



# GALAXY RESOURCES LIMITED

## 2017 Q2 Results Presentation

July 2017

ASX: GXY

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# Quarterly Highlights



<b>Production</b> (Mt Cattlin)	Spodumene produced (1Q 2017: 23,467) <b>32,998 dmt +41%</b>	<ul style="list-style-type: none"> <li>Operations remain <b>LTI free</b> since refurbishment and restart, <b>plant commissioning completed</b> late April</li> <li>Plant <b>recoveries achieved 61%</b> in June</li> <li>Plant <b>output exceeded target production rate</b> with 14,038 dmt produced in June</li> <li>Cash flow generation of A\$13.2m for the quarter before capex and repayment of balance of customer offtake prepayments</li> <li>Average cash costs of US\$393/dmt for the quarter, <b>US\$334/dmt in June<sup>1</sup></b></li> <li>Average realised price of US\$724 (A\$964)/dmt<sup>1</sup>, <b>all sales now at 2017 pricing terms of US\$830 per tonne for 5.5% grade lithium concentrate</b></li> <li><b>Balance of all customer offtake prepayments repaid</b></li> <li>First tantalum sale complete at US\$40/lb</li> </ul>
	Realised price <sup>1</sup> (1Q 2017: US\$542/t) <b>US\$724/t +34%</b>	
	Cash costs <sup>1</sup> (1Q 2017: US\$389/t) <b>US\$393/t +1%</b>	
<b>Development projects</b>	<b>2x SDV production wells complete</b> <i>Initial pump testing exceeds DFS</i>	<ul style="list-style-type: none"> <li><b>Sal De Vida</b> <ul style="list-style-type: none"> <li>Progress on field work and <b>production well drilling</b></li> <li>Relocation and refurbishment of the test plant complete</li> </ul> </li> <li><b>James Bay</b> <ul style="list-style-type: none"> <li>Drilling program progressing, now 65% complete</li> <li>Initial assays from drilling campaign <b>showing excellent results</b></li> </ul> </li> </ul>
	<b>James Bay drilling nearing completion</b> <i>Results expected 3Q 2017</i>	
<b>Corporate</b>	Cash on hand (1Q 2017: A\$40.1m) <b>A\$40.4m +1%</b>	<ul style="list-style-type: none"> <li>1 for 5 share consolidation approved by shareholders</li> <li>Key management hires completed (Alan Rule appointed as CFO)</li> <li>Board strengthened with new non-executive director appointment (Ms Xi Xi)</li> </ul>

<sup>1</sup> Cash costs and realised prices excluding royalties and marketing fees

# Mt Cattlin – Q2 Production Statistics



## Operations now in commercial production with the ramp up and commissioning of the plant completed in late April

- Mining operations **achieved full production levels** during the quarter
  - **Plant recoveries averaged 61% in June** compared with forecast of 50-55%
  - Spodumene production of 14,038t in June (exceeding 160ktpa run rate)
- **Efficiency of the Mt Cattlin plant has continued to improve** driven by:
  - Higher ore feed grades (1.15% for the June quarter)
  - Improved specific gravity controls
  - Stability of the dense media separation (DMS) circuit
- Two shipments of spodumene were made during the quarter
  - **Realised price of US\$724/t** (A\$964/t) before royalties and marketing fees
  - Product grade and specifications **well above contract requirements**
  - All 2016 contract volumes delivered, shipments now priced on 2017 terms of US\$830/t for 5.5% grade, rising to US\$905/t for 6.0% grade
- Average production cash costs were US\$393/t for the quarter impacted by high waste mining volumes, however **June reported cash costs of US\$334/t**
  - Anticipate **unit cash costs will continue to reduce as the operation maintains the 160ktpa annual run rate**
- **Evaluating two options for longer term crushing operations**, including refurbishment and/or contractors, final decision in the September quarter
- Commenced evaluation for an ultra fines DMS circuit, secondary float re-crush circuit and a final product optical sorter targeting an increase of recoveries to 70-75%

### Production & Sales Statistics

Parameter	March Q 2017	June Q 2017	Change (%)
Waste mined (bcm)	143,300	460,850	222%
Ore mined (bcm)	87,922	110,788	26%
Ore mined (wmt)	233,193	303,394	30%
Grade (%)	0.96	1.12	+0.16
Ore treated (wmt)	254,027	331,019	30%
Ore feed grade (%)	1.02	1.15	+0.13
Spodumene produced (dmt)	23,467	32,998	41%
Spodumene sold (dmt)	23,455	30,135	28%
Spodumene grade sold (%)	5.38	5.77	+0.39
Moisture (%) [Spec: <8%]	1.80	2.12	+0.32
Mica content (%) [Spec: <5%]	1.88	1.96	+0.08

# Mt Cattlin – Operations Ramp Up Complete



Recommissioning now complete, operational focus now shifting to plant optimisation, as well as an extensive exploration drilling program

Restart production and plant expansion

- Upgrade and expansion of processing facility
- Commissioning of expanded Mt Cattlin facility
- Recommencement of spodumene production in 4Q 2016

First delivery and 2017 contracting

- 120kt of lithium concentrate contracted to be sold at US\$830/t (FOB, 5.5% Li<sub>2</sub>O, pricing of US\$905/t at 6.0% Li<sub>2</sub>O) for delivery in 2017
- First shipment in January 2017 from Esperance Port

Operational ramp-up, optimisation studies and exploration

- Plant throughput nameplate of 210tph achieved
- Fourth shipment complete – fulfilled 2016 offtake obligations
- Production ramp-up achieved targeted run-rate of 160kt
- Regular monthly shipments scheduled
- Optimisation studies targeting to improve recoveries to 70-75%
- Extensive brownfield and greenfield exploration drilling campaign

Mt Cattlin mining operational ramp-up



Fig. 1: Recommencement of mining operations following engagement of Piacentini & Sons as mining contractor

Fig. 2: Lithium Concentrate loading at Mt Cattlin for transport to the Esperance Port

Fig. 3: Mt Cattlin operations



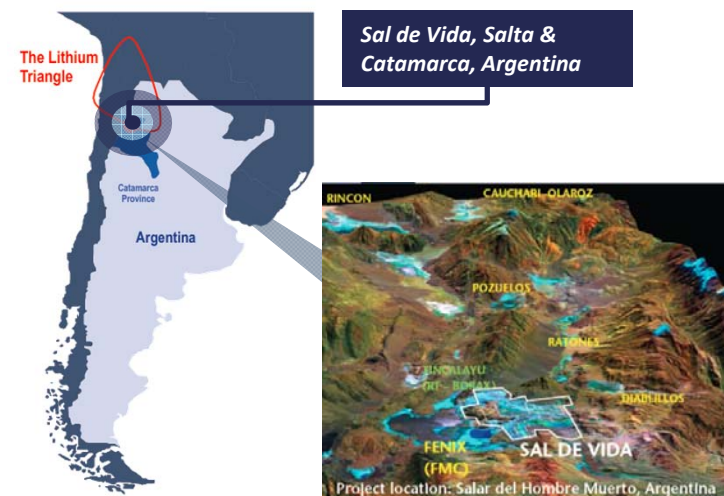
# Sal de Vida – Overview



## One of the world’s largest and highest quality undeveloped brine deposits with significant expansion potential

- A premier lithium and potash brine development project
  - 100% owned by Galaxy and fully permitted
  - Located between Salta and Catamarca Province in Argentina, in an area that is known as the ‘Lithium Triangle’
- Lithium triangle home to >60% of global annual lithium production
  - Sal de Vida located on the same salar as FMC’s Fenix operations
- Revised DFS reaffirms the technical superiority of Sal de Vida and potential for a highly profitable operation
  - Estimated **post-tax NPV<sub>8% real</sub> of US\$1.4bn**
  - Estimated **average annual revenues of US\$354m**
  - Estimated **average operating cash flow of US\$273m pre-tax (US\$182m post-tax)**
- Large mineral reserves to support annual production of 25ktpa of battery grade lithium carbonate and 95ktpa of potash
- Brine projects have the advantages of **lower operational costs and greater ability to expand production facilities**
- Discussions underway with investors, offtakers and potential strategic partners

Location



### Sal de Vida Reserve Estimates

Reserve category	Time period	Tonnes Li total mass	Tonnes equivalent Li <sub>2</sub> CO <sub>3</sub>	Tonnes K total mass	Tonnes equivalent KCl
Proven	1-6	34,000	181,000	332,000	633,000
Probable	7-40	180,000	958,000	1,869,000	3,564,000
<b>Total</b>	<b>40 years</b>	<b>214,000</b>	<b>1,139,000</b>	<b>2,201,000</b>	<b>4,197,000</b>

Source: Revised Sal de Vida DFS – August 2016. Assumes 500mg/L Li cut off

## Completed drilling of the first two production wells and the demo plant preparations are well underway

### Production Well Drilling

- First drill hole for planned production well completed (with pump tests yielding better than expected results with 25 litres per second brine flow, higher than DFS assumption)
- Second drill hole completed to a depth of 300 metres
- Pump test results for second drill hole expected in September quarter*

### Test Plant and Laboratory Construction

- Refurbishing and upgrade of treatment plant (pilot) was recently completed
- Design for temporary construction camp have been completed
- A purpose built laboratory will be deployed to site in the September quarter (to provide real-time testing and support ongoing activities)*
- Final approvals expected in September quarter to commence refurbishment of camp*

### Pre-production Evaporation Ponds

- RFIs have been issued to local service providers to design the pre-production ponds
- Discussions have commenced with major earthwork equipment vendors and contractors

### Funding and Strategic Partners

- Progressed discussions with potential JV partners to an advanced stage
- Currently has ongoing dialogue with a number of potential strategic partners and customers around project financing and offtake solutions*

### North Basin Drill Site



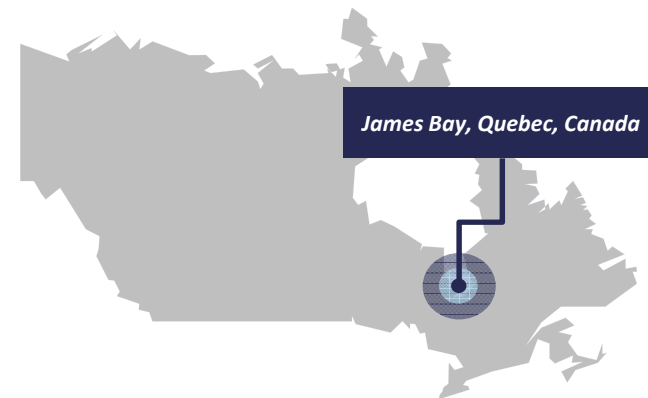
### Test Evaporation Pond



## The project provides a **valuable option for capitalising on long term lithium demand growth**, and the potential to supply the North American market

- Lithium pegmatite project located in James Bay, Québec, Canada and 100% owned by Galaxy
  - Strategically located in a mining friendly jurisdiction with low cost of energy and excellent infrastructure
- Total indicated and inferred resources of 22.2Mt at 1.28% Li<sub>2</sub>O
- Extensive US\$2.6 m exploration and development program commenced in 1Q CY2017
  - New diamond drill program will almost triple the total 14,000m drilled to date on the project
  - Drilling expected to upgrade existing ore resources to reserves, explore identified pegmatites not previously drilled and to further understand resource geology
- Revised DFS, building on suspended 2012 study, to commence shortly
  - DFS work will take advantage of Mt Cattlin experience to draw synergies for engineering and process flow sheet design
  - Upon commencement, ongoing study work expected to be completed in 6 to 9 months
- DFS work will include pilot-plant scale metallurgical testing
  - Metallurgical test work conducted in 2012 produced spodumene grades of 6.53% Li<sub>2</sub>O at a 75% lithium recovery rate
  - Site evaluation study for potential downstream conversion facility in Québec

### Location



### James Bay Resource Estimate

Resource category	Tonnes	Li <sub>2</sub> O %
Indicated	11,750,000	1.30
Inferred	10,470,000	1.20
<b>Total</b>	<b>22,220,000</b>	<b>1.28</b>

Source: Refer Galaxy Resources Announcement (2012.07.05)



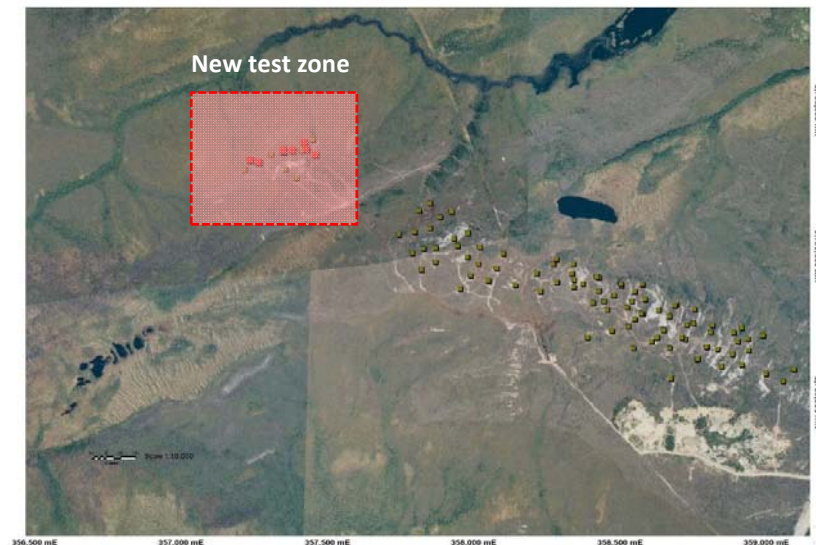
## Drilling at James Bay being undertaken to reinforce the scale of the pegmatite and significant potential for resource increase

### Drilling Results

- 31,000m diamond drilling program was commenced targeting the extension of the existing resource
  - Phase 1 (20,245m) completed in June quarter
  - Phase 2 (10,755m) expected to be completed by the end of July 2017
- Three drill holes discovered two new pegmatite dykes, bringing the total pegmatite swarm at James Bay to 33
- The current ore resource for James Bay (22.2Mt @ 1.28% Li<sub>2</sub>O) dates back to 2010
  - Data from current drilling program will allow for an update to these resources
  - The updated resources will be included in the final feasibility study
- The first ten drill holes of the Phase 1 program returned significant intercepts including:
  - Drill hole JBL17-04, from 73.17m, 38.8m @ 1.65% Li<sub>2</sub>O
  - Drill hole JBL17-08, from 12.85m, 48.1m @ 1.56% Li<sub>2</sub>O
  - Drill hole JBL17-07, from 138.45m, 38.1m @ 1.50% Li<sub>2</sub>O
  - Drill hole JBL17-11, from 118.9m, 48.6m @ 1.64% Li<sub>2</sub>O

Refer to ASX announcement of 27 June 2017 for full details of the drill results

### New and Existing Drill Hole Collars at James Bay



**High grade drilling results expected to increase overall resource grade in upcoming update**

# Competent & Qualified Persons' Statement



## **Competent Person Statement**

### **Sal de Vida**

Any information in this report that relates to the estimation and reporting of the Sal de Vida Project Mineral Resources and Mineral Reserves is extracted from the report entitled "Sal De Vida: Revised Definitive Feasibility Study Confirms Low Cost, Long Life and Economically Robust Operation" created on 22 August 2016 which is available to view on [www.galaxylithium.com](http://www.galaxylithium.com) and [www.asx.com.au](http://www.asx.com.au). The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and that all material assumptions and technical parameters underpinning the Mineral Resources and Mineral Reserves estimates in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

### **James Bay**

The information in this report that relates to the estimation and reporting of the James Bay exploration results is extracted from the announcement entitled "James Bay Update: Drilling Campaign Delivers Thick, High Grade Results" created on 27 June 2017 which is available to view on [www.galaxylithium.com](http://www.galaxylithium.com) and [www.asx.com.au](http://www.asx.com.au). The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and that all material assumptions and technical parameters underpinning the exploration results in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

The information in this report that relates to Mineral Resources at the James Bay Project is based on work completed by Mr James McCann, who is a Member of the Ordre des Geologues du Quebec, a Recognised Overseas Professional Organisation. Mr McCann is a full time employee of Galaxy, and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 edition of the 'Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr McCann consents to the inclusion in the report of the matters based on his information in the form and context it appears. This information was prepared and first disclosed under the JORC Code 2004 and it has not been updated since to comply with JORC code 2012 on the basis that the information has not materially changed since it was last reported.

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