets to fund feasibility studies and development of various projects. We can make no assurances that accessing these markets will be done without further dilution to shareholders.

Exploration risks

Exploration is subject to a number of risks and can require a high rate of capital expenditure. Risks can also be associated with conversion of inferred resources and lack of accuracy in the interpretation of geochemical, geophysical, drilling and other data. No assurances can be given that exploration will delineate further minable reserves.

Operating risks

Once in production, the company will be subject to risks such as plant/equipment breakdowns, metallurgical (meeting design recoveries within a complex flowsheet), materials handling and other technical issues. An increase in operating costs could reduce the profitability and free cash generation from the operating assets considerably and negatively impact valuation. Further, the actual characteristics of an ore deposit may differ significantly from initial interpretations which can also materially impact forecast production from original expectations.

Commodity price and currency fluctuations

As with any mining company, GXY is directly exposed to commodity price and currency fluctuations. Commodity price fluctuations are driven by many macroeconomic forces including inflationary pressures, interest rates and supply and demand factors. These factors could reduce the profitability, costing and prospective outlook for the business.

General Mining Corporation Limited - GMM

The key investment risks for GMM include:

Funding risk

As a pre-production company with no material income, GMM is reliant on equity and debt markets to fund feasibility studies and development of various projects. We can make no assurances that accessing these markets will be done without further dilution to shareholders.

Exploration risks

Exploration is subject to a number of risks and can require a high rate of capital expenditure. Risks can also be associated with conversion of inferred resources and lack of accuracy in the interpretation of geochemical, geophysical, drilling and other data. No assurances can be given that exploration will delineate further minable reserves.

Operating risks

Once in production, the company will be subject to risks such as plant/equipment breakdowns, metallurgical (meeting design recoveries within a complex flowsheet), materials handling and other technical issues. An increase in operating costs could reduce the profitability and free cash generation from the operating assets considerably and negatively impact valuation. Further, the actual characteristics of an ore deposit may differ significantly from initial interpretations which can also materially impact forecast production from original expectations.

#### Commodity price and currency fluctuations

As with any mining company, GMM is directly exposed to commodity price and currency fluctuations. Commodity price fluctuations are driven by many macroeconomic forces including inflationary pressures, interest rates and supply and demand factors. These factors could reduce the profitability, costing and prospective outlook for the business.

#### Distribution of Ratings:

##### Global Stock Ratings (as of 02/04/16)

Rating	Coverage Universe		IB Clients
	#	%	%
Buy	651	68.89%	33.64%
Hold	265	28.04%	12.45%
Sell	29	3.07%	3.45%
	945*	100.0%	

\*Total includes stocks that are Under Review

#### Canaccord Genuity Ratings System

**BUY:** The stock is expected to generate risk-adjusted returns of over 10% during the next 12 months.

**HOLD:** The stock is expected to generate risk-adjusted returns of 0-10% during the next 12 months.

**SELL:** The stock is expected to generate negative risk-adjusted returns during the next 12 months.

**NOT RATED:** Canaccord Genuity does not provide research coverage of the relevant issuer.

“Risk-adjusted return” refers to the expected return in relation to the amount of risk associated with the designated investment or the relevant issuer.

#### Risk Qualifier

**SPECULATIVE:** Stocks bear significantly higher risk that typically cannot be valued by normal fundamental criteria. Investments in the stock may result in material loss.

#### Canaccord Genuity Company-Specific Disclosures (as of date of this publication)

General Mining Corporation Limited currently is, or in the past 12 months was, a client of Canaccord Genuity or its affiliated companies. During this period, Canaccord Genuity or its affiliated companies provided investment banking services to General Mining Corporation Limited.

In the past 12 months, Canaccord Genuity or its affiliated companies have received compensation for Corporate Finance/Investment Banking services from General Mining Corporation Limited .

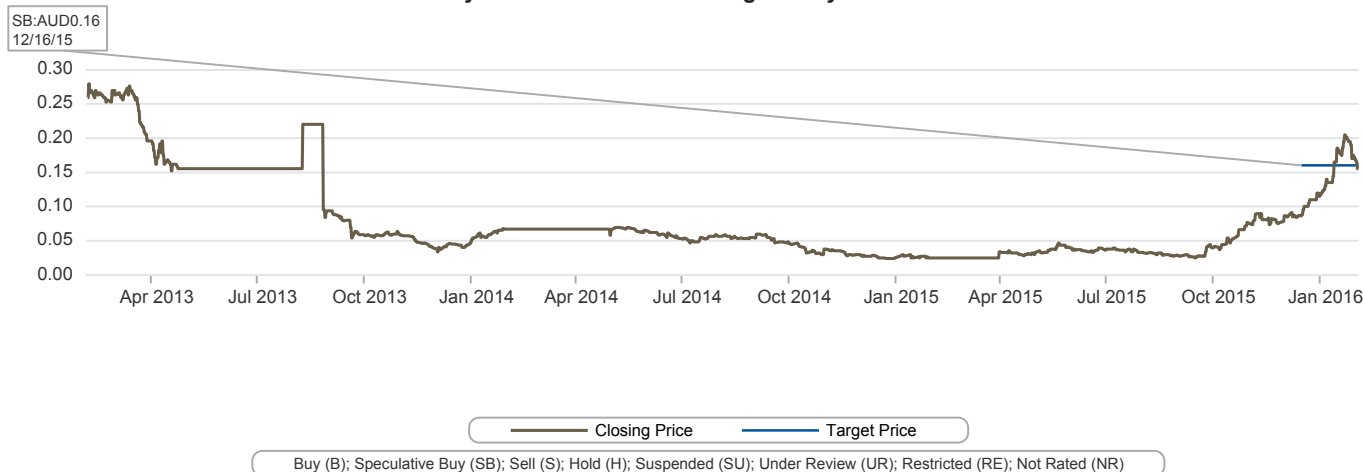
In the past 12 months, Canaccord Genuity or any of its affiliated companies have been lead manager, co-lead manager or co-manager of a public offering of securities of General Mining Corporation Limited or any publicly disclosed offer of securities of General Mining Corporation Limited or in any related derivatives.

Canaccord Genuity or one or more of its affiliated companies intend to seek or expect to receive compensation for Corporate Finance/Investment Banking services from Galaxy Resources Limited and General Mining Corporation Limited in the next six months.

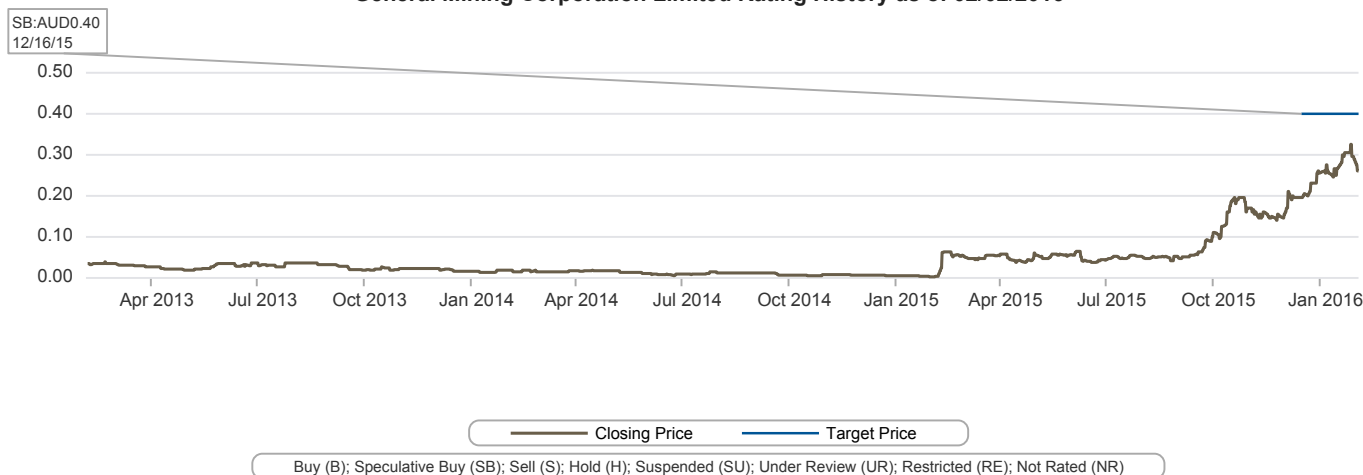
An analyst has visited the material operations of Galaxy Resources Limited and General Mining Corporation Limited. No payment was received for the related travel costs.



## Galaxy Resources Limited Rating History as of 02/02/2016



## General Mining Corporation Limited Rating History as of 02/02/2016

**Online Disclosures**

Up-to-date disclosures may be obtained at the following website (provided as a hyperlink if this report is being read electronically) <http://disclosures.canaccordgenuity.com/EN/Pages/default.aspx>; or by sending a request to Canaccord Genuity Corp. Research, Attn: Disclosures, P.O. Box 10337 Pacific Centre, 2200-609 Granville Street, Vancouver, BC, Canada V7Y 1H2; or by sending a request by email to [disclosures@canaccordgenuity.com](mailto:disclosures@canaccordgenuity.com). The reader may also obtain a copy of Canaccord Genuity's policies and procedures regarding the dissemination of research by following the steps outlined above.

**General Disclosures**

"Canaccord Genuity" is the business name used by certain wholly owned subsidiaries of Canaccord Genuity Group Inc., including Canaccord Genuity Inc., Canaccord Genuity Limited, Canaccord Genuity Corp., and Canaccord Genuity (Australia) Limited, an affiliated company that is 50%-owned by Canaccord Genuity Group Inc.

The authoring analysts who are responsible for the preparation of this research are employed by Canaccord Genuity Corp. a Canadian broker-dealer with principal offices located in Vancouver, Calgary, Toronto, Montreal, or Canaccord Genuity Inc., a US broker-dealer with principal offices located in New York, Boston, San Francisco and Houston, or Canaccord Genuity Limited., a UK broker-dealer with principal offices located in London (UK) and Dublin (Ireland), or Canaccord Genuity (Australia) Limited, an Australian broker-dealer with principal offices located in Sydney and Melbourne.

The authoring analysts who are responsible for the preparation of this research have received (or will receive) compensation based upon (among other factors) the Corporate Finance/Investment Banking revenues and general profits of Canaccord Genuity. However, such authoring analysts have not received, and will not receive, compensation that is directly based upon or linked to one or more specific Corporate Finance/Investment Banking activities, or to recommendations contained in the research.

Canaccord Genuity and its affiliated companies may have a Corporate Finance/Investment Banking or other relationship with the issuer that is the subject of this research and may trade in any of the designated investments mentioned herein either for their own account or the accounts of their customers, in good faith or in the normal course of market making. Accordingly, Canaccord Genuity or their affiliated companies, principals or employees (other than the authoring analyst(s) who prepared this research) may at any time have a long or short position in any such designated investments, related designated investments or in options, futures or other derivative instruments based thereon.

Some regulators require that a firm must establish, implement and make available a policy for managing conflicts of interest arising as a result of publication or distribution of research. This research has been prepared in accordance with Canaccord Genuity's policy on managing conflicts of interest, and information barriers or firewalls have been used where appropriate. Canaccord Genuity's policy is available upon request.

The information contained in this research has been compiled by Canaccord Genuity from sources believed to be reliable, but (with the exception of the information about Canaccord Genuity) no representation or warranty, express or implied, is made by Canaccord Genuity, its affiliated companies or any other person as to its fairness, accuracy, completeness or correctness. Canaccord Genuity has not independently verified the facts, assumptions, and estimates contained herein. All estimates, opinions and other information contained in this research constitute Canaccord Genuity's judgement as of the date of this research, are subject to change without notice and are provided in good faith but without legal responsibility or liability.

Canaccord Genuity's salespeople, traders, and other professionals may provide oral or written market commentary or trading strategies to our clients and our proprietary trading desk that reflect opinions that are contrary to the opinions expressed in this research. Canaccord Genuity's affiliates, principal trading desk, and investing businesses may make investment decisions that are inconsistent with the recommendations or views expressed in this research.

This research is provided for information purposes only and does not constitute an offer or solicitation to buy or sell any designated investments discussed herein in any jurisdiction where such offer or solicitation would be prohibited. As a result, the designated investments discussed in this research may not be eligible for sale in some jurisdictions. This research is not, and under no circumstances should be construed as, a solicitation to act as a securities broker or dealer in any jurisdiction by any person or company that is not legally permitted to carry on the business of a securities broker or dealer in that jurisdiction. This material is prepared for general circulation to clients and does not have regard to the investment objectives, financial situation or particular needs of any particular person. Investors should obtain advice based on their own individual circumstances before making an investment decision. To the fullest extent permitted by law, none of Canaccord Genuity, its affiliated companies or any other person accepts any liability whatsoever for any direct or consequential loss arising from or relating to any use of the information contained in this research.

**For Canadian Residents:**

This research has been approved by Canaccord Genuity Corp., which accepts sole responsibility for this research and its dissemination in Canada. Canaccord Genuity Corp. is registered and regulated by the Investment Industry Regulatory Organization of Canada (IIROC) and is a Member of the Canadian Investor Protection Fund. Canadian clients wishing to effect transactions in any designated investment discussed should do so through a qualified salesperson of Canaccord Genuity Corp. in their particular province or territory.

**For United States Persons:**

Canaccord Genuity Inc., a US registered broker-dealer, accepts responsibility for this research and its dissemination in the United States. This research is intended for distribution in the United States only to certain US institutional investors. US clients wishing to effect transactions in any designated investment discussed should do so through a qualified salesperson of Canaccord Genuity Inc. Analysts employed outside the US, as specifically indicated elsewhere in this report, are not registered as research analysts with FINRA. These analysts may not be associated persons of Canaccord Genuity Inc. and therefore may not be subject to the FINRA Rule 2241 and NYSE Rule 472 restrictions on communications with a subject company, public appearances and trading securities held by a research analyst account.

**For United Kingdom and European Residents:**

This research is distributed in the United Kingdom and elsewhere Europe, as third party research by Canaccord Genuity Limited, which is authorized and regulated by the Financial Conduct Authority. This research is for distribution only to persons who are Eligible Counterparties or Professional Clients only and is exempt from the general restrictions in section 21 of the Financial Services and Markets Act 2000 on the communication of invitations or inducements to engage in investment activity on the grounds that it is being distributed in the United Kingdom only to persons of a kind described in Article 19(5) (Investment Professionals) and 49(2) (High Net Worth companies, unincorporated associations etc) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended). It is not intended to be distributed or passed on, directly or indirectly, to any other class of persons. This material is not for distribution in the United Kingdom or elsewhere in Europe to retail clients, as defined under the rules of the Financial Conduct Authority.

**For Jersey, Guernsey and Isle of Man Residents:**

This research is sent to you by Canaccord Genuity Wealth (International) Limited (CGWI) for information purposes and is not to be construed as a solicitation or an offer to purchase or sell investments or related financial instruments. This research has been produced by an affiliate of CGWI for circulation to its institutional clients and also CGWI. Its contents have been approved by CGWI and we are providing it to you on the basis that we believe it to be of interest to you. This statement should be read in conjunction with your client

agreement, CGWI's current terms of business and the other disclosures and disclaimers contained within this research. If you are in any doubt, you should consult your financial adviser.

CGWI is licensed and regulated by the Guernsey Financial Services Commission, the Jersey Financial Services Commission and the Isle of Man Financial Supervision Commission. CGWI is registered in Guernsey and is a wholly owned subsidiary of Canaccord Genuity Group Inc.

**For Australian Residents:**

This research is distributed in Australia by Canaccord Genuity (Australia) Limited ABN 19 075 071 466 holder of AFS Licence No 234666. To the extent that this research contains any advice, this is limited to general advice only. Recipients should take into account their own personal circumstances before making an investment decision. Clients wishing to effect any transactions in any financial products discussed in the research should do so through a qualified representative of Canaccord Genuity (Australia) Limited. Canaccord Genuity Wealth Management is a division of Canaccord Genuity (Australia) Limited.

**For Singapore Residents:**

This research is distributed pursuant to 32C of the Financial Advisers under an arrangement between each of the Canaccord Genuity entities that publish research and Canaccord Genuity Singapore Pte. Ltd who is an exempt financial adviser under section 23(1)(d) of the Financial Advisers Act. This research is only intended for persons who fall within the definition of accredited investor, expert investor or institutional investor as defined under section 4A of the Securities and Futures Act. It is not intended to be distributed or passed on, directly or indirectly, to any other class of persons. Recipients of this report can contact Canaccord Genuity Singapore Pte. Ltd. (Contact Tel: +65 6854 6150) in respect of any matters arising from, or in connection with, the research.

**For Hong Kong Residents:**

This research is distributed in Hong Kong by Canaccord Genuity (Hong Kong) Limited which is licensed by the Securities and Futures Commission. This research is only intended for persons who fall within the definition of professional investor as defined in the Securities and Futures Ordinance. It is not intended to be distributed or passed on, directly or indirectly, to any other class of persons. Recipients of this report can contact Canaccord Genuity (Hong Kong) Limited. (Contact Tel: +852 3919 2561) in respect of any matters arising from, or in connection with, this research.

**Additional information is available on request.**

Copyright © Canaccord Genuity Corp. 2016 – Member IIROC/Canadian Investor Protection Fund

Copyright © Canaccord Genuity Limited. 2016 – Member LSE, authorized and regulated by the Financial Conduct Authority.

Copyright © Canaccord Genuity Inc. 2016 – Member FINRA/SIPC

Copyright © Canaccord Genuity (Australia) Limited. 2016 – Participant of ASX Group, Chi-x Australia and of the NSX. Authorized and regulated by ASIC.

All rights reserved. All material presented in this document, unless specifically indicated otherwise, is under copyright to Canaccord Genuity Corp., Canaccord Genuity Limited, Canaccord Genuity Inc or Canaccord Genuity Group Inc. None of the material, nor its content, nor any copy of it, may be altered in any way, or transmitted to or distributed to any other party, without the prior express written permission of the entities listed above.