Nemaska Lithium Inc.

(NMX-V: C$0.37)

BUY, High Risk

Dundee target: C$1.00

December 1, 2015

David A. Talbot / (416) 350-3082

dtalbot@dundeecapitalmarkets.com

Lilliana Paoletti / (416) 350-5090

lpaoletti@dundeecapitalmarkets.com

Initiating Coverage: Phase 1 LiOH Plant Funded, Construction Due Q1

NMX-V	New	Last
Rating	**BUY**	--
Target	**C$ 1.00**	--
Risk	High	--
Projected Return	174%	--
DCF multiple	0.7x	--
2015 - 9% DCF Corporate Value	1.22	--
2014 - Cash and Debt	-0.01	--
2014 - Additional Resource Value	0.12	--
NAV	1.32	--
P/NAV	0.26x	--

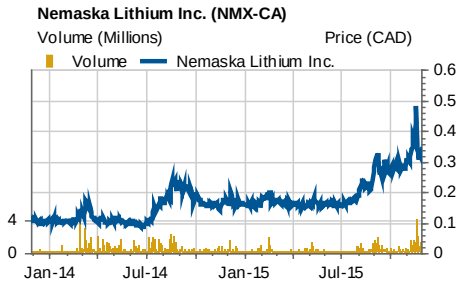
Company Data	
Last Price	$0.37
52-week Range	$0.49 - $0.15
Market Cap ($MM)	$73.3
Enterprise Value ($MM)	$71.2
Shares Outstanding - Basic (MM)	200.9
Shares Outstanding - FD (MM)	234.6
Avg Volume - 100d (000 shares/day)	544.2
Cash (30-Sep-15) ($MM)	$2.2
Debt (30-Sep-15) ($MM)	$0.0
Working Capital (30-Sep-15) ($MM)	$1.9

Forecast	2015A	2016E	2017E	LT
Spot LCE (US$/t)	6,000	6,000	6,000	6,000
Spot Li-OH (US$/t)	7,500	7,500	7,500	7,500

All Figures in C$ Unless Otherwise Noted

Source: Company Reports, FactSet, Dundee Capital Markets

NMX: Price/Volume Chart



Source: Factset

Company Description

Nemaska Lithium is a Quebec-based developer focused on its 100%-owned Whabouchi Project. This high grade deposit hosts open-pit reserves of 20 Mt at 1.53% Li2O. It has received main Federal and Provincial permits, and a First Nations IBA has been signed to allow full production. NMX aims to supply high quality lithium hydroxide and lithium carbonate to the fast growing Li-ion battery industry. Financing of its Phase 1 demonstration plant is nearing completion.

We initiate coverage on Nemaska Lithium with a BUY recommendation, High Risk, and a target price of C$1.00/sh, based on a 0.7x multiple applied to our 10%DCF model to reflect financing and execution risk. Canada's only significant public lithium developer recently funded its lithium hydroxide (LiOH) Phase 1 plant for the next three years, a major step towards technical and financial de-risking of the enlarged operation.

Quality deposit, unique process → competitive advantage. Nemaska's permitted Whabouchi deposit, QC, is world-class. High grade, large, homogenous, and low in impurities (sodium and potassium), it should allow low-cost production of high-quality spodumene concentrate. A unique processing method allows production of LiOH directly without consuming massive amounts of reagents or generating significant waste, resulting in additional margin on a high purity, battery grade product. Management is confident in this project - from deposit to end product. It is no longer a matter of proof of concept. Several test programs at SGS already processed representative samples to get 100's of kg of high purity LiOH and LCE. We believe that Whabouchi could be a critical supplier of LiOH for the fast growing Li-ion battery industry, which is hastening towards a severe shortage.

Lithium price momentum bucks global commodity trends. Perhaps the only metal to have actually increased in price over the last year (LiOH up 25% YoY to ~US$8,000/t), lithium has compelling fundamentals as supply already struggles to keep pace with demand. The situation is set to intensify with new mega-factories expected to increase Li-ion battery manufacturing capacity by 150% by 2020. LiOH is becoming the preferred choice for battery cathodes needed by high growth industries including energy storage (+30% CAGR), electric vehicles (20-30% CAGR), and consumer electronics (8-10% CAGR). Crucially, a steady LiOH supply to feed these mega-factories does not currently exist.

Pending deal with Johnson Matthey the game-changer. A recent MOU opens up discussions for a long-term supply agreement and proposes a non-dilutive, zero interest $12 MM raise (essentially a pre-paid off-take) to fund Phase 1. The deal unlocks an additional $26 MM in Government funding/investment, collectively covering Capex and three years Opex and working capital. Production is to be sent to potential customers for qualification. Phase 1 should enhance confidence by allowing time to fine tune the process, attract customers, comfort investors, and potentially arrange additional off-takes/project financing for Phase 2.

Q1/16 FS update expected to improve Whabouchi economics even further. The May 2014 FS suggests a post-tax NPV (8%) of $580 MM and IRR of 21%, based on a LiOH price of US$8,000/t (LiOH represents ~90% of Whabouchi product mix). However, current prices are estimated by some at closer to US$9,500/t. Capex and Opex are expected to decrease, aided by a weaker Canadian dollar, the new Shawinigan plant site, and further flowsheet improvements from ongoing testing.

.....*continued on Page 2*

WHY INVEST NOW? GAME CHANGING FINANCIAL AND TECHNICAL DE-RISKING EVENT

MOU for Non-Dilutive Financing → Unlocks Gov't Commitments → Completely Finances Demo Plant

Lithium prices continue to rise. LiOH is becoming the compound of choice by an emerging generation of battery plants created to supply high growth industries, including the electric vehicle and energy storage sectors. Nemaska may be one of the first companies able to produce LiOH directly from spodumene, rather than producing LCE and converting it at extra cost. Almost everything is ready to go. Nemaska's strategy is to build a Phase 1 demonstration plant prior to its full-scale Stage 2 plant.

A recent MOU signed with Johnson Matthey (JMAT-LON, Not Rated) proposes a $12 MM cash pre-payment in exchange for goods and services from Whabouchi's Phase 1 Plant, and opens up discussions for a potential long-term supply agreement. Johnson Matthey is a £5.7 billion specialty chemicals company focused on emissions control and processing technologies. It is serious about entering the battery space. Having acquired Clariant AG's battery materials business for US$75 MM in early 2015, Johnson Matthey is aiming for sales of £300 MM with a ROIC of 20% from this new division by 2019/2020, focusing on mainly automotive applications. In its filings, Johnson Matthey identifies Nemaska as a key partner in its supply chain alongside LG Chemicals. This MOU is a game-changer for Nemaska and provides a number of benefits:

- **De-risking.** Besides attaching another big name to the project, further vetting the deposit, the process, and the final product, the MOU kicks-off the negotiation process for a long-term supply agreement for Whabouchi lithium compounds.
- **Unlocks additional funds.** A deal will provide Nemaska's share of funding for the Phase 1 demo plant and unlocks nearly twice as much capital from Government commitments including: a $13 MM "commercialization grant" from Sustainable Development Technologies Canada; a $3 MM grant from the Province of Quebec (both of which are payable upon the completion of milestones); and a $10 MM investment from Investissement Québec (IQ).
- **Finances Phase 1 Plant costs.** The combined $38 MM will cover $25 MM in plant Capex and $13 MM in Opex and working capital for a year of construction and two years of operation. Construction of the 500 tpa facility is expected by Feb-2016 at the Shawinigan site, pending the signing of a Definitive Agreement with JMBS. Production of high purity LCE and LiOH is anticipated within 12 months of construction.

VALUATION

We initiate coverage on Nemaska Lithium with a BUY recommendation, High Risk, and a target price of C$1.00/sh, based on a 0.7x multiple applied to our 10%DCF. Our 10% NAV estimate is $678 MM or $1.32/sh, incorporating $588 MM or $1.15/sh of 10% DCF value to which we apply a 0.7x multiple to reflect financing a execution risk prior to both successful operation of the demonstration plant and Phase 2 financing. We then incorporate additional resource value, net cash and corporate costs totaling $0.18/sh. Our DCF model currently considers a 26-year mine life starting in CYH1/18. We assume US$450 MM Capex, production of 28,000 tpa LiOH at total cash costs of US$3,000 to US$3,200/t and realized prices of US$7,500/t LiOH; and 3,250 tpa LCE at total cash costs of US$3,500 to US$3,600/t and realized prices of US$6,000/t LCE. We incorporate 60% equity and 40% debt totalling $550 MM by CQ2/17.

DEMO PLANT IMPORTANCE NOT TO BE UNDERESTIMATED

Nemaska plans to build and operate a Phase 1 Demonstration Plant (500 tpa LiOH) prior to the construction of a 28,000 tpa operation. The lithium sector's recent track record has certainly been problematic, resulting in RB Energy's bankruptcy, Galaxy Resources' (GXY-ASX, Not Rated) asset and debt restructuring, and Orocobre's (ORL-T, BUY, C$2.70) slow ramp-up. Even the senior brine producers have had difficulty expanding to capacity. Technical challenges delaying start-up can quickly burn through working capital at a critical stage of development, often determining a project's overall success. Though Nemaska intends to use a vastly different flowsheet and to supply different products than any of these projects, it will still benefit from a Phase 1 Plant which will allow it to:

- **Nail the process.** We emphasize that this is not proof of concept. Nemaska has pilot tested mine representative samples for three years now. Electrolysis has also been used in the sodium sulphate/carbonate industries for decades. The demo plant will help fine-tune design parameters and operating procedures, hopefully resulting in a faster ramp-up, while moving payback forward and reducing working capital requirements.
- **Attract customers.** The importance of marketing for niche minerals cannot be underestimated. Though fundamentals make a compelling case for continued growth in lithium demand, sales are still contract based and are predicated on consistent quality and reliability. A demo plant at Whabouchi should confirm that high quality LiOH and LCE products can be produced on a larger scale (500 tpa). It will also supply 1 t samples to potential customers for qualification ahead of financing, a process that can last between 12-18 months.

- **Comfort investors.** This is particularly important given investors' past experience with other Quebec lithium hard-rock plays. Being able to demonstrate a viable process on a large scale, customer interest and potentially long-term supply agreements, and strategic investor interest should go a long way towards de-risking the project and attracting further investment for the commercial plant.

The Phase 1 Plant will not necessarily postpone development of Phase 2, as the projects are planned to run in parallel. But its completion should help technically and financially de-risk the full Phase 2 commercial plant. The recent purchase of a large facility in Shawinigan allows Nemaska to keep the Phase 1 plant in operation along with the commercial plant, potentially as a dedicated line for Johnson Matthey services which could include regenerating lithium hydroxide from lithium sulfate waste products. Though the process is a little different than lithium hydroxide production from spodumene, both use the same equipment. This is a potential new revenue source that wasn't incorporated in the Feasibility Study.

PRICES RISING FOR BOTH LITHIUM CARBONATE AND LITHIUM HYDROXIDE

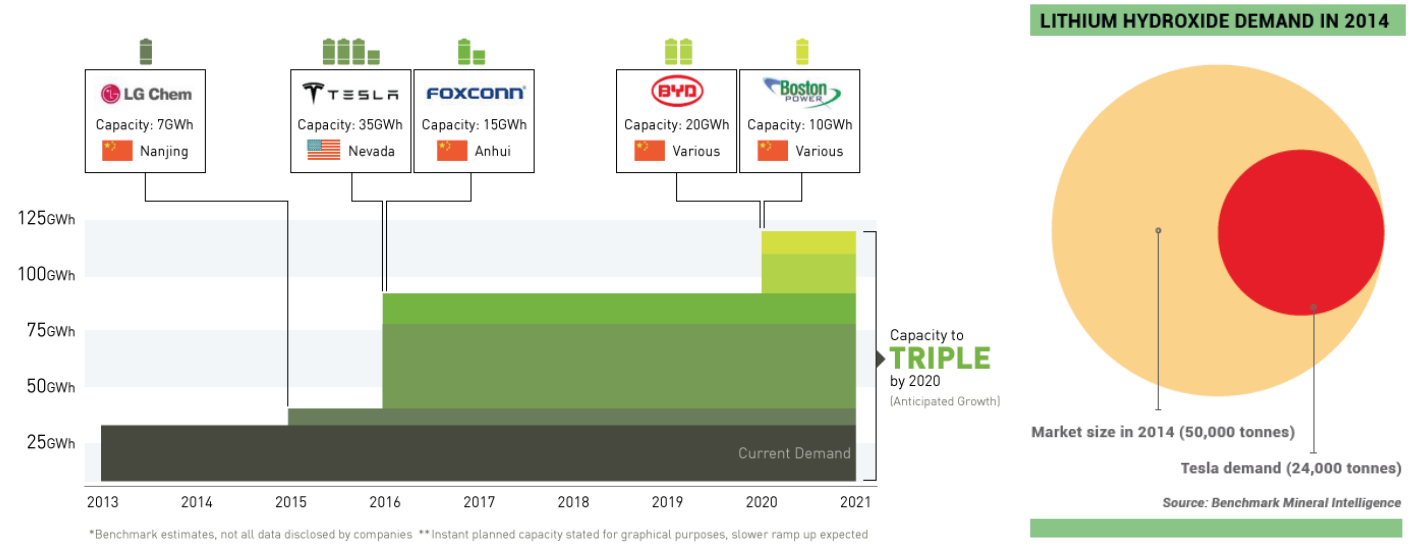
Both demand and prices are rising for LCE and LiOH. Lithium carbonate is primarily used in glass and ceramics applications, while lithium hydroxide is used in greases and lubricants. These two sectors represent traditional end-uses for lithium, but are mature, low-growth segments. The real opportunity lies in batteries, expected to grow by a CAGR of +10% through 2025 (Cairn, Avicenne). Although both Li-OH and LCE are used in Li-ion batteries as cathode materials, lithium hydroxide is becoming the compound of choice. According to SignumBox, lithium carbonate held 41% market share in 2014 versus lithium hydroxide at 21%, and other lithium products at 38% collectively. By 2030, the consultancy expects lithium hydroxide market share to increase to 30%, driven by battery sector growth. Increasingly, battery manufacturers are favouring LiOH over LCE because it melts at a lower temperature, allowing the production of more cathode material using less heat and energy, but the same equipment as for lithium carbonate.

The coming of the "Mega-factories"

Benchmark Mineral Intelligence (BMI) projects a deficit in the lithium market, pegging 2015 demand at 175,000 t LCE and supply at 150,000 t LCE. The deficit is expected to continue into 2016 and to be further exacerbated by the coming of the "mega-factories", with companies such as LG, Samsung, Panasonic, ATL, Foxconn, BYD, Boston-Power, and of course Tesla looking to up battery manufacturing capacity (Figure 1). BMI estimates global battery capacity will rise 150% by 2020 in order to supply growing markets for electric vehicles (20-30% CAGR through 2025), consumer electronics (8-10% CAGR), and energy storage (+30% CAGR). With planned capacity expansions based on soaring demand for Li-ion batteries from three major industries, the availability of raw materials becomes the limiting factor, and current lithium hydroxide supply is already struggling to keep pace with demand. Mega-factories alone will likely need at least 70,000t LCE by 2021. Part of this may be fulfilled by Albemarle's (ALB-NYSE, Not Rated) planned 50,000 t LCE plant (expected to produce both lithium carbonate and lithium hydroxide from Talison spodumene by 2020), but may only end up partially offsetting the company's at-risk Chilean production. Orocobre also plans to produce 15-25k tpa lithium hydroxide in or around its existing LCE plant in Argentina. However, with overall lithium demand growing at an estimated CAGR of 7.4% through 2030 (SignumBox), and considering overall lithium consumption is expected to breach 275kt LCE by 2025 and to eventually surpass 470kt LCE by 2030, supply pressures will likely continue.

Potential to off-set high cost production. Creation of LiOH from LCE is the only route employed currently. Conversion in China costs roughly $5,700/t the way they are doing it now, starting with LCE. Once Nemaska ramps up and potentially produces LiOH at US$3105/t as per its FS, it should displace Chinese conversion, but not necessarily Chinese or other LCE production. It's less about Chinese production and more about the cost of Chinese conversion of Aussie, Argentine and Chilean production of LCE into LiOH. Hence, the traditional method adds costs on top of current production (as opposed to Nemaska's process of creating LiOH directly from con). Ultimately, we believe all new production will be required. Tesla for example, will require 24,000 t LiOH alone, and it is one of eight new battery mega-factories under construction or about to start. Even then, all attempts to step up LCE production have been problematic, from seniors to the emerging producers.

Figure 1: Mega-factory planned builds expected to triple battery production capacity by 2020 (left). Tesla's LiOH needs for its Giga-factory alone is 20-25,000 tpa, roughly half of the entire market size for lithium hydroxide in 2014 (right).



Source: Benchmark Mineral Intelligence, Visual Capitalist (left), Benchmark Mineral Intelligence (right)

Lithium pricing is one of the few bright spots in metals

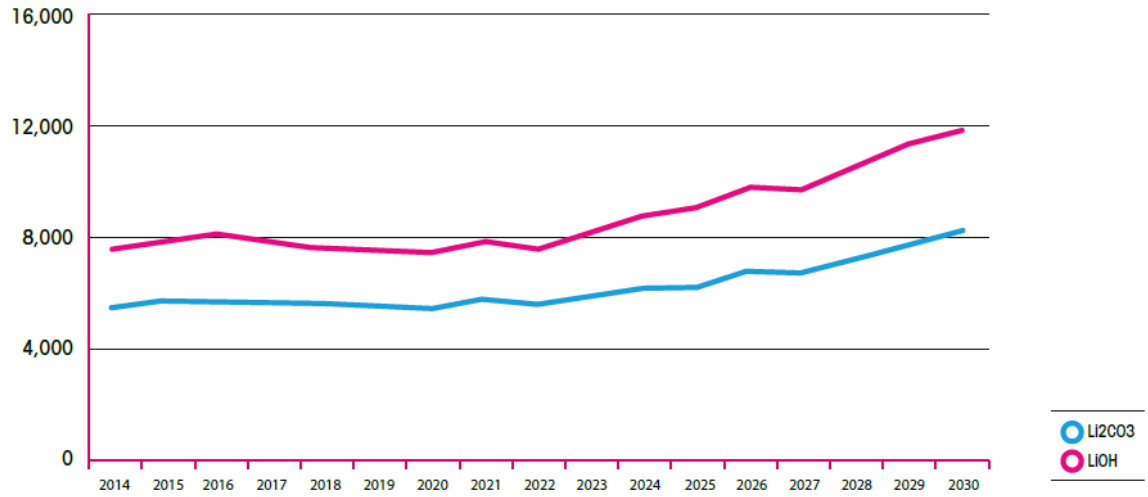
Lithium is one of the few metals to have actually undergone a price increase over the past year, a stark contrast to the Bloomberg Commodities Index (Figure 2). While transparency isn't perfect in this sector, prevailing market prices are reported by various consultants such as SignumBox and Benchmark Mineral Intelligence. According to BMI, prices for lithium hydroxide increased 25% over the 2014 average from US$7,500 to US$8,000/t, compared to 15% for lithium carbonate which increased from US$6,100 to US$6,500/t. SignumBox notes that lithium hydroxide continues to face higher price pressure than lithium carbonate due to its relative supply scarcity and because of the new Chinese supply produced at a higher marginal cost. Industry players have suggested that individual LiOH and LCE sales have been realized around the US$9,500 to US$10,000/t range, although we would not yet expect this to be the case industry-wide. SignumBox anticipates that prices for LCE and LiOH will continue to increase through 2030, with LCE and LiOH reaching US$8,000/t and US$12,000/t respectively by 2030 (Figure 3).

Potential pricing upside. A 2014 Feasibility Study for Nemaska's Whabouchi project assumed FOB sales prices of US$8,000/t LiOH and US$5,000/t LCE; in line or below current market prices, although below recent sales as suggested by some industry players. Nemaska's investor presentation proposes a "realistic scenario" (Table 3) assuming LiOH prices of US$9,000/t. Dundee's lithium pricing assumptions, as of this report, have been increased to US$7,500 from US$7,125/t for LiOH, and to US$6,000 from US$5,875/t for LCE.

Figure 2: A stark contrast – as commodity prices continue to drop, lithium prices are rising

Source: Benchmark Mineral Intelligence, Visual Capitalist

Figure 3: SignumBox lithium carbonate and lithium hydroxide price forecasts, US$/t



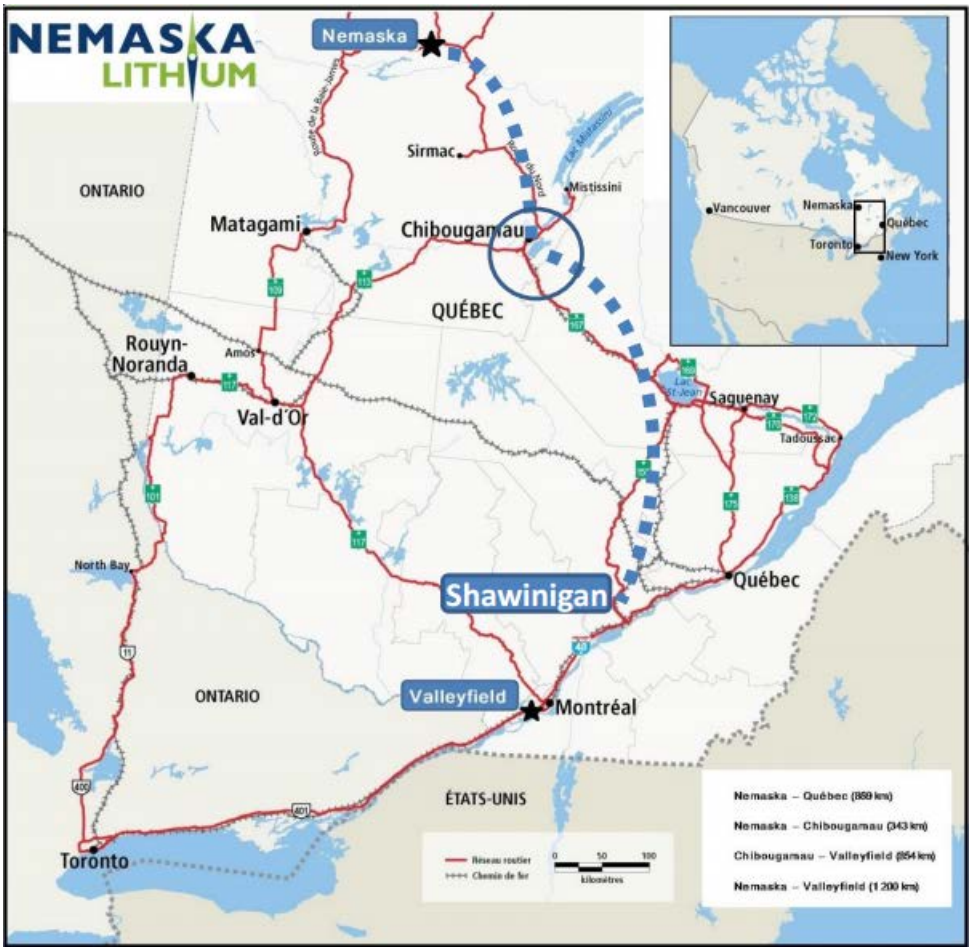
Source: SignumBox

THE WORLD CLASS WHABOUCHI DEPOSIT

Project location and infrastructure

Located 300 km from Chibougamau and 30km from the community of Nemaska, James Bay QC, the Whabouchi mine can take advantage of skilled labour and a wealth of infrastructure, including: roads, water, and cheap reliable power. A spodumene concentrate will be produced at the mine site. It will then be trucked to Chibougamau and transferred by rail to Shawinigan for final processing at the company's proposed Phase 2 hydromet plant.

Figure 4: Whabouchi project location and related infrastructure



Source: Company reports

Geology

The Whabouchi deposit is world class. It hosts large, high grade open-pit reserves of 20 Mt grading 1.53% Li2O, and underground reserves of 7 Mt grading 1.28% (Table 1). The lithium is hosted in rich, spodumene-bearing pegmatite dyke complexes. Two distinct phases are seen in Whabouchi pegmatite: a spodumene-bearing phase which makes up most of the pegmatite, and a barren quartz-feldspar pegmatite phase. The deposit is characterized by fairly homogenous mineralogy, with lithium occurring in medium to large spodumene crystals (some up to 30 cm in diameter). Petalite, a lithium bearing aluminum silicate, is also present but averages less than 2% of the deposit. The Whabouchi deposit is relatively homogenous with low levels of impurities, including micas which host the majority of the sodium and potassium that producers try to eliminate prior to processing in the hydrometallurgical plant. The spodumene-bearing pegmatite is expressed as a wide, continuous zone that starts from surface, making it easy to mine with an estimated strip ratio of 2.2 and low dilution (Figure 5). The deposit is 1.3 km long and 35-85 m wide.

Figure 5: Whabouchi spodumene (left) and the deposit itself showing a wide, homogenous zone (right)

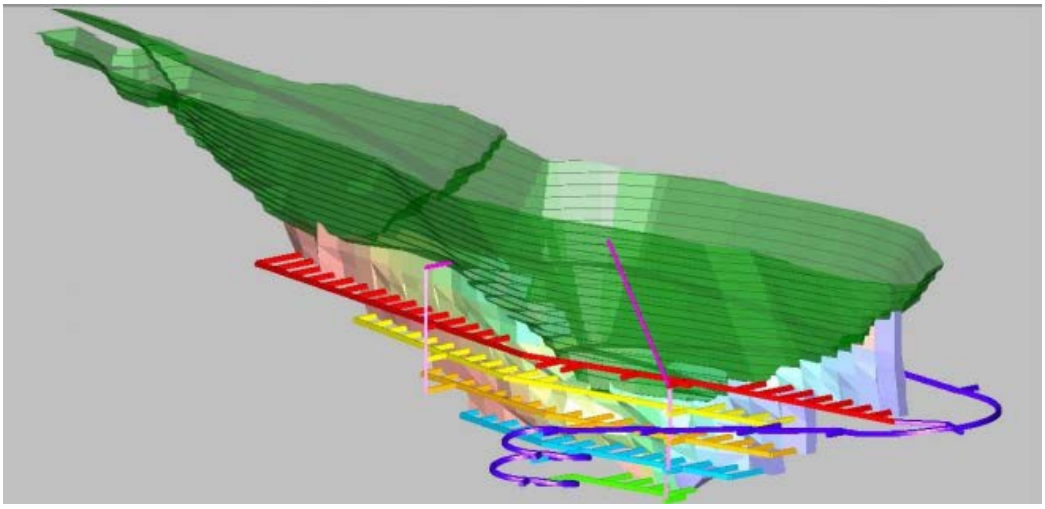
Source: Dundee Capital Markets

Table 1: Whabouchi reserves and resources

		Tonnes (MM)	Grade	Contained Li2CO3 (Mt)
Total Reserves				
Open-pit	Proven	11.70	1.58%	0.46
	Probable	8.30	1.46%	0.30
	Total	**20.00**	**1.53%**	**0.76**
Underground	Proven	1.60	1.27%	0.05
	Probable	5.70	1.29%	0.18
	Total	**7.30**	**1.29%**	**0.23**
		27.30	**1.46%**	**0.99**
M&I Resources				
	Measured	13.00	1.60%	0.51
	Indicated	14.99	1.54%	0.57
		27.99	**1.57%**	**1.09**
Inferred Resources				
		4.69	**1.51%**	**0.17**
TOTAL		**32.68**	**1.56%**	**1.26**

Source: Company reports, Dundee Capital Markets

Figure 6: Whabouchi mine development model



Source: Company reports

FEDERAL AND PROVINCIAL PERMITS GRANTED, IBA SIGNED

- **CEA -** Nemaska received a positive Federal Environmental Assessment decision for the Whabouchi Project from the Minister of Environment of Canada. In compliance with the Canadian Environmental Assessment Act (CEAA 2012), an environmental assessment was completed for the Whabouchi Mine Project. The Environmental Assessment process was conducted under the responsibility of the Canadian Environmental Assessment Agency (the "Agency"). The Agency accounted for the general public's comments, including the observations made by the Cree Nation of Nemaska, and those of other federal ministries. Nemaska Lithium tabled its Environmental Impact Statement in March 2013 and the Agency held public hearings in November 2013.
- **COMEX -** The Quebec Review Committee (COMEX) held public hearings in the community of Nemaska in March 2015, and in Chibougamau in April 2015. The hearings represented the final step before making the recommendation to the Minister of Sustainable Development, Environment and The Fight Against Climate Change to issue the general certificate of authorization, required to build and operate the Whabouchi mine.
- **CA -** Nemaska has received the General Certificate of Authorization (CA) for the Whabouchi Project from the Quebec Ministry of Sustainable Development, Environment and The Fight Against Climate Change ("MDDELCC"). The CA is the most significant permit for mining projects in Quebec and allows the company to pursue project financing discussions to start mine construction.
- **IBA -** The Grand Council of the Crees (Eeyou Istchee), the Cree Nation Government and the Cree Nation of Nemaska signed the Social Economic Partnership Agreement (the "Chinuchi Agreement") concerning the development and operation of the Whabouchi Lithium Project in Eeyou Istchee. It provides for training, employment and business opportunities for the Crees during project construction, operation and closure, and sets out the principles of social, cultural and environmental respect under which the project will be managed. The Chinuchi Agreement includes a mechanism by which the Cree parties will benefit financially from the success of the project on a long term basis.

ROBUST ECONOMICS ACCORDING TO FEASIBILITY STUDY

Project economics appear robust.

The May 2014 Feasibility Study suggests attractive economics, yielding a post-tax 8% NPV of $580 MM (US$522 MM); or a 10%NPV of $412 MM (US$372 MM), and an IRR of 21%. The study contemplates an open-pit operation, with underground expansion potential, producing 28,000 tpa Li-OH and 3,250 tpa LCE over a 26 year mine life. Initial capital was estimated at $521 MM including $52 MM in contingency and $21 MM in working capital. Our model is largely based on FS projections, as shown in Table 2, but incorporates our own financing, lithium price and F/X rate assumptions.

Table 2: Comparison of our assumptions versus the 2014 feasibility study base case

		FS-2014	Dundee	Variance
Production Start (CY)	Yr	--	2018	--
Mine Life	Yrs	26	27	3.8%
Annual Production				
Li-OH	kt	28.0	26.9	-3.9%
LCE	kt	3.3	2.9	-10.1%
Total Production				
Li-OH	kt	728.3	725.9	-0.3%
LCE	kt	84.6	78.9	-6.7%
Spodumene Concentrate Grade	%	6.0	6.0	--
Debt	%	--	40%	--
Equity	%	--	60%	--
Opex				
Li-OH	$/t	3,105	3,112	0.2%
LCE	$/t	3,771	3,556	-5.7%
Initial Capital Cost	US$ MM	450	450	--
FOB Valleyfield Li-OH price	US$/t	8,000	7,500	-6.3%
FOB Valleyfield LCE price	US$/t	5,000	6,000	20.0%
Long-Term $C:$US		0.9	0.8	-11.1%
Net Present Value (post-tax):				
Discount Rate	%	10%	10%	--
NPV	US$MM	370.8	390	5%
Post-tax IRR	%	21%	20%	-5%
Payback period	Yr	3.7	5.2	41%

Source: Company reports, Dundee Capital Markets

Table 3: Nemaska's in-house sensitivity analysis for the 2014 FS projections

	FS Base Case	Realistic Scenario*	Optimistic Scenario*
Capex	500 MM	500 MM	500 MM
Revenue ($/t Li-OH)	US$8,000	US$9,000	US$11,000
Annual average production (LCE)	28,000	28,000	28,000
LOM Revenue	$6.9 B	$8.2 B	$9.9 B
LOM before tax cash flow	$3.4 B	$4.5 B	$6.1 B
Pre-Tax IRR %	25.2	47.6	71.9
Pre-Tax NPV @ 8%	$924 MM	$1.34 MM	$1.93 MM
Pre-Tax NPV @ 10%	$680 MM	$1.04 B	$1.52 B
Debt/Equity ratio	0%/100%	60%/40%	70%/30%
Payback period (years)	3.7	2	1.3
FX rate USD to CAD	0.90	0.85	0.85

all figures in CAD$ unless otherwise stated

**internal analysis, non NI43-101 compliant*

Source: Company reports, Dundee Capital Markets

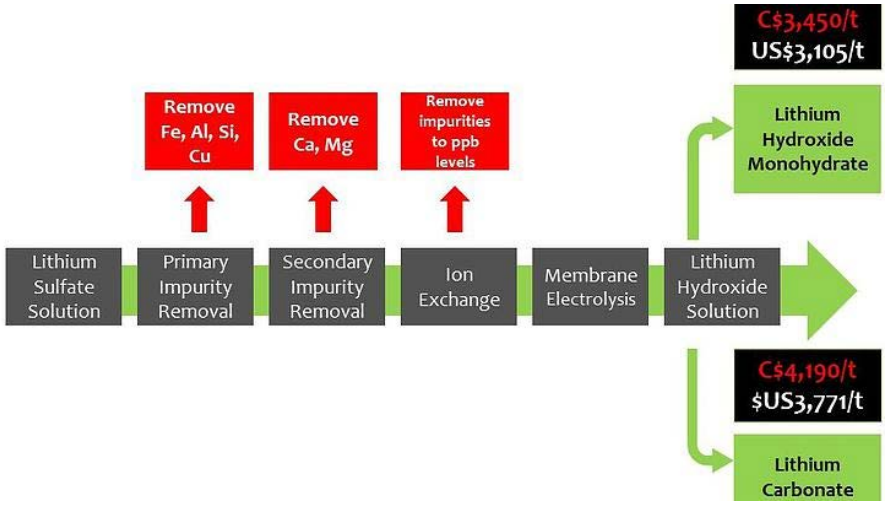
- **Improved Feasibility update expected in Q1/16.** The May 2014 FS is under review to reflect the Capex and Opex Savings expected from incorporating the new Shawinigan site (expected to be significant), latest innovations on the hydromet process (currently being built into the demo plant), efficiency improvements (particularly at the concentrator), and increased life cycle of the electrolysis membranes. This study should also incorporate recent (higher) LiOH pricing and F/X assumptions - weaker C$ should result in improved economics as revenue would increase and costs decrease, all else being equal.

- **New plant site may help improve Capex, Opex.** The Shawinigan site was acquired since the original FS was released, but its inclusion may amount to significant initial capital savings as water, power, rail, buildings and other infrastructure is already available. Concentrate shipping costs may also decline as Shawinigan is closer than the previously contemplated Valleyfield site (7t of spodumene con is required to produce 1t hydroxide). What's more, given the size of the new accommodations, the Phase 1 plant can remain operational as the full hydromet plant is constructed.
- **Competitive Opex.** LiOH costs are estimated at US$3,105/t (C$:US$ of 1:0.9). Given the currently weaker C$, we'd expect US$ costs to decline even further. However, the main cost savings come from Nemaska's proprietary process to produce LiOH directly from spodumene concentrate via electrolysis, reducing reagent consumption and producing high purity products. Opex should compare favourably to LiOH production from both existing hard rock producers (at Chinese converters) and South America brine production, where LCE is likely the typical production route as LiOH production comes from conversion of LCE. Management estimates that current LiOH costs from hard rock sources average ~US$5,700/t FOB, while brine sources average US$4,000/t FOB.

UNDERSTANDING THE FLOWSHEET

Technically, the flowsheet is unlike other attempts as lithium hydroxide is produced directly from a high grade spodumene concentrate**.** The simplified flowsheet provides a cost advantage as most lithium hydroxide is produced by converting lithium carbonate, necessitating additional processing costs (Figure 7). Nemaska's estimated lithium hydroxide Opex is actually less than its estimate for lithium carbonate (US$3,105/t vs US$3,771/t). Its flowsheet differs from other producers primarily due to its electrolysis process and crystallizer. Ultimately, we will also likely see a flash calciner rather than a kiln. Notably, electrolysis eliminates the need for increasingly costly soda ash. Soda ash is traditionally used as the source of carbonate in order to precipitate lithium carbonate. Pricing of soda ash is also far less predictable than Quebec electricity which is the main input in Nemaska's electrolysis process. The deposit and the flowsheet are sufficiently different from the Quebec Lithium Mine which proved to be difficult to get off the ground in 2013-2014.

Figure 7: Whabouchi flowsheet, from spodumene directly to lithium hydroxide



Source: Company reports

- **A great deposit creates a great concentrate** - the concentrator will be located near the open pit mine. The concentrator will be designed to produce a nominal 216,485 tonnes of spodumene concentrate per year.
    - **Advantageous geometry, near-surface.** The Whabouchi deposit hosts large, homogenous, and highly concentrated spodumene-bearing dykes. The ore is found at surface as a ridge of positive relief to the surrounding area, making it easy to mine without taking much waste rock in an open pit scenario. Furthermore, the dykes are massive so internal dilution is expected to be less than 10%. LOM strip ratio is 2:1 and only 1.6:1 in the first six years of operation, compared to the Quebec Lithium deposit which ranged from 5:1 to 8:1.
    - **High grade, high purity host rock**. At 1.53% LiO2, the Whabouchi deposit is 30% higher grade than Quebec Lithium and is second only to Albemarle/Tianqi's Greenbushes deposit in Australia at ~4.5% Li2O. However, Greenbushes decreases in lithium and increases in sodium content at depth. In contrast, Whabouchi is fairly

homogenous and low in impurities including sodium and potassium-bearing minerals. These minerals are especially problematic as they lower the concentrate's melting point, causing agglomerates to form in the kiln during the conversion stage from alpha to beta spodumene. This was the case with the Quebec Lithium Mine con which resulted in significantly below design recoveries as about half the material coming out of the kiln was agglomerated into large balls of Li-bearing waste. Even if this material was ground, Li recovery was poor and it required huge amounts of acid. Therefore, the importance of a clean concentrate cannot be underestimated. Whabouchi ore produces a clean concentrate with a high melting point, reducing processing risk, increasing recoveries, and lowering acid consumption.

- **Flotation** - During the flotation process, ore and waste are separated to produce a high grade spodumene concentrate ready for lithium extraction. The process is designed to upgrade ore containing 1.53% Li2O to a concentrate grading 6% Li2O (better than many other concentrates). Nemaska's flotation process is multi-step in order to remove sodium and potassium bearing micas before the spodumene flotation step. It is very important to purge these minerals before the con enters the kiln, otherwise material can clump and stick (as mentioned above). Nemaska is currently investigating two additional technologies that will be tested in January, including a hydro-flotation process. Hydro-flotation, for coarse flotation of spodumene, is expected to use less water, substantially reduce reagent costs, and potentially improve recoveries.

- **Kiln/flash calciner.** Similar to other hard rock operations, alpha spodumene must be converted to beta spodumene before the con can be leached with sulphuric acid to create a lithium sulphate solution. This transformation in crystal structure and density creates a fine powder, increasing lithium recoveries. Similar to the Quebec Lithium Mine, Nemaska's Feasibility Study suggests using a kiln to perform the structural conversion. However, it will likely use a flash calciner instead. The conversion process would be much quicker at 1.5 s, less energy-intensive, material won't agglomerate, and it would be well designed to handle fine material. Further, it can be started up just hours before required and maintains its temperature, eliminating the risk of clumping or premature melting of ore.

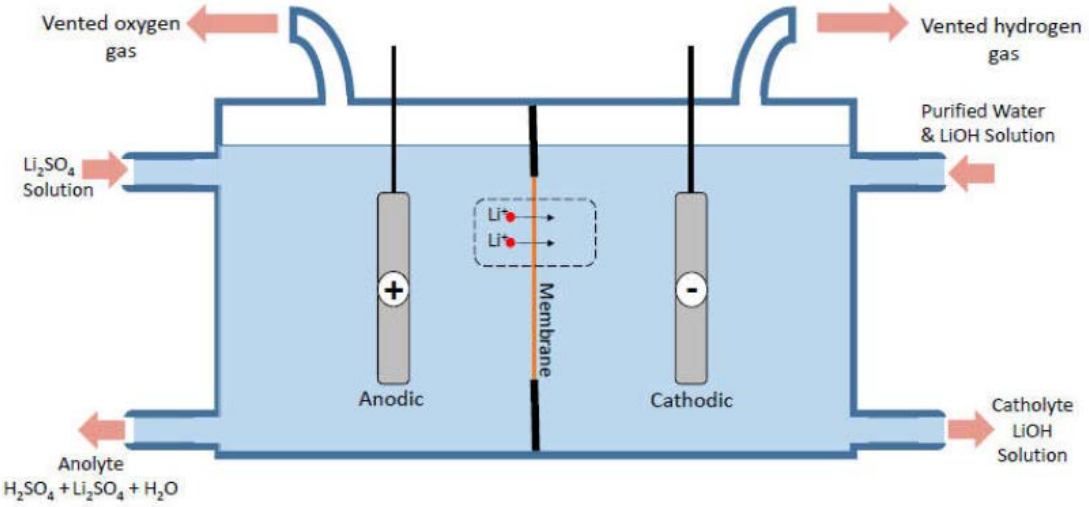
  The company is considering two different pieces of equipment which will be pilot tested using 5-10 t of 6% LiO2 con, Q1/16 for $0.2 MM. Note that kiln recoveries were unsuccessful for Quebec Lithium because of the ore; a higher concentration of mica caused agglomeration which significantly lowered recovery. Therefore, even if a kiln is used, the low sodium-low potassium nature of the Whabouchi ore, due to its different mineralogy, should still demonstrate good recoveries.

- **Acid baking.** From the kiln, the beta spodumene powder is added to liquid sulphuric acid to create a lithium sulphate solution. The beta spodumene powder is heated to 250^{o}C in a rotary kiln with lithium extraction beginning at 175^{o}C. Only 25-30% excess sulphuric acid is needed - comparatively lower acid consumption, to produce LiSO4 with 94 to 98% lithium recovery within a few minutes of reaction time. Some other spodumene systems may require hydrochloric acid and go the lithium chloride route, rather than using lithium sulphate. Hydrochloric acid is not used in Nemaska's process since it is four times the cost of sulphuric acid, potentially leaches more impurities, takes longer to react, requires more equipment and can create more waste material.

- **Primary and secondary impurity removal.** This multi-step process sees removal of Fe and Al first at a high pH from the lithium sulphate solution. The pH is then further increased to precipitate magnesium and manganese, followed by filtration to remove silica. The result is a very high quality LiSO4, with impurities in the ppm range before ion exchange, and the ppb range after. Nemaska is working to further maximize solution purity before ion exchange, expecting to both improve the life cycle of the membrane, and improve the ion exchange regeneration system. The company will likely increase the impurity removal passes to four before ion exchange. The additional tanks and piping doesn't make much impact on Capex.

- **Membrane electrolysis.** The high purity lithium sulphate solution is subjected to electricity (Figure 8) separating the lithium and the sulphate (anode side) and forcing the lithium ions through a membrane, producing a highly pure lithium hydroxide (cathode side) and sodium hydroxide by-product. This electrolysis configuration has been commercially used in the sodium chloride industry for decades, and lithium behaves very similarly to sodium in an electrolysis environment. Nemaska's process employs durable membranes that are capable of handling high currents and designed for a long life cycle. It also allows for plenty of capacity as variable amounts of lithium hydroxide can be produced by varying the current density. The process requires moderate energy input, though power in Quebec is already comparatively inexpensive. The Quebec Lithium mine, like many producers, used soda ash to produce LCE at this stage, creating a carbonate rather than a hydroxide. Soda ash often introduces impurities to the solution after the solution has already been purified, and generates considerable quantities of NaSO4, essentially a waste product.

Figure 8: Diagram of Nemaska's LiOH electrolysis process



Source: Company reports

Crystallizer. This is the two-step purification stage used by senior lithium producers Albemarle and FMC. The equipment is also to be sourced from the same supplier, GEA Messo PT. It removes sodium, which occurs naturally in spodumene, reducing concentration to ~8 ppm. After the electrolysis step, the LiOH/NaOH solution is evaporated, increasing LiOH concentration which crystallizes as pellets while the sodium hydroxide and impurities stay in solution. The pellets are re-dissolved for a second round of crystallization and impurity removal. The lithium hydroxide in solution is then transformed into a lithium monohydrate (solid) or bubbled with carbon dioxide to produce lithium carbonate. Nemaska's product mix is ~90% lithium hydroxide. Nemaska plans to produce a small amount of lithium carbonate in order to use the lithium remaining in solution after the first crystallization step. The LiOH produced is highly pure, backed by the 1,000 hour test results.

MULTIPLE PARTNERSHIPS

- **Partnering with Johnson Matthey.** This deal stems from an October 2012 off-take and collaboration agreement between NMX and Phostech Lithium Inc., a Clariant AG company (purchased by JMBS in Apr 2015). Collaboration seems like a win-win: in addition to LiOH sales, NMX can regenerate LiSO4 created during JMBS's battery making process into fresh LiOH, to be returned to JMBS, thereby improving efficiencies. We also expect JMBS to step up during the long term off-take negotiations. Management suggests it seeks access to ~20-25% of Nemaska's full 28,000 tpa LiOH production, and there is likelihood that it will again pre-pay for future production and services when Nemaska comes to market to build the full scale project. JM's battery technologies business reported 79% higher sales YOY to £62 million, or 9% higher excluding two acquisitions according to its Half Year results ended 30-Sep-15 (announced on 19-Nov-15). It is working on next generation battery materials and supplier relationships. It also highlighted the MOU with Nemaska relating to it being a source of long term lithium supply. Growth is apparent at JM, and it seems to be placing all of its eggs in the lithium-ion basket, reviewing its level of ongoing investment in fuel cells. Of the initial 500 tpa LiOH production, Nemaska will likely use 50 to 75t of material to deliver to potential clients. The remainder will be sold to JM, netted from the $12 MM up-front payment.
- **Sichuan Tianqi Lithium Industries Inc.** (Tianqi Lithium) is a lithium chemical producer that converts spodumene into different lithium compounds. It is the largest supplier of battery grade lithium compounds to the Asian market. Nemaska and Tianqi have discussed the possibility of jointly marketing and pursuing off-take agreements with global end users of lithium hydroxide and lithium carbonate. Now diluted down to an 8% interest in Nemaska, we expect that Nemaska might be able to go it alone, without giving up too much to Tianqi.
- **Supportive Quebec Government.** Ranked 6th most attractive jurisdiction globally by the Fraser Institute, Nemaska's northern Quebec address provides many benefits from a very supportive government:
    - **"Plan Nord".** Designed by Quebec's Government to develop northern resources, the recently re-launched program includes a $1 billion fund set-up to take a direct equity investment in eligible companies. Though no more than 20% of total capital can be invested in any one company, Nemaska qualifies for this program and management is confident that it can secure $100 MM through this avenue.

- **Tax incentives for value-added products.** Nemaska may qualify for tax deductions of up to $40 MM since it plans to upgrade spodumene concentrate into LiOH at its Quebec Shawinigan site.
- **Additional project financing and development capital.** The Quebec Government has been an investor in Nemaska since the company's inception via various exploration and development funds such as Fonds de Solidarite FTQ, and Investissement Québec. It's possible that both may come in during project financing.

CAPITAL STRUCTURE AND OWNERSHIP

Warrants exercise growing treasury. $2.1 MM in cash was reported at 30-Sep-15 (debt was nil), but management suggests that warrant exercise since then has net the company an additional $1.6 MM. An estimated $4.6 MM worth of warrants are currently in-the-money, some with a forced conversion feature that will likely be triggered in December 2015 ($1.2 MM worth of $0.20 warrants). Further exercise of warrants may add some pressure on the stock until depleted. Nemaska had ~8.8 MM options outstanding at a weighted average strike price of $0.29 and ~20.5 MM warrants outstanding at a weighted average strike of $0.23 as of 26-Nov-15.

Table 4: Options and warrants outstanding as of 30-Sep-15

CAPITAL STRUCTURE		Strike $	Basic (MM)	In-the-Money	Proceeds $MM
Shares Outstanding			**200.9**		
Warrants	Apr-2017	0.20	5.8	5.8	1.2
	Apr-2017	0.22	9.9	9.9	2.2
	Apr-2017	0.27	0.2	0.2	0.1
	Feb-2017	0.28	3.5	3.5	1.0
	Mar-2017	0.28	1.0	1.0	0.3
Options	Dec-2015	0.51	1.8	0.0	0.0
	May-2016	0.46	0.2	0.0	0.0
	May-2017	0.40	0.3	0.0	0.0
	Sep-2017	0.43	0.5	0.0	0.0
	Jan-2018	0.50	0.3	0.0	0.0
	Oct-2018	0.13	0.5	0.5	0.1
	Oct-2018	0.12	0.4	0.4	0.0
	Nov-2018	0.12	0.1	0.1	0.0
	Nov-2018	0.13	0.5	0.5	0.1
	May-2019	0.10	0.4	0.4	0.0
	May-2019	0.13	0.3	0.3	0.0
	Mar-2020	0.20	3.1	3.1	0.6
Fully Diluted Shares			229.7	25.6	5.52

Note: removed $1.6 MM worth of warrants exercised since 30-Sep-15 FS

Source: Company Reports, Dundee Capital Markets

Diversified shareholder base. An estimated 30% of shares outstanding are held by institutions, 11% by management, and 8% by Tianqi Lithium. Institutional investors include Caisse de Depot (4.495 MM sh), Fiera Capital (3.331 MM sh) and Marquest (2.279 MM sh), according to Targeted Inc.

PENDING FINANCIAL REQUIREMENTS

Nemaska is fully funded through to Q2/17, the beginning of construction of the Phase 2 plant and mine site. Management is formulating its strategy to raise $500 MM (40% debt). A positive production decision has been made, but timing may be partially market dependent, or driven by the LiOH requirements of battery makers. The bulk of construction is scheduled for 2017, following Q2/17 project financing, and in preparation for start-up in early 2018. There is a possibility that, market willing, Nemaska would pre-empt full construction and complete a concentrator at the mine site.

We'd expect that JMBS would again step up and provide cash via means of off-take pre-payment or perhaps even equity interest in Nemaska. Tianqi, now at around 8% interest, is at risk of losing its right to retain a board seat. We speculate that it may come in at some point as well, unless it is more interested in off-takes.

- **$100 MM in soft/hard equity commitments** - management suggests Plan Nord funding may be available from the Quebec Government for up to 20% of the project or $100 MM in equity.
- **$100 MM in soft/hard debt commitments** - management also suggests that IQ has requested a significant portion of the debt financing, and after being topped off by other institutions**,** this total will likely reach $100 MM.
- **$300 MM in other debt/equity/off-takes -** financial institutions and other lenders are being considered to cover ~$100 MM in debt beyond the initial IQ portion. Nemaska would again tap the capital markets for the other $200 MM. There is the expectation that off-take agreements would be signed, with pre-payment options, to cover a portion of the capital requirements. JMBS, for example, would be expected to once again step up. These amounts would reduce the amount required to be funded via equity, if not debt + equity.

RISKS

Lithium price risk. Unlike traditional commodities, lithium is not exchange-traded. Prices are instead based on most recently available contracted prices and are characterized by less frequent updates and poor visibility. We may not be notified of material transactions, and may need to rely on latest available pricing which may be outdated and/or lag changing market fundamentals. Lithium is expected to continue to outperform most commodities. Demand for lithium is growing, driven by increased use in Li-ion batteries. We expect this trend to continue but note that in case of reduced demand, Nemaska may have difficulty selling product.

Execution risk. The Whabouchi Project is backed by a Feasibility Study, projecting production rates, mine life, Capex, Opex, and recovery rates, among other technical and financial assumptions. The study is partially based on a 1,000 hour test which validated the company's proprietary electrolysis process and confirmed Opex and Capex figures. However, there is risk that these forecasts will not materialize. Nemaska intends to construct a Phase 1 Plant in advance of commercial development to further de-risk the project before committing the full $521 MM Capex.

Financing risk. Whabouchi's $521 MM Capex is fairly substantial and may be difficult to finance in the current subdued junior equity market. However, positive lithium fundamentals, and customer validation (including JMBS) of material produced at the Phase 1 Plant may help mitigate this risk. Management has also bought itself time with the Phase 1 plant, to better match Phase 2 production with client demand, giving them the time required for clients to qualify its lithium products. F/X variations also may positively or negatively impact the project or amount of dilution required.

MANAGEMENT AND BOARD OF DIRECTORS

Management

- **Michel Baril, Chairman of the Board.** Former top executive with Bombardier Inc and a mechanical engineer with +30 years of management experience. He presently acts as director of numerous public and private companies.
- **Guy Bourassa, President and CEO.** With over 30 years of mining industry experience, Mr. Bourassa was instrumental in identifying and negotiating the acquisition of Whabouchi Property.
- **Steve Nadeau, CFO.** More than 20 years' experience in management, accounting, and finance; he has held senior financial positions in the granite, electronics, and automotive industries.

Board of Directors

- **Paul-Henri Couture, Director.** He has held senior positions at the Caisse de dépôt and placement du Québec and at Sentient Asset Management Canada. While at Caisse, Mr. Couture was responsible for a $3 billion investment portfolio and launched two mining funds: Groupe Sodemex Inc and MinQuest Capital.
- **Vivian Wu, Director.** She is General Manager of Sichuan Tianqi Lithium Industries Inc., a lithium chemical producer that converts spodumene into different lithium compounds. Previously, Ms. Wu was VP Corporate Development of Chengdu Tianqi Industry Group Co., Ltd, which operates in three main business lines: lithium compounds, minerals and agricultural machinery.

- **Gordon Gao, Director.** VP of TQC Equipment Inc. (TQCE), the Canadian sub of Chengdu Tianqi.
- **Judy Baker, Director.** A consultant to the mineral industry, Ms. Baker serves on a number of boards and has 20 years of experience in the mining and mineral exploration sector.
- **Rene Lessard, Director.** An independent sales consultant, Mr. Lessard was previously the Sales Manager of Campagna Motors Inc. and of T-Rex Vehicles Inc.

NEMASKA LITHIUM INC.				NMX-T	C$ 0.37
Rating	BUY	C$ Target	$1.00	Shares O/S (MM)	200.9
Risk*	High	C$ Close	$0.37	Float (MM)	175.5
				Fully Diluted Shares (MM)	234.62
12-month return	174%			Basic Mkt. Capitalization ($MM)	73.31

All figures in C$, unless stated otherwise

EVALUATION DATA				
Year-end Jun.	2014A	2015A	2016E	2017E
EPS	($0.02)	($0.01)	($0.01)	($0.01)
P/E		N/A	N/A	N/A
CFPS before changes in WC	($0.01)	($0.01)	($0.01)	($0.01)
P/CF		N/A	N/A	N/A
market cap/reserve t				$96.9
enterprise value/reserve t				$94.0
market cap/resource t				$58.17
enterprise value/resource t				$56.46

ASSUMPTIONS		2014A	2015E	2016E	2017E
Li Carbonate	US$/t	5,750	6,000	6,000	6,000
Li Hydroxide	US$/t	7,750	7,500	7,500	7,500
Exchange	US$/C$	0.85	0.74	0.73	0.78

Dundee Modelled Reserves and Other Mineralization (MM t)

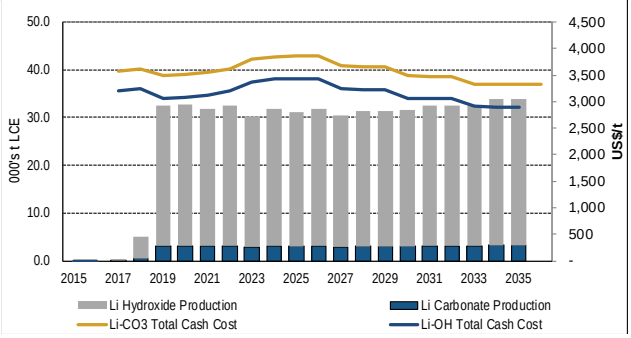
RESERVES & RESOURCES (as of May-14)	Ownership	Tonnes MM t	Li2O Grade %	Contained Li2CO3 (LCE) 100% Basis 000's tonnes	NMX Share
Proven and Probable Reserves					
Whabouchi	100%	20.0	1.5%	757	757
Total Reserves		**20.0**	**1.5%**	**757**	**757**
Measured and Indicated Resources (including reserves)					
Whabouchi	100%	28.0	1.6%	1,085	1,085
Total M&I Resources		**28.0**	**1.6%**	**1,085**	**1,085**
Inferred Resources					
Whabouchi	100%	4.7	1.5%	175	175
					0
					0
Total Inferred Resources		**4.7**	**1.5%**	**175**	**175**
TOTAL RESOURCE		**32.7**	**1.6%**	**1,260**	**1,260**

WHABOUCHI PRODUCTION ESTIMATES (kt)					
Year-end Jun.	2017E	2018E	2019E	2020E	2021E
Li Hydroxide	0.3	4.7	29.3	29.5	28.7
Li Carbonate	0.0	0.5	3.2	3.2	3.1
Sub total	**0**	**5**	**32**	**33**	**32**
WHABOUCHI TOTAL CASH COST ESTIMATES (US$/t)					
Year-end Jun.	2017E	2018E	2019E	2020E	2021E
Li Hydroxide	3,209	3,252	3,069	3,076	3,117
Li Carbonate	3,567	3,609	3,497	3,505	3,544
Wt. Ave.	**N/A**	**3,287**	**3,111**	**3,118**	**3,159**

NET ASSET VALUE	0% NAV (C$MM)	C$/share	10% NAV (C$MM)	C$/share
Corporate DCF (10%)	1,893	3.69	625	1.22
Cash and Debt	-6	-0.01	-6	-0.01
Exploration & unmodelled Resources	60	0.12	60	0.12
Total	**1,946**	**3.80**	**678**	**1.32**
Dundee DCF Target Multiple				0.7x
Share Price Target				**C$ 1.00**

NAV & Price Target Sensitivity to Long-term Lithium Hydroxide Price Assumption					
NAV (C$/share)	6,000	7,000	8,000	9,000	10,000
0% Discount	2.51	3.36	4.21	5.06	5.92
5% Discount	1.41	1.86	2.31	2.76	3.21
10% Discount	0.94	1.21	1.49	1.76	2.04
15% Discount	0.71	0.90	1.09	1.27	1.46

Lithium Carbonate Production and Total Cash Costs

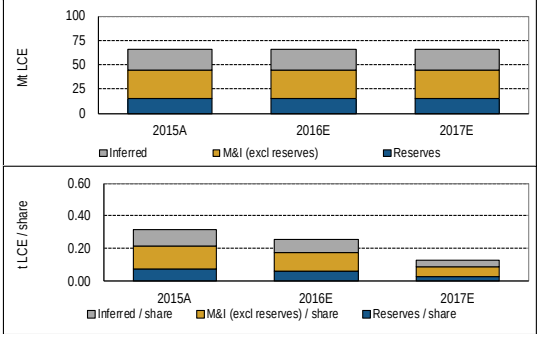


BALANCE SHEET				(000$)
Year-end Jun.	2014A	2015A	2016E	Q1/16
Assets				
Cash & ST Investments	1,100	1,626	5,855	2,157
Other Current Assets	875	400	425	425
Current Assets	**1,975**	**2,026**	**6,281**	**2,583**
Mineral Properties	2,451	2,631	93,234	2,726
Other non-current Assets	22,511	24,551	24,977	24,977
Total Assets	**26,937**	**29,208**	**124,492**	**30,285**
Liabilities				
Current Liabilities	813	633	2,690	690
Capital lease / LT Debt	2,027	10,000	106,125	-
Other non-current Liabilities		2,076	2,089	2,089
Total Liabilities	**2,839**	**12,709**	**110,904**	**2,779**
Capital Stock	48,392	53,336	139,993	54,786
Retained/Deficit	(24,294)	(26,837)	(30,280)	(27,280)
Total Shareholder Equity	**24,098**	**26,499**	**109,713**	**27,506**

EARNINGS SUMMARY	2014A	2015A	2016E	2017E
Revenue				
Lithium	-	-	-	2,556
Other Revenue	107	20	3	640
Total Revenue	**107**	**20**	**3**	**3,196**
Lithium costs	-	-	-	1,226
Other Costs	1,930	992	213	-
DD&A	-	-	3	54
Exploration	-	-	-	-
S, G&A	953	891	3,218	5,609
EBIT	**(2,776)**	**(1,862)**	**(3,430)**	**(3,693)**
FX Gain	-	-	-	-
Interest	-	-	-	(1,000)
Writedown of min. properties	-	-	-	-
EBT	**(2,776)**	**(1,862)**	**(3,430)**	**(4,693)**
less Tax	81	-	-	-
Net Income (reported)	**(2,857)**	**(1,862)**	**(3,430)**	**(4,693)**
Average shares (MM)	137.0	206.2	256.4	512.4

STATEMENT OF CASH FLOWS				(000$)
	2014A	2015A	2016E	2017E
Net Income (000's$)	(2,857)	(2,028)	(3,430)	(4,693)
D, D&A		-	3	54
Future income taxes		-	-	-
Writedown of min. properties		-	-	-
FX Gain		-	-	-
Change in working capital	(67)	222	25	-
Other Operating	1,539	349	19	-
Total Operating CF	**(1,385)**	**(1,457)**	**(3,384)**	**(4,639)**
Short term investments		-	-	-
Mineral Properties	(3)	-	(91,007)	(246,657)
Acquisitions		-	-	-
Increase in Investments		-	-	-
Other Investing	(4,528)	(2,013)	3	-
Total Investing CF	**(4,531)**	**(2,013)**	**(91,004)**	**(246,657)**
Equity financing	4,570	4,515	86,638	251,680
Debt Issue		-	12,000	100,000
Debt Repayment		-	-	(2,000)
Other financing		(514)	-	2,000
Total Financing CF	**4,570**	**4,001**	**98,638**	**351,680**
Foreign Exchange effect		-	-	-
Change in cash	(1,346)	531	4,250	100,384
Cash & ST Inv., end of year	**1,100**	**1,626**	**5,855**	**106,239**

Resources and Reserves and Resources and Reserves per share



Source: Company Reports, FactSet, Dundee Capital Markets

Nemaska Lithium Inc.

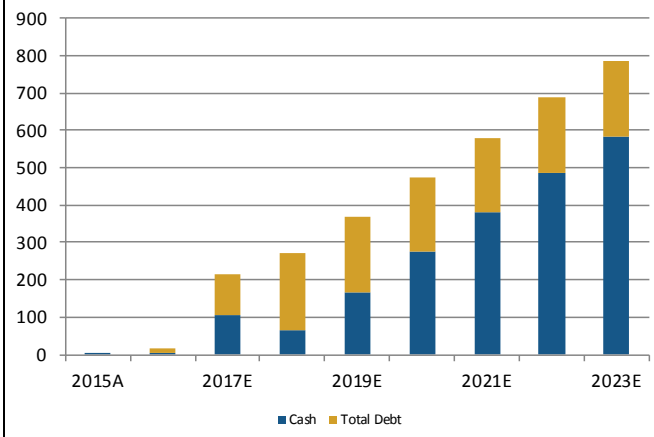
Net Asset Valuation at Dundee Price Deck (US$)

Shares Outstanding (MM) 512.4

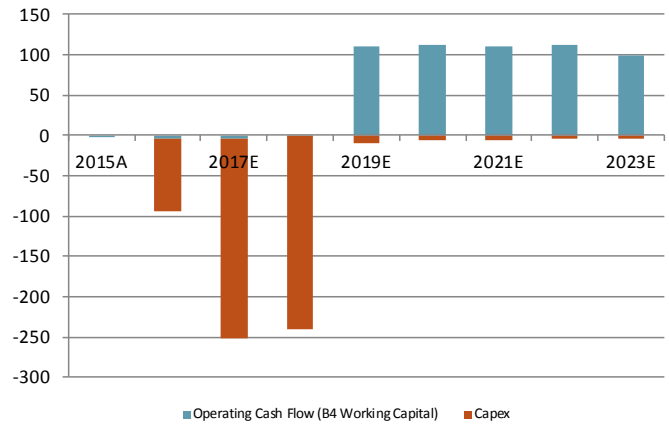
	Target Setting NAV			NAV at Various Discount Rates					
				0%		5%		15%	
	Discount Rate	($MM)	($/Share)	($MM)	($/Share)	($MM)	($/Share)	($MM)	($/Share)
Mining Assets									
Whabouchi (100%)	10%	588	1.15	2,284	4.46	1,151	2.25	282	0.55
Total Mining Assets		**588**	**1.15**	**2,284**	**4.46**	**1,151**	**2.25**	**282**	**0.55**
Other Assets & Expenses									
Cash		6	0.01	6	0.01	6	0.01	6	0.01
Debt		(12)	(0.02)	(12)	-0.02	(12)	-0.02	(12)	(0.02)
Resources		60	0.12	60	0.12	60	0.12	60	0.12
Exploration, G&A, Other	10%	37	0.07	(391)	-0.76	(147)	-0.29	160	0.31
Net Other Assets		**90**	**0.18**	**(337)**	**-0.66**	**(94)**	**-0.18**	**213**	**0.42**
Net Asset Value		**678**	**1.32**	**1,946**	**3.80**	**1,058**	**2.06**	**495**	**0.97**
Share Price			**0.37**		**0.37**		**0.37**		**0.37**
P/NAV			**0.28x**		**0.10x**		**0.18x**		**0.38x**

Financial Forecasts at Dundee Price Deck (MM C$)

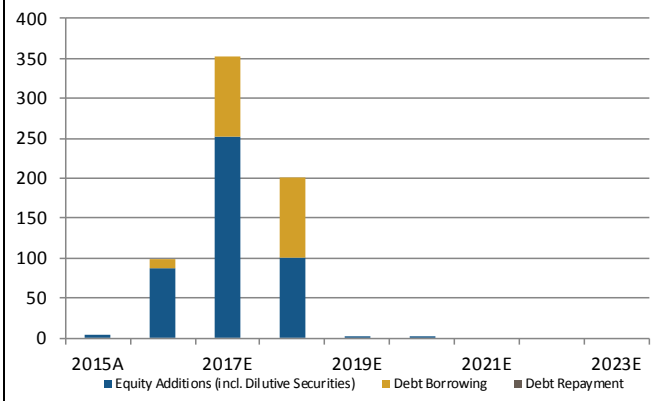
Cash and Debt



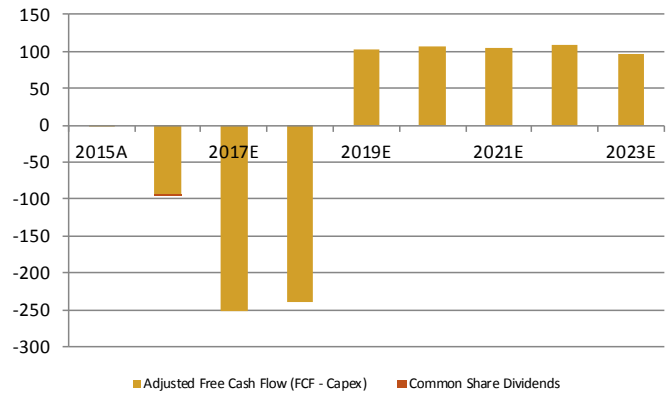
Operating Cash Flow and Capital Spending



Changes in Debt and Equity



Free Cash Flow and Common Share Dividends



Source: Company Reports, FactSet, Dundee Capital Markets

Disclosures & Disclaimers

This research report (as defined in IIROC Rule 3400) is issued and approved for distribution in Canada by Dundee Securities Ltd. ("Dundee Capital Markets"), an investment dealer operating its business through its two divisions, Dundee Capital Markets and Dundee Goodman Private Wealth. Dundee Capital Markets is a member of the Canadian Investor Protection Fund, the Investment Industry Regulatory Organization of Canada and an investment fund manager registered with the securities commissions across Canada. Dundee Capital Markets is a subsidiary of Dundee Corporation.

Research Analyst Certification: Each Research Analyst involved in the preparation of this research report hereby certifies that: (1) the views and recommendations expressed herein accurately reflect his/her personal views about any and all of the securities or issuers that are the subject matter of this research report; and (2) his/her compensation is not and will not be directly related to the specific recommendations or views expressed by the Research Analyst in this research report. The Research Analyst involved in the preparation of this research report does not have authority whatsoever (actual, implied or apparent) to act on behalf of any issuer mentioned in this research report.

U.S. Residents: Dundee Securities Inc. is a U.S. registered broker-dealer, a member of FINRA and an affiliate of Dundee Capital Markets. Dundee Securities Inc. accepts responsibility for the contents of this research report, subject to the terms and limitations as set out above. U.S. residents seeking to effect a transaction in any security discussed herein should contact Dundee Securities Inc. directly. Research reports published by Dundee Capital Markets are intended for distribution in the United States only to Major Institutional Investors (as such term is defined in SEC 15a-6 and Section 15 of the Securities Exchange Act of 1934, as amended) and are not intended for the use of any person or entity.

UK Residents: Dundee Securities Europe LLP, an affiliate of Dundee Capital Markets, is authorized and regulated by the United Kingdom's Financial Conduct Authority (No 586295) for the purposes of security broking & asset management. Research prepared by UK-based analysts is under the supervision of and is issued by its affiliate, Dundee Capital Markets. Dundee Securities Europe LLP is responsible for compliance with applicable rules and regulations of the FCA, including Chapter 12 of the FCA's Conduct of Business Sourcebook (the "**FCA Rules**") in respect of any research recommendations (as defined in the FCA Rules) in reports prepared by UK-based analysts. Dundee Capital Markets and Dundee Securities Europe LLP have implemented written procedures designed to identify and manage potential conflicts of interest that arise in connection with the preparation and distribution of their research. Dundee Capital Markets is responsible (i) for ensuring that the research publications are compliant with IIROC Rule 3400 Research Restrictions and Disclosure Requirements. And (ii) including all required conflict of interest disclosures.

General:

This research report is provided, for informational purposes only, to institutional investor and retail clients of Dundee Capital Markets in Canada. This research report is not an offer to sell or the solicitation of an offer to buy any of the securities discussed herein.

The information contained in this research report is prepared from publicly available information, internally developed data and other sources believed to be reliable, but has not been independently verified by Dundee Capital Markets and Dundee Capital Markets makes no representations or warranties with respect to the accuracy, correctness or completeness of such information and they should not be relied upon as such. All estimates, opinions and recommendations expressed herein constitute judgments as of the date of this research report and are subject to change without notice. Dundee Capital Markets does not accept any obligation to update, modify or amend this research report or to otherwise notify a recipient of this research report in the event that any estimates, opinions and recommendations contained herein change or subsequently becomes inaccurate or if this research report is subsequently withdrawn.

Past performance is not a guarantee of future results, and no representation or warranty, express or implied, is made regarding future performance of any security mentioned in this research report. The price of the securities mentioned in this research report and the income they produce may fluctuate and/or be adversely affected by market factors or exchange rates, and investors may realize losses on investments in such securities, including the loss of investment principal. Furthermore, the securities discussed in this research report may not be liquid investments, may have a high level of volatility or may be subject to additional and special risks associated with securities and investments in emerging markets and/or foreign countries that may give rise to substantial risk and are not suitable for all investors. Dundee Capital Markets accepts no liability whatsoever for any loss arising from any use or reliance on this research report or the information contained herein.

The securities discussed in this research report may not be suitable for all types of investors and such reports do not take into account particular investment needs, objectives and financial circumstances of a particular investor. An investor should not rely solely on investment recommendations contained in this research report, if any, as a substitution for the exercise of their own independent judgment in making an investment decision and, prior to acting on any of the information contained in this research report, investors are advised to contact his or her investment adviser to discuss their particular circumstances.

Non-client recipients of this research report should consult with an independent financial advisor prior to making any investment decision based on this research report or for any necessary explanation of its contents. Dundee Capital Markets will not treat non-client recipients of this research report as its clients by virtue of such persons receiving this research report.

Nothing in this research report constitutes legal, accounting or tax advice. Investors should consult with his or her own independent legal or tax adviser in this regard.

Dundee Capital Markets Research is distributed by email, website or hard copy. Dissemination of initial research reports and any subsequent research reports is made simultaneously to a pre-determined list of Dundee Capital Markets' Institutional Sales and Trading representative clients and Dundee Goodman Private Wealth retail private client offices. The policy of Dundee Capital Markets with respect to Research reports is available on the Internet at www.dundeecapitalmarkets.com.

Dundee Capital Markets has written procedures designed to identify and manage potential conflicts of interest that arise in connection with its research and other businesses. The compensation of each Research Analyst/Associate involved in the preparation of this research report is based competitively upon several criteria, including performance assessment criteria based on quality of research. The Research Analyst compensation pool includes revenues from several sources, including sales, trading and investment banking. Research analysts do not receive compensation based upon revenues from specific investment banking transactions. Dundee Capital Markets generally restricts any research analyst and any member of his or her household from executing trades in the securities of a company that such research analyst covers.

Certain discretionary client portfolios are managed by portfolio managers and/or dealing representatives in its private client advisory division, Dundee Goodman Private Wealth. The aforementioned portfolio managers and/or dealing representatives are segregated from Research and they may trade in securities referenced in this research report both as principal and on behalf of clients (including managed accounts and investment funds). Furthermore, Dundee Capital Markets may have had, and may in the future have, long or short positions in the securities discussed in this research report and, from time to time, may have executed or may execute transactions on behalf of the issuer of such securities or its clients.

Should this research report provide web addresses of, or contain hyperlinks to, third party web sites, Dundee has not reviewed the contents of such links and takes no responsibility whatsoever for the contents of such web sites. Web addresses and/or hyperlinks are provided solely for the recipient's convenience and information, and the content of third party web sites is not in any way incorporated into this research report. Recipients who choose to access such web addresses or use such hyperlinks do so at their own risk.

Unless publications are specifically marked as research publications of Dundee Capital Markets, the views expressed therein (including recommendations) are those of the author and, if applicable, any named issuer or Investment dealer alone and they have not been approved by nor are they necessarily those of Dundee Capital Markets. Dundee Capital Markets. expressly disclaims any and all liability for the content of any publication that is not expressly marked as a research publication of Dundee Capital Markets.

Forward-looking statements are based on current expectations, estimates, forecasts and projections based on beliefs and assumptions made by the author. These statements involve risks and uncertainties and are not guarantees of future performance or results and no assurance can be given that these estimates and expectations will prove to have been correct, and actual outcomes and results may differ materially from what is expressed, implied or projected in such forward-looking statements.

Informal Comment: Informal Comments are analysts' informal comments that are posted on the Dundee website. They generally pertain to news flow and do not contain any change in analysts' opinion, estimates, rating or target price. Any rating(s) and target price(s) in an Informal Comment are from prior formal published research reports. A link is provided in any Informal Comment to all company specific disclosures and analyst specific disclosures for companies under coverage, and general disclosures and disclaimers.

Presentations do not include disclosures that are specific to analysts and specific to companies under coverage. Please refer to formal published research reports for company specific disclosures and analyst specific disclosures for companies under coverage.

Please refer to formal published research reports for valuation methodologies used in determining target prices for companies under coverage.

Idea of Interest: Dundee Capital Markets has not initiated formal continuing coverage of Idea of Interest companies. Dundee Capital Markets from time to time publishes reports on Idea of Interest securities for which it does not and may not choose to provide formal continuous research coverage. All opinions and estimates contained in an Idea of Interest report are subject to change without notice and are provided in good faith but without the legal responsibility that would accompany formal continuous research coverage. The companies may have recommendations and risk ratings as per our regular rating system and may have target prices, see Explanation of Recommendations and Risk Ratings for details. Any recommendations, ratings, target prices and/or comments expire 30 days from the published date, and once expired should no longer be relied upon as no assurance can be given as to the accuracy or relevance going forward. Dundee does not accept any obligation to update, modify or amend any Idea of Interest report or to otherwise notify a recipient of an Idea of Interest report in the event that any estimates, opinions and recommendations contained in such report change or subsequently become inaccurate. Dundee clients should consult their investment advisor as to the appropriateness of an investment in the securities mentioned.

IIROC Rule 3400 Disclosures and/or FCA COBS 12.4.10 Disclosures: A link is provided in all research reports delivered by electronic means to disclosures required under IIROC Rule 3400. Disclosures required under IIROC Rule 3400 for sector research reports covering six or more issuers can be found on the Dundee Capital Markets website at www.dundeecapitalmarkets.com in the Research Section. Other Services means the participation of Dundee in any institutional non-brokered private placement exceeding $5 million. Where Dundee Capital Markets and its affiliates collectively beneficially own 1% or more (or for the purpose of FCA disclosure 5% or more) of any class of the issuer's equity securities, our calculations will exclude managed positions that are controlled, but not beneficially owned by Dundee Capital Markets.

A Research Analyst/Associate involved in the preparation of this research report has visited certain material operations of the following issuer(s): Nemaska Lithium Inc. David Talbot visited Nemaska's Whabouchi lithium project in June 2010; viewed core, outcrop, drill sections, and has since had frequent discussions with management.

Explanation of Recommendations and Risk Ratings

Dundee target: represents the price target as required under IIROC Rule 3400. Valuation methodologies used in determining the price target(s) for the issuer(s) mentioned in this research report are contained in current and/or prior research. Dundee target N/A: a price target and/or NAV is not available if the analyst deems there are limited financial metrics upon which to base a reasonable valuation.

Recommendations: BUY: Total returns expected to be materially better than the overall market with higher return expectations needed for more risky securities. NEUTRAL: Total returns expected to be in line with the overall market. SELL: Total returns expected to be materially lower than the overall market. TENDER: The analyst recommends tendering shares to a formal tender offer. UNDER REVIEW: The analyst will place the rating and/or target price Under Review when there is a significant material event with further information pending; and/or when the analyst determines it is necessary to await adequate information that could potentially lead to a re-evaluation of the rating, target price or forecast; and/or when coverage of a particular security is transferred from one analyst to another to give the new analyst time to reconfirm the rating, target price or forecast.

Risk Ratings: risk assessment is defined as Medium, High, Speculative or Venture. Medium: securities with reasonable liquidity and volatility similar to the market. High: securities with poor liquidity or high volatility. Speculative: where the company's business and/or financial risk is high and is difficult to value. Venture: an early stage company where the business and/or financial risk is high, and there are limited financial metrics upon which to base a reasonable valuation.

Investors should not deem the risk ratings to be a comprehensive account of all of the risks of a security. Investors are directed to read Dundee Capital Markets Research reports that contain a discussion of risks which is not meant to be a comprehensive account of all the risks. Investors are directed to read issuer filings which contain a discussion of risk factors specific to the company's business.

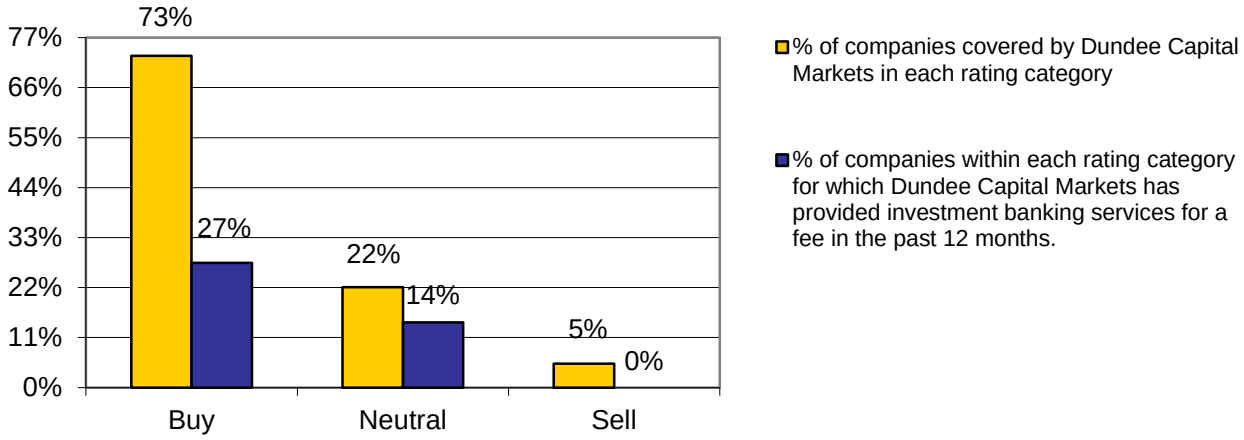
Medium and High Risk Ratings Methodology: Medium and High risk ratings are derived using a predetermined methodology based on liquidity and volatility. Analysts will have the discretion to raise but not lower the risk rating if it is deemed a higher risk rating is warranted. Risk in relation to forecasted price volatility is only one method of assessing the risk of a security and actual risk ratings could differ.

Securities with poor liquidity or high volatility are considered to be High risk. Liquidity and volatility are measured using the following methodology: a) Price Test: All securities with a price <= $3.00 per share are considered high risk for the purpose of this test. b) Liquidity Test: This is a two-tiered calculation that looks at the market capitalization and trading volumes of a

company. Smaller capitalization stocks (<$300MM) are assumed to have less liquidity, and are, therefore, more subject to price volatility. In order to avoid discriminating against smaller cap equities that have higher trading volumes, the risk rating will consider 12 month average trading volumes and if a company has traded >70% of its total shares outstanding it will be considered a liquid stock for the purpose of this test. c) Volatility Test: In this two step process, a stock's volatility and beta are compared against the diversified equity benchmark. Canadian equities are compared against the TSX while U.S. equities are compared against the S&P 500. Generally, if the volatility of a stock is 20% greater than its benchmark and the beta of the stock is higher than its sector beta, then the security will be considered a high risk security. Otherwise, the security will be deemed to be a medium risk security. Periodically, the equity risk ratings will be compared to downside risk metrics such as Value at Risk and Semi-Variance and appropriate adjustments may be made. All models used for assessing risk incorporate some element of subjectivity.

SECURITY ABBREVIATIONS: NVS (non-voting shares); RVS (restricted voting shares); RS (restricted shares); SVS (subordinate voting shares).

Dundee Capital Markets Equity Research Ratings



As at September 30, 2015

Source: Dundee Capital Markets