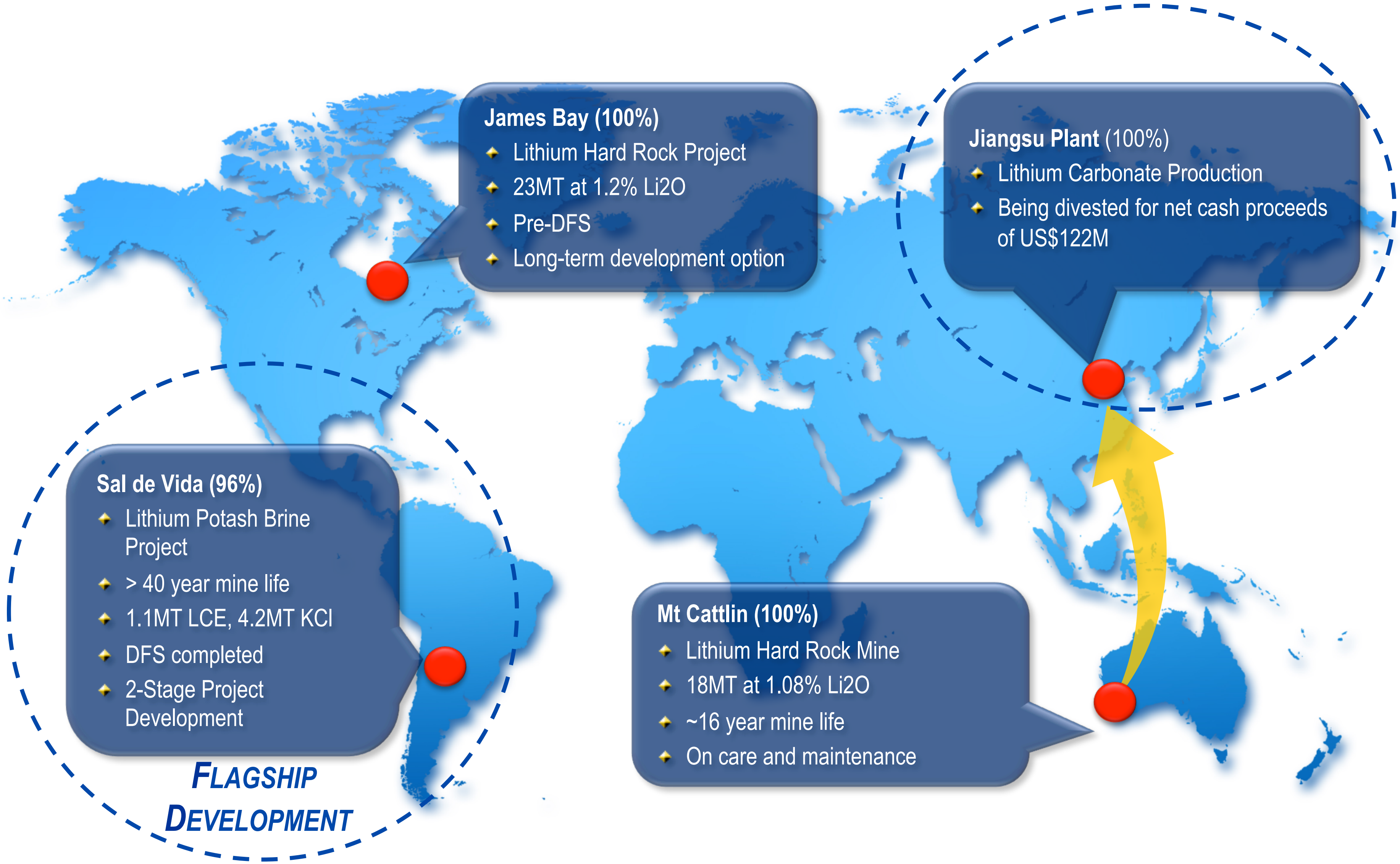

# GALAXY RESOURCES

## COMPANY PRESENTATION

MAY 2014

# Global Lithium Footprint



# COMPANY OVERVIEW

| Capital Structure | |
|---|---|
| Shares On Issue (ASX: GXY) | 1,027M |
| Listed Options (ASX: GXYO)<br>(Expires 2014.12.31, strike price A$0.08) | 662M |
| Unlisted Options<br>(Varying prices, vesting & expiry dates) | 79M |
| Share Price (2014.05.28) | A$0.064 |
| Undiluted Market Capitalization | A$66M |
| Debt* | A$179M |
| Enterprise Value | A$241M |

* *Pre Jiangsu Transaction Completion*

| Major Shareholders | |
|---|---|
| M&G Investments | 11.4% |
| Deutsche Bank* | 8.1% |
| Acorn Capital | 5.8% |
| Creat Resources | 3.7% |
| Fengli Group | 1.9% |
| Private Individual | 1.9% |
| Credit Suisse | 1.7% |
| Cape Bouvard | 1.2% |
| Private Individual | 1.2% |
| BCG | 0.9% |
| Institutional/Strategic | 46.5% |

* *Proprietary position*

# RECENT DEVELOPMENTS – THE LAST 12 MONTHS

- Management change in June 2014, successful Rights Issue – including shortfall placement, raised A$30M+
- Restructuring initiatives at corporate and subsidiary level – reduction of overheads by over 50%
- Renegotiated US$51M of Chinese bank debt – retired US$4M of debt facilities and restructured the remaining debt facilities falling due
- Successfully restructured A$61.5M Convertible Bonds removing the put redemption and extending full maturity to November 2015
- Full changes to Board of Directors implemented November 2013
- Announced divestment and sale of Jiangsu Operations

# THE JIANGSU TRANSACTION

- Trading suspension February 2014 pending major transaction – on 30 April 2014 announced 100% divestment and sale of Jiangsu Plant to Sichuan Tianqi Lithium Industries Inc. ("Tianqi")
- Transaction based on an enterprise value of US$230M, comprising of a initial cash consideration* payable to Galaxy of US$122M and Tianqi assuming all US$108M of Chinese bank debt
- Tianqi is the leading domestic producer of lithium products in China, it holds a significant range of assets in the lithium sector and recently acquired a majority interest in Talison Lithium – it is listed in China and has a market capitalization of US$2B
- Following Tianqi's first shareholder approval, a deposit equivalent to 10% of the cash consideration was paid to Galaxy on 21 May 2014
- Process – Galaxy and Tianqi shareholder meetings scheduled in second half of June, thereafter completion subject to CSRC and other regulatory approval in China

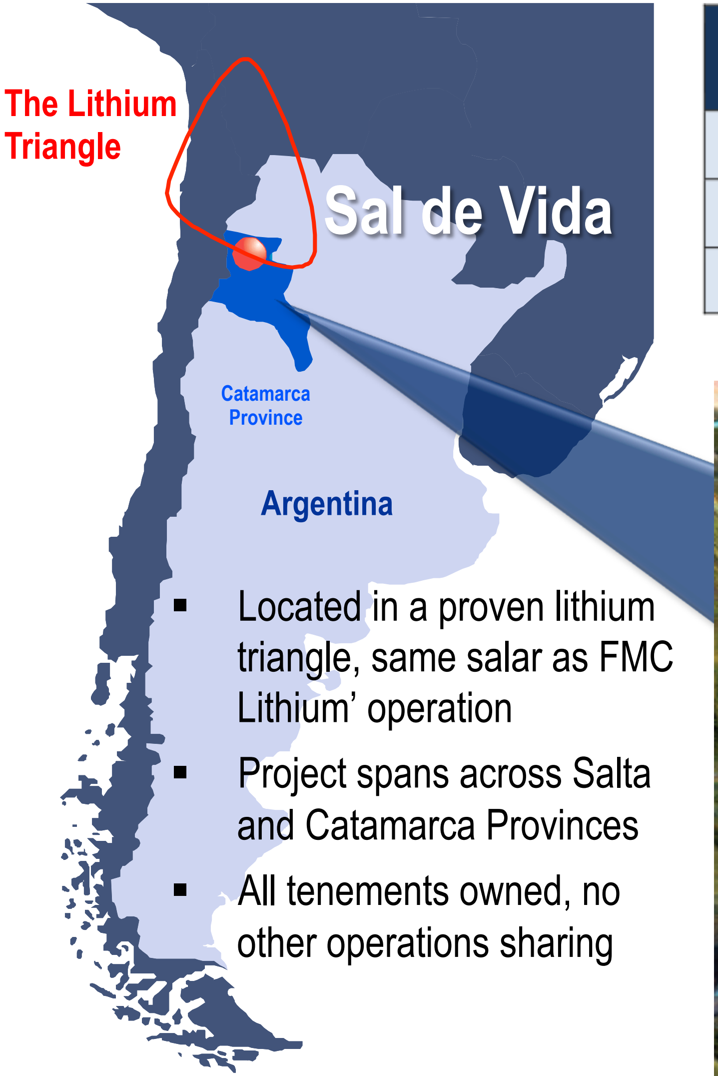
** Subject to transaction completion adjustments*

# POST JIANGSU TRANSACTION PROFORMA ANALYSIS

| Major Shareholders | Audited Position<br>As At 31 December 2013 | Unaudited Proforma Position*<br>As At 31 December 2013 |
|---|---|---|
| Consolidated Total Assets | A$311M | A$274M |
| Net Assets | A$101M | A$199M |
| Gross Cash | A$3M | A$140M |
| ** Assumes same period FX rate* | | |

- Rationale – financial transformation of Galaxy, significantly strengthening balance sheet and allowing the Company to focus on advancing its flagship development project
- Post transaction completion and after deducting all other outstanding corporate interest bearing liabilities, the Company will have a proforma positive net cash position of up to A$62M based on current FX rates
- Galaxy will retain its primary resource assets, while also retaining key know how in technology, processing and marketing

# Sal De Vida – Flagship Development

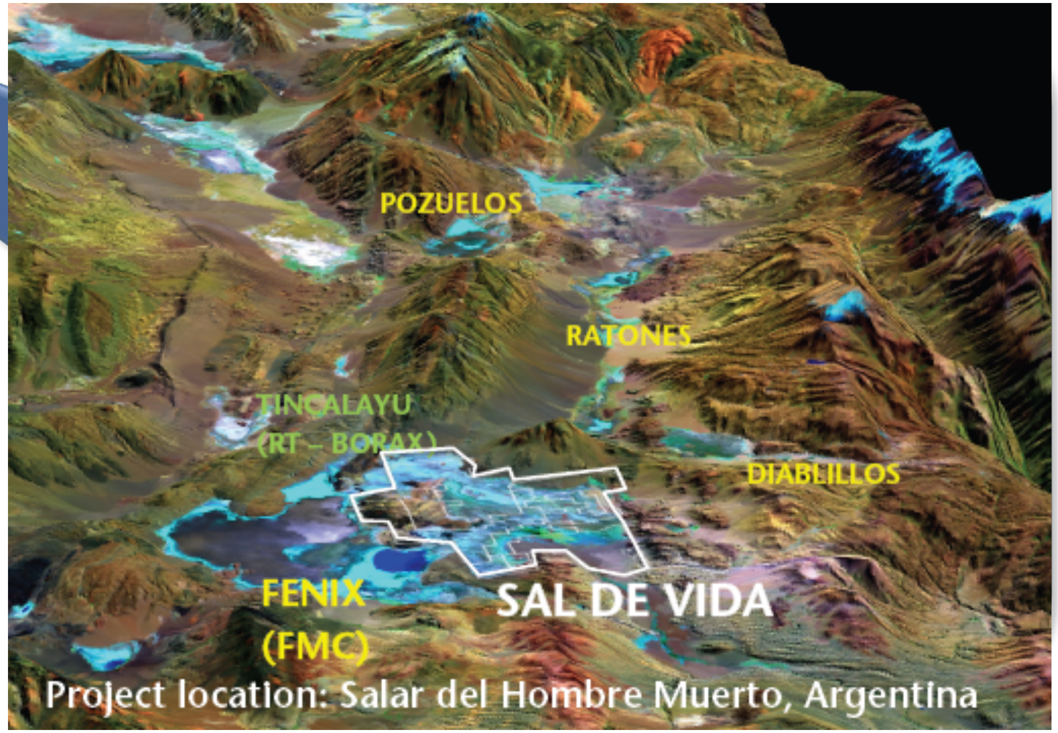



- Located in a proven lithium triangle, same salar as FMC Lithium' operation
- Project spans across Salta and Catamarca Provinces
- All tenements owned, no other operations sharing

**Proven & Probable Reserve Statement – April 2013**

| Reserve Category | Time Period (Years) | Tonnes Li Total Mass | Tonnes Equivalent $Li_2CO_3$ | 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 |
| Total | 40 years total | 214,000 | **1,139,000** | 2,201,000 | 4,197,000 |

Note: Assumes 500 mg/L Li cut off



# SAL DE VIDA – A HIGH QUALITY RESOURCE

| | Galaxy<br>Sal De Vida | Project A | Project B |
|---|---|---|---|
| **Resource/Reserve** | 7.2MMT LCE<br>28.8MMT KCl | 6.4MMT LCE<br>19.9MMT KCl | 11.8MMT LCE<br>35.3MMT KCl |
| **Reserve** | 1.1MMT LCE<br>4.2MMT KCl | Reserve Not Disclosed | 2.7MMT LCE<br>8.0MMT KCl |
| **Grade/Chemistry** | 810mg/l Li<br>9,100mg/l K<br>11.2 K/Li ratio<br>12.1 $SO_4$/Li ratio<br>2.4 Mg/Li ratio | 774mg/l Li<br>6,227mg/l K<br>8.0 K/Li ratio<br>24.4 $SO_4$/Li ratio<br>2.6 Mg/Li ratio | 666mg/L Li<br>5,401mg/L K<br>8.1 K/Li ratio<br>28.5 $SO_4$/Li ratio<br>2.4 Mg/Li ratio |
| **Capacity** | 25ktpa LC, 95ktpa KCl | 16.4ktpa LC, 10/20ktpa KCl | 20ktpa LC, 40ktpa KCl |
| **CAPEX** | 369M/14,760 per T | 206.7M/12,603 per T | 313.8M/15,688 per T |
| **Well Fields** | 20 wells - southwest field<br>30 well - eastern well field | Not Stated | 21 wells initial phase<br>23 wells phase 2 |
| **Tenements** | Owned<br>No Other Operations | Owned<br>Mixed with Project B Properties | Owned<br>Mixed with lease from Project A |
| **Jurisdiction** | Catamarca/Salta | Jujuy | Jujuy |

# SAL DE VIDA – ADVANCING THE PROJECT

| | Previous DFS April 2013 | Target DFS Revisions For Phase I |
|---|---|---|
| Lithium carbonate production (TPA) | 25,000 | 6~10,000 |
| Potash production (TPA) | 95,000 | TBD |
| Estimated capital costs (US$M) | 369 | 100~120 |
| Estimated operating costs (US$/t $Li_2CO_3$) | 2,200 | |

- Revision of project development plan, now to be phased into 2 stages – with Phase I of up to 10,000TPA LC production capacity and Phase II taking the project to the DFS specified 25,000TPA
- Capital cost of first phase to be scaled to US$100~120M, assuming 70/30 debt/equity financing, project scale and financing manageable, equity component covered by future cash
- Galaxy currently owns 96% of project – potential strategic JV partner
- Permitting – environmental approvals for the whole project in final stages of review
- Phase I development plan – targeting advancement of project into production in 2017

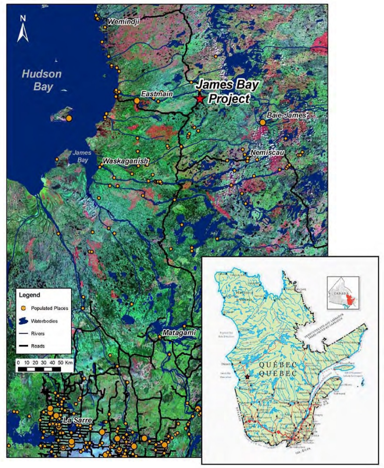
# Mt Cattlin & James Bay

## Mt Cattlin

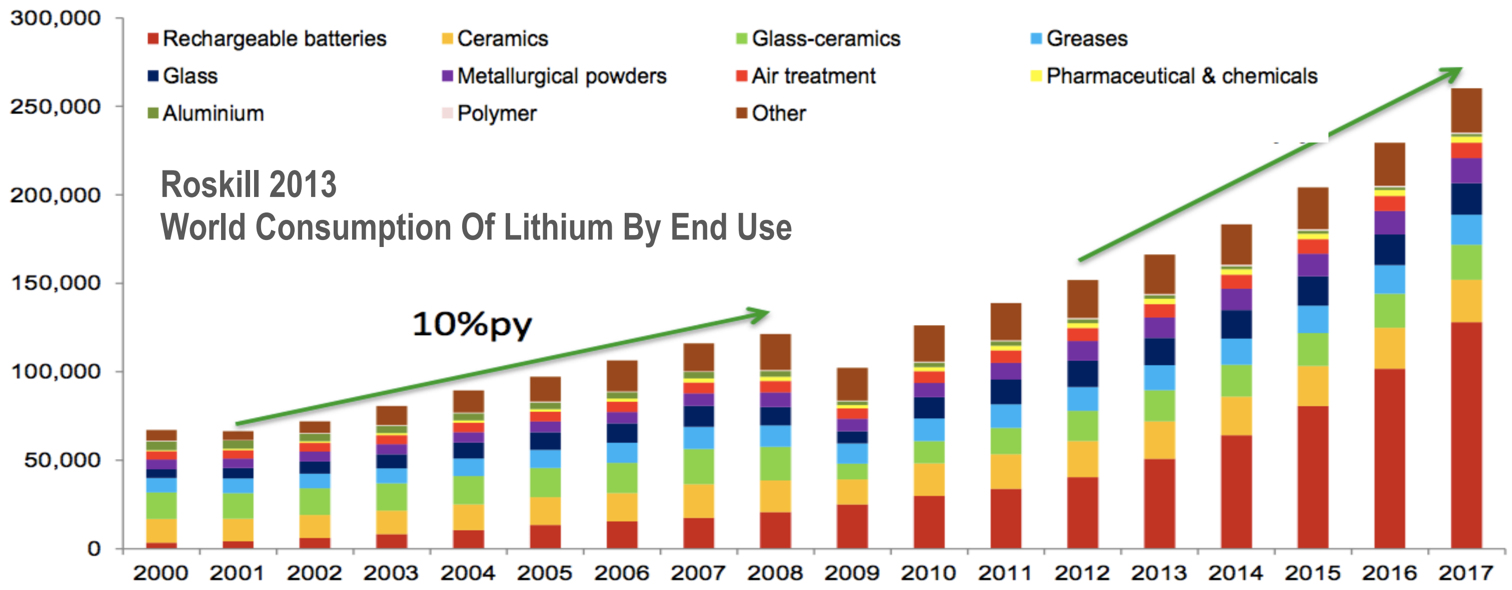
- Resource of 18mt at 1.08%  Li2O
- Mine life of ~16 years
- Currently on care and maintenance

## James Bay

- Lithium Hard Rock/Spodumene Project
- Located in James Bay – Quebec, Canada
- 100% Ownership
- Resource of 23.2mt at 1.2% grade



# LITHIUM MARKET OVERVIEW




| Compound - MT LCE | 2011 | 2015 | 2020 |
|---|---|---|---|
| | | | |
| Lithium Carbonate | 68,445 | 95,068 | 149,743 |
| Lithium Hydroxide | 25,824 | 49,889 | 99,297 |
| Lithium Concentrate | 19,229 | 25,683 | 31,393 |
| Other Lithium Compounds | 26,557 | 34,092 | 47,310 |
| | | | |
| **Total Demand** | **140,055** | **204,732** | **327,743** |

Source: SignumBox

- Lithium demand continues to be robust
- Ongoing consumption in consumer electronics, increasing adoption in automotive and other energy storage applications

# OUTLOOK

- Completion of Jiangsu transaction
  - Shareholders approvals around 3rd week of June
  - China regulatory approvals to follow
- Advancing Sal de Vida
  - Confirm environmental approvals
  - Finalize strategic partnership and project financing
- Continue to evaluate strategic options for Mt Cattlin and James Bay
- Maintain focus on financial discipline

# Competent & Qualified Persons' Statement

**Mt Cattlin**

The information in this report that relates to Mineral Resources and Exploration Results is based on information compiled by Mr Robert Spiers who is a full time employee of Hellman and Schofield Pty Ltd and Dr Mike Grigson who is a full time employee of Arc Minerals. Mr Spiers and Dr Grigson have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity they are undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Spiers and Dr Grigson consent to the inclusion in the report of the matters based on their information in the form and context in which it appears.

The information in this report that relates to Mineral Ore Resources is based on information compiled by Mr Roselt Croeser who is a full time employee of Croeser Pty Ltd. Mr Croeser has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity they are undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Croeser consents to the inclusion in the report of the matters based on their information in the form and context in which it appears.

**James Bay**

**Competent Person**

The information in this report that relates to Mineral Resources for the James Bay project is based on work completed by Mr. Sébastien Bernier, who is a Member of a Recognised Overseas Professional Organisation. Mr Bernier is a full time employee of SRK Consulting (Canada) Inc. and has sufficient experience which is relevant to the style of minerlisation 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 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Bernier consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

**National Instrument 43-101 - Qualified Person**

The mineral resources for the James Bay project are reported in accordance with National Instrument 43-101 and have been estimated in conformity with generally accepted CIM "Estimation of Mineral Resource and Mineral Reserves Best Practices" guidelines. Resource evaluation work was completed by Mr. Sébastien Bernier, P.Geo (OGQ#1034, APGO#1847) an independent Qualified Person as defined by NI 43-101. Mr. Bernier has read and approved the content of this news release. A Technical Report compliant with NI 43-101 standards describing the resource estimation was filed on SEDAR within 45 days of its release.

# COMPETENT & QUALIFIED PERSONS' STATEMENT

**Sal de Vida**

Competent Persons

The information in this report that relates to Mineral Resources for the Sal de Vida lithium project is based on work completed by Mr. Michael Rosko, who is a Member of the Society of Mining, Metallurgy and Exploration Inc a Recognised Overseas Professional Organisation. Mr. Rosko is a full time employee of E. L. Montgomery and Associates and has sufficient experience which is relevant to the style of minerlisation 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 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr. Rosko consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

National Instrument 43-101 - Qualified Person

The mineral resources for the Sal de Vida lithium project project are reported in accordance with National Instrument 43-101 and have been estimated in conformity with generally accepted CIM "Estimation of Mineral Resource and Mineral Reserves Best Practices" guidelines. Resource evaluation work was completed by Mr. Michael Rosko, P.Geo (Arizona 25065, Texas 6359, California 5236) an independent Qualified Person as defined by NI 43-101. Mr. Rosko has read and approved the content of this news release. A Technical Report compliant with NI 43-101 standards describing the resource estimation was filed on SEDAR within 45 days of its release.

# CAUTION REGARDING FORWARD LOOKING INFORMATION

This document contains forward looking statements concerning the projects owned by Galaxy. Statements concerning mining reserves and resources may also be deemed to be forward looking statements in that they involve estimates based on specific assumptions.

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