



# **GALAXY RESOURCES LIMITED**

## **Investor Presentation**

August 2016

ASX: GXY

# Company Highlights



- One of the premier **global lithium opportunities** with existing production and a world class asset development pipeline
- Acquisition of General Mining has positioned Galaxy as a **major global supplier of high quality lithium**
- Diversified project portfolio with **hard rock and brine based lithium assets** across Australia, Argentina and Canada
- **Restarting operations at Mt Cattlin with expanded capacity**, offtake secured with **US\$13.5m prepayments received**
- **Revised DFS at flagship Sal De Vida Project in Argentina** supports low cost, long life project with robust economics
- Highly credentialed Management and Board with a **strong network of downstream and end-user customers in the global lithium markets**
- Robust lithium macro trends with **surging demand from lithium ion battery applications** and a lagged supply-side response

*Mt Cattlin Operations – Australia*



*En route to Sal de Vida lithium project – Argentina*



## An emerging global lithium business with leading institutional shareholders and a recent addition to the S&P All Ordinaries Index

### Financial Information (2016.08.29)

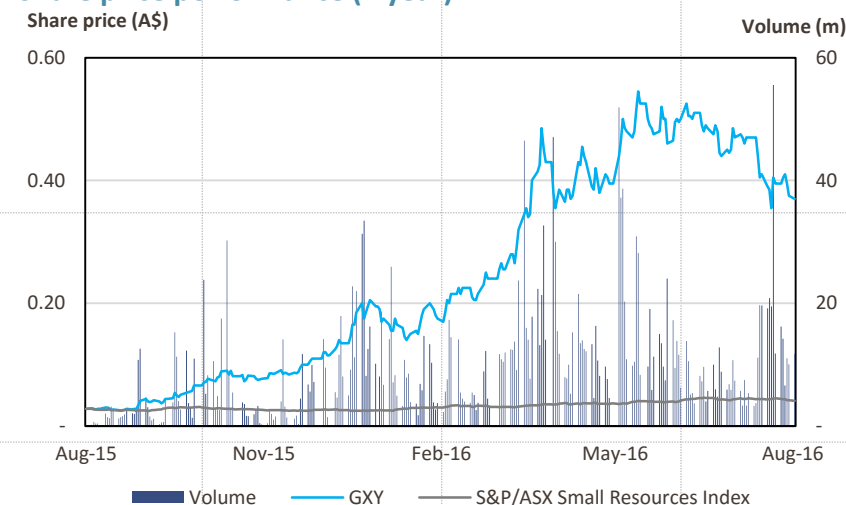
|                                                 |                    |
|-------------------------------------------------|--------------------|
| Share price                                     | A\$0.37            |
| 52 week high / low                              | A\$0.024 / A\$0.58 |
| Number of shares (undiluted) <sup>1,2,3,4</sup> | 1,788m             |
| <b>Market Capitalisation</b>                    | <b>A\$661.6m</b>   |
| Proforma cash <sup>5</sup> (30-Jun-16)          | A\$6.8m            |
| Proforma debt (30-Jun-16)                       | A\$31.0m           |
| Proforma net debt (30-Jun-16)                   | A\$24.2m           |
| <b>Enterprise Value</b>                         | <b>A\$685.8m</b>   |

Source: IRESS

Notes:

- 1 Excludes 27.1m unlisted options on issue at various vesting and expiry dates with exercise prices between A\$0.03 and A\$1.16
- 2 Excludes 24.8m unlisted options issued to Non Executive Director Michael Fotios, with an exercise price range of A\$0.048 – A\$0.075 and expiry date range of 21 September 2017 – 21 September 2018
- 3 Excludes 21.9m share appreciation rights
- 4 Excludes 13.9m exchangeable and special voting shares
- 5 Includes cash reserve from debt facility

### Share price performance (1 year)



### Top Shareholders (2016.08.17)

|                                | %     |
|--------------------------------|-------|
| Board and Management           | 6.9%  |
| Paradice Investment Management | 4.4%  |
| Top 20 shareholders            | 36.4% |

# Recent Operational and Corporate Achievements

**Numerous operational and corporate achievements over the last 12 months have positioned Galaxy as the leading ASX-listed lithium exposure**

## Operational Achievements

### October 2015

Sales & Distribution Agreement with Mitsubishi for spodumene offtake from Mt Cattlin

### March 2016

Binding offtake agreements signed with major Chinese customers for 60kt (2016) and 120kt (2017) of spodumene

### March 2016

Mining and processing operations recommenced at Mt Cattlin

### May 2016

First final offtake signed with Chinese customer and US\$9m prepayment received

### July 2016

Second final offtake agreement signed with Chinese customer and US\$4.5m prepayment received

### August 2016

Revised DFS for Sal De Vida completed, highlighting significantly improved project economics compared to original 2013 DFS

2015

2016

## Corporate Achievements

### September 2015

Definitive Agreement with General Mining; Galaxy to retain 50% of Mt Cattlin and earn A\$25m

### November 2015

Completed buyback at a A\$4.2m discount and settlement of Convertible Bonds

### November 2015

Closed new 3-year secured debt financing for A\$31m

### March 2016

Entry into S&P/ASX All Ordinaries Index

### May 2016

Takeover offer for General Mining with unanimous support from Galaxy and General Mining boards

### August 2016

Galaxy closed its takeover offer of General Mining after reaching the 90% acceptance threshold and lodging a compulsory acquisition notice for all outstanding shares not accepted at the close date

With a portfolio of both hard rock and brine based lithium assets, Galaxy is also **well networked with key customers in the Asian lithium market**

**James Bay, Quebec, Canada  
– Hard Rock**

- 100% owned
- Lithium hard rock development
- 23Mt at 1.2% Li<sub>2</sub>O
- Targeting to recommence work on DFS at end of 2016

**Sal de Vida, Salta &  
Catamarca, Argentina –Brine**

- 100% owned
- Lithium and potash brine project, 1.1Mt LCE, 4.2Mt KCl
- Formal revision of DFS completed in Q3 2016
- Formation of Owners Team
- Offtake discussions

**Mt Cattlin, WA, Australia –  
Hard Rock**

- 100% owned following acquisition of General Mining
- Lithium and tantalum mining & processing operations restarted in Q1 2016
- 16Mt at 1.08% Li<sub>2</sub>O and 5.7Mlbs Ta<sub>2</sub>O<sub>5</sub>
- Throughput capacity expanded to 1.6Mtpa

**Lithium value-added  
production heavily  
concentrated in Asia**

- 88% of global capacity based in Asia
- China produces >50% of global lithium cathodes
- China leading global growth in volume of new energy vehicle sales, Japan and Korea driving technology advances in lithium batteries
- Galaxy is uniquely positioned with existing relationships with lithium converters, downstream material manufacturers and battery end users

## Galaxy is the only pure play ASX lithium producer/developer with **both hard rock and brine based lithium assets**

- A diversified project portfolio provides for strong margin performance irrespective of lithium demand and pricing cycles
  - In a high price environment (expected until a supply/demand rebalance can occur, which appears quite far away) Galaxy makes good margins at Mt Cattlin, and Sal De Vida is expected to be highly profitable
  - In a softer price environment brine assets are protected due to the superior low cost of operations
- Mt Cattlin is able to **rapidly respond to market demand with the capability to swiftly ramp up production**
- Sal De Vida provides **robust protection against lithium carbonate price changes** due to the high margins and low opex associated with brine relative to hard rock
- **Galaxy also has a more attractive ownership position than many of its peers;** with 3 wholly owned projects,
- **Cash flows from Mt Cattlin to deliver strong financial support** during the development stage of Sal de Vida

### ASX lithium projects in development

| Company (code)          | Project                  | Ownership | Type      | Stage                |
|-------------------------|--------------------------|-----------|-----------|----------------------|
| Galaxy (GXY)            | Mt Cattlin               | 100%      | Hard rock | Production           |
|                         | Sal De Vida              | 100%      | Brine     | Revised DFS released |
|                         | James Bay                | 100%      | Hard rock | DFS pending          |
| Mineral Resources (MIN) | Mt Marion                | 43%       | Hard rock | Construction         |
| Orocobre (ORE)          | Olaroz                   | 67%       | Brine     | Production           |
| Pilbara Minerals (PLS)  | Pilgangoora <sup>1</sup> | 100%      | Hard rock | PFS released         |
| Neometals (NMT)         | Mt Marion                | 14%       | Hard rock | Construction         |
| Altura Mining (AJM)     | Pilgangoora <sup>1</sup> | 100%      | Hard rock | PFS released         |
| European Metals (EMH)   | Cinovec                  | 100%      | Hard rock | Scoping study        |

Notes:

<sup>1</sup> Pilbara Minerals' and Altura Mining's Pilgangoora projects are unrelated

## Mining and processing operations coming online in a robust market for lithium, in terms of pricing and demand

- Mt Cattlin is a **spodumene** (lithium concentrate) and **tantalum** mining operation, located in Ravensthorpe, Western Australia
  - 100% owned by Galaxy
- **Only new lithium mine to begin production, globally**, since the recent large and sustained increases in lithium prices
- Improved flow sheet design and upgraded process equipment driving substantial **efficiency gains and higher product quality**
  - Expanded throughput capacity of 1.6Mtpa
  - Low mica content
  - Targeting initial 50%+ recovery and aiming for 70%+ after optimisation is complete
- **Significant expected cash flows to Galaxy** from Mt Cattlin with initial offtake prepayments (US\$13.5m) received
  - 2017 production guidance **c. 120kt – 150kt spodumene**
  - **High margin operation** with current operating costs
  - Cash flows will be utilising A\$214m in unused tax losses
  - **Further revenue upside** from tantalite production

Location



Mt Cattlin operations



## Significant underlying cash flow generation from Mt Cattlin to assist in continued project expansion and development

- Project metrics substantially enhanced due to **continued improvement in lithium economics**
  - Increased project revenues and improved production margins as a result of robust lithium pricing environment
  - Overall cost of mining operations also reduced now as part of industry trend and improved flow sheet design
  - Combined with rising demand for lithium, all resulting in attractive economics for Mt Cattlin
- Major Chinese **customers established for spodumene offtake** which is the preferred feedstock for lithium converters
  - ✓ 45,000 tonnes sold for 2016 delivery at US\$600/t
  - ✓ **US\$13.5m upfront prepayment received for 2016 volumes**
  - ✓ Commitments to purchase 120,000 tonnes in 2017
  - ✓ 2017 pricing to be finalised in Q4 2016, referencing downstream lithium product pricing
- Independent spodumene producer – **production is not controlled by a downstream lithium converter or trader**

*Mt Cattlin mining operations*



### Resource and production capacity<sup>1</sup>

| Resource category   | Tonnes            | Li <sub>2</sub> O % | Ta <sub>2</sub> O <sub>5</sub> ppm |
|---------------------|-------------------|---------------------|------------------------------------|
| Measured            | 2,540,000         | 1.20                | 152                                |
| Probable            | 9,534,000         | 1.06                | 170                                |
| Inferred            | 4,343,000         | 1.07                | 132                                |
| <b>Total</b>        | <b>16,416,000</b> | <b>1.08</b>         | <b>157</b>                         |
| Production capacity | 1.6Mtpa           |                     |                                    |

Source: General Mining Announcement (2015.08.04)

Note:

- 1 Galaxy understands that all material assumptions underpinning the production target and financial information set out in the General Mining announcement released continue to apply and have not materially changed

# Mt Cattlin – Restarting Operations



## Binding spodumene offtake agreements signed with operations restarted and plant optimisation currently underway

### Operations restart

#### End of Q1 2016:

Mining and processing operations restarted at the end of Q1 2016

#### 2016 Ongoing:

Accelerated ramp-up period post restart of production

- Processing circuit commissioned and operating successfully
- First tantalum production achieved in May
- Ongoing optimisation of course and fine circuits, completing installation of reflux classifier circuit for mica removal
- Completed extraction of 130kt of material from tailings dam
- Capacity expansion targeted at a throughput rate of up to 1.6Mtpa (from 2016 base case of 800ktpa)

### Plant optimisation

### Resource development

#### Post initial ramp up:

Diamond drilling commenced for further resource development

#### Mt Cattlin mining operational ramp-up



**Fig. 1:** Front end loader tipping on to Feeder 07, bypassing the crushing circuit

**Fig. 2:** Discharge undersize from Feed Prep Screen transferred to the Spirals building (yellow arrow), oversize discharged on to CV07 (red arrow)

**Fig. 3:** Stockpiling of feed for DMS circuit after tantalum removal



## 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
  - 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**
  - Potential to generate **average annual revenues of US\$354m**
  - Potential to generate **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 offtakers and potential strategic end users

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

## Revised DFS confirms low cost, long life and economically robust operation, with substantially improved economics compared to original study

- There were a number of catalysts for revised DFS that have culminated in substantially improved project economics
- Improved lithium carbonate pricing environment
  - Base case price range of US\$11,000/t to US\$13,911/t
  - Comparatively, the 2013 DFS assumed a base case price range of US\$5,895/t to US\$6,895/t
- Recent macro-economic/policy changes in Argentina
  - Elimination of export duties
  - Annual incentive rebate equivalent to 5% of  $\text{Li}_2\text{CO}_3$  export revenues due to operating in the Puna region
- Revised operating costs include updated prices and transportation costs for reagents, reduction of manpower and revision of transportation strategies for personnel and product/material onsite and out of the plant
  - Revised operating costs estimated to be US\$3,369/t before potash credits and US\$2,959/t after credits
- Option to defer capital investment on potash plant and related infrastructure, potential saving of US\$34m

### Definitive Feasibility Study Financials Comparison

| Item                                                    | August 2016 <sup>1</sup> | April 2013 <sup>2</sup> | Change (%)                         |
|---------------------------------------------------------|--------------------------|-------------------------|------------------------------------|
| Lithium Carbonate Production                            | 25,000tpa                | 25,000tpa               | -                                  |
| Potash Production                                       | 95,000tpa                | 95,000tpa               | -                                  |
| Project Life                                            | > 40 years               | > 40 years              | -                                  |
| Capital Costs <sup>3</sup>                              | US\$376m                 | US\$369m                | +2%                                |
| Operating Costs                                         | US\$3,369/t LC           | US\$2,889/t LC          | +17%                               |
| Internal Rate Of Return (post-Tax)                      | 34.6%                    | 19%                     | +16% (absolute)<br>+82% (relative) |
| Payback period (post-tax)                               | 2 years<br>10 months     | 4 years<br>7 months     | Less 1 year<br>9 months            |
| Average Annual Revenues <sup>4</sup>                    | US\$354m                 | US\$160m                | +121%                              |
| NPV <sub>8% real</sub> (post-Tax)                       | US\$1,416m               | US\$565m                | +151%                              |
| NPV <sub>10% real</sub> (post-Tax)                      | US\$1,043m               | US\$380m                | +174%                              |
| <b>NPV<sub>8% real</sub> (post tax) @ AUD/USD 0.75</b>  | <b>A\$1,888m</b>         | <b>A\$753m</b>          | <b>+151%</b>                       |
| <b>NPV<sub>10% real</sub> (post-tax) @ AUD/USD 0.75</b> | <b>A\$1,391m</b>         | <b>A\$506m</b>          | <b>+174%</b>                       |

#### Notes:

1. Original DFS released 12 April 2013
2. Revised DFS released 22 August 2016
3. Inclusive of capital costs associated with the potash production facility
4. Pricing scenarios assume the following ranges throughout the life of the project for battery grade lithium carbonate and potash:  $\text{Li}_2\text{CO}_3$  – US\$11,000 to US\$13,911 and KCl US\$220 flat

# Sal de Vida - Capital Cost Breakdown



## Capital expenditure estimates remains relatively similar to 2013 DFS figure with similar production facility and rate assumptions

### Revised DFS Capital Costs

| Cost item                                     | US\$m      | %          |
|-----------------------------------------------|------------|------------|
| <b>Direct costs</b>                           |            |            |
| General                                       | 7          | 2%         |
| Brine extraction wells                        | 27         | 7%         |
| Evaporation & liming ponds                    | 89         | 24%        |
| Li <sub>2</sub> CO <sub>3</sub> process plant | 63         | 17%        |
| KCl process plant                             | 25         | 7%         |
| Reagents                                      | 7          | 2%         |
| On site infrastructure                        | 53         | 14%        |
| Supporting buildings & sanitary treatment     | 4          | 1%         |
| Off site infrastructure                       | 5          | 1%         |
| Transfer station                              | 1          | 0%         |
| <b>Direct costs subtotal</b>                  | <b>281</b> | <b>75%</b> |
| <b>Indirect costs</b>                         |            |            |
| <b>Indirect costs subtotal<sup>1</sup></b>    | <b>61</b>  | <b>16%</b> |
| <b>Contingency</b>                            | <b>34</b>  | <b>9%</b>  |
| <b>Total capital expenditure</b>              | <b>376</b> |            |

- Capital expenditure US\$375.5m is US\$6.5m higher than the 2013 DFS figure of US\$369m
- Improved project **NPV<sub>8% real</sub> now US\$1,416m** vs. US\$565m, representing a **151%** increase; IRR also improved by **82%** (relative)
  - Capital expenditure is a **0.27x** multiple of project NPV<sub>8% real</sub> and **0.36x** multiple project NPV<sub>10% real</sub>
  - Comparatively, capital expenditure multiples were 0.65x and 0.97x NPV<sub>8% real</sub> and NPV<sub>10% real</sub> in the 2013 DFS
- Assumed 2.5 year construction period, with a 1 year deferred window to build the potash plant
  - Capital cost that relates to the potash plant and associated infrastructure is estimated at US\$34m
- Ramp up to 25ktpa production capacity of a 3 year period

#### Notes:

- Indirect costs include engineering EPCM, commissioning, owner's cost, spare parts, transportation and chemicals initial load

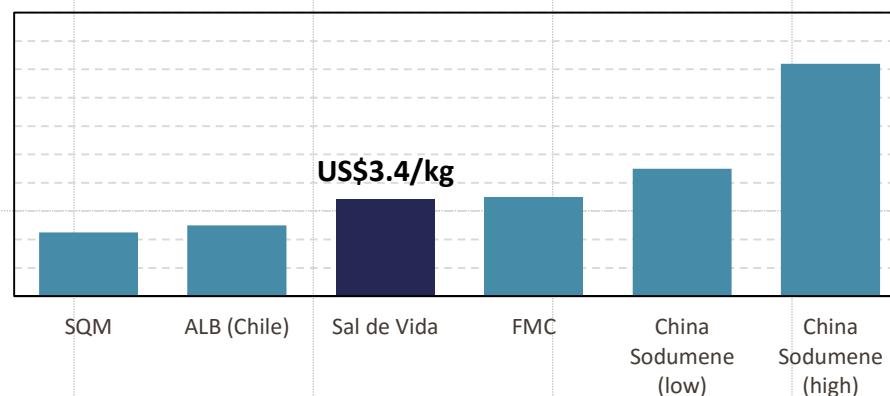
# Sal de Vida – Competitive Cost Position



## The premier lithium development globally, with a competitive cost position and one of the world's best brine chemistry and impurity profiles

- **Leading brine chemistry that will produce 100% battery quality lithium carbonate**
  - Low magnesium (Mg), a low Mg/Li ratio reduces costs and yields higher quality end product
- **Very competitive positing on the lithium producer cost curve, even with no potash credits assumed**
  - High potassium yields significant potash credits, reducing operating costs
- **Sal de Vida will adopt conventional approach with evaporation ponds and processing**
- **SQM produces lithium as a by-product and thus some brine costs are charged to potash**
- **The processing of brine at Sal de Vida, SQM and ALB is similar with some adjustments in processing steps due to different brine composition**
  - FMC has a different brine processing technology

Estimate Sal de Vida vs. brine and hard rock competitors (US\$/kg)<sup>1</sup>



Source: Company estimates

### Sal de Vida resource and brine chemistry

|                 |                                                                                                   |
|-----------------|---------------------------------------------------------------------------------------------------|
| Resource        | 7.2Mt LCE ( <i>lithium carbonate</i> )<br>28.8Mt KCl ( <i>potassium chloride</i> )                |
| Reserve         | 1.1Mt LCE<br>4.2Mt KCl                                                                            |
| Grade/Chemistry | 810mg/l Li<br>9,100mg/l K<br>11.2 K/Li ratio<br>12.1 SO <sub>4</sub> /Li ratio<br>2.4 Mg/Li ratio |

**Potassium/lithium ratio provides for potash credits**

**Low magnesium/lithium ratio yields higher quality end product**

Notes:

1. China low assumes cash cost of Talison, plus transportation and best China conversion costs

# James Bay – Overview



The project provides a **valuable option for capitalising on long term lithium demand growth**, potential future supply to North American markets

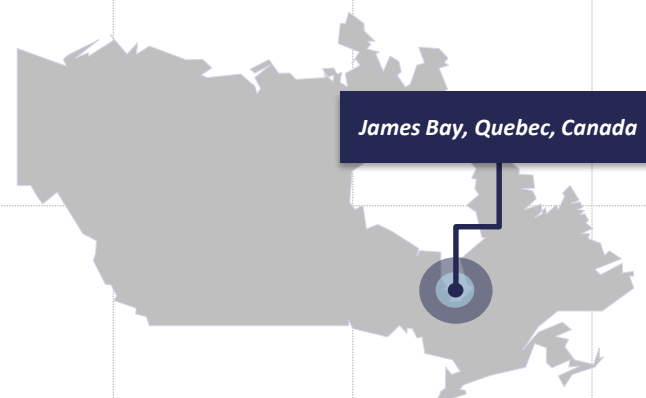
- Lithium pegmatite project located in James Bay, Quebec Province, Canada
  - Strategically located in a mining friendly jurisdiction with a low cost of energy and good infrastructure
- 100% owned by Galaxy
- Recommence DFS work at the end of 2016
  - Will take advantage of Mt Cattlin experience to draw synergies for engineering and process flow sheet design
- Total indicated and inferred resources are 22.2Mt at 1.28% Li<sub>2</sub>O
  - Further drilling program to be used to expand current JORC resources

## 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: Galaxy Resources Announcement (2012.07.05)

*Location*



*James Bay earth moving equipment*



## Multiple catalysts should support a sustained market re-rating

### **MT CATTLIN**

*Production & ramp up*

- Focus on production ramp up, processing optimisation and first delivery
- Lithium offtake for 2017 contracts to be negotiated at increasingly favourable lithium prices

### **SAL DE VIDA**

*Offtake and project financing*

- Formal DFS revision complete reflecting improved project economics
- Formation of owner's team, discussions with offtakers & strategic end user alliances
- Commencing project financing evaluation and discussions

### **MACRO**

*Robust lithium demand*

- Favourable economics and accelerating demand growth for lithium, driven by increase in new energy vehicle sales worldwide with large volumes led by China
- Significant tightening of supply side, both in lithium carbonate and concentrate feedstock, entering into period of significant price increase

### **CORPORATE**

*Integration of General Mining*

- General Mining takeover now complete and operations now being integrated into Galaxy, consolidates 100% ownership across all project globally
- Recent addition to S&P/ASX All Ordinaries with potential for future index inclusion

## APPENDIX

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### Lithium Market and Galaxy Board

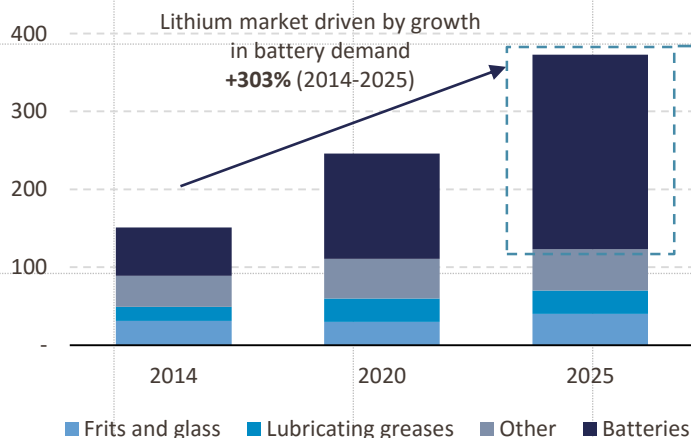
# Growth In Lithium Demand Is Accelerating



## Market demand for lithium products continues to be very strong with increasing demand from the growing transport and energy storage sectors

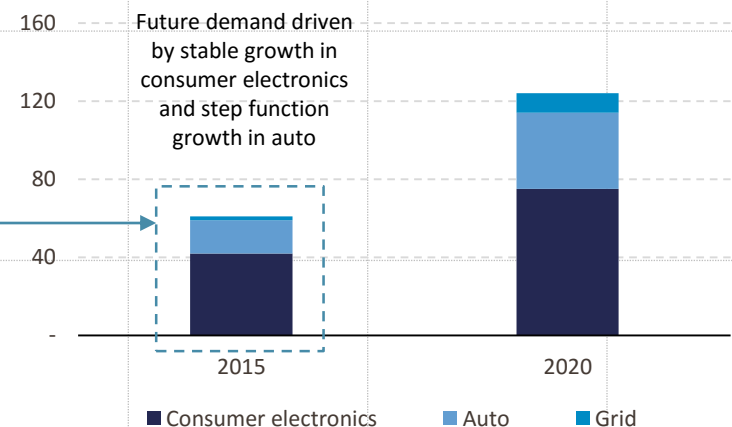
- **Strong growth in lithium battery demand** over the next decade, driven by:
  - ↑ Continued increase in **demand for lithium battery powered devices** (*consumer and portable electronics continuing to grow*)
  - ↑ Increase in **demand for more advanced lithium batteries** (*higher energy density in each generation of new devices*)
  - ↑ Growth in **hybrid and electric vehicles, mass energy storage systems** (*lithium batteries becoming the preferred technology*)
- Lithium market **projected CAGR of 10-12% annually**, compounded through to 2020
- Lithium market growth driven by a combination of new end-use markets (e.g. electric vehicles and mass energy storage) and the compounding multiplier effect of growth in existing lithium products (e.g. smart phones and tablets)

Forecast lithium demand by application (Mt)



Source: signumBOX estimates, CEMAC 2015

Lithium battery demand by application (GWh)

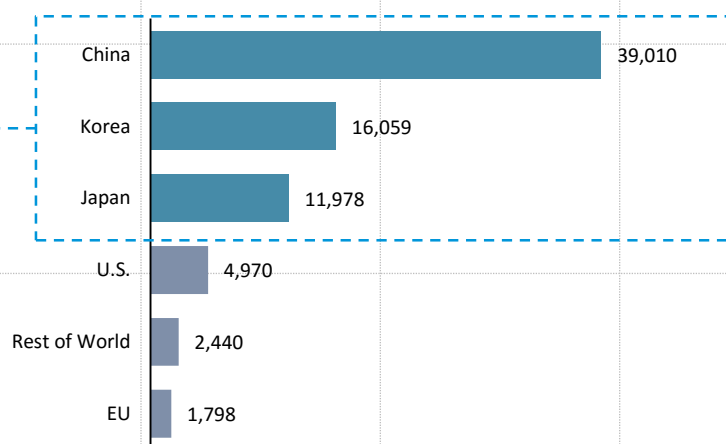


## Significant tightening of available supply of lithium carbonate – continued rapid growth in demand from battery and energy storage segments

- China continues policy push in renewable energy – expansion of generation capacity, electrification of transportation, and the like
  - Record breaking year for new energy (xEV) vehicle sales, over 379k units sold and projected at 500k+ units for 2016
- Over 70% of LCE production in China is reliant on spodumene supply from Talison, limited availability of feedstock from domestic production and imports from South America
  - Tianqi and Albemarle (co-owners of Talison) have expressed that no spodumene will be made available for third parties, essentially creating a supply monopoly in China
  - Mt Cattlin has become the only new supply of spodumene into the market and Galaxy is uniquely positioned with existing customer base from its previous Jiangsu operations – offtakers already signed with premium pricing

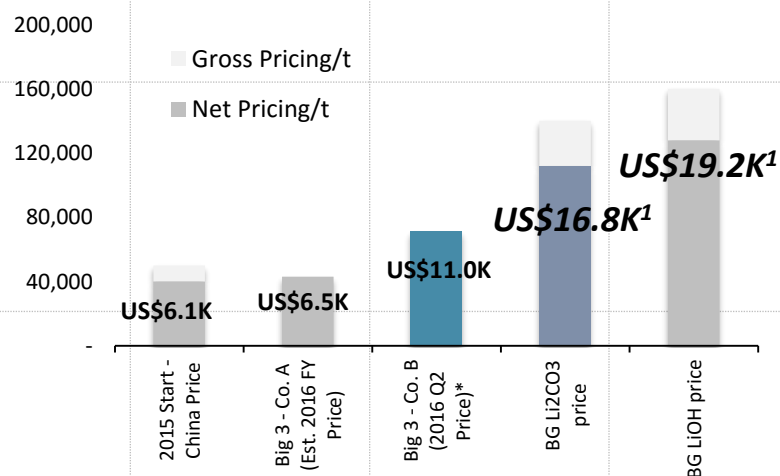
### Lithium-ion battery manufacturing capacity (2015, MWh)

Current and future capacity dominated by North-East Asia



Source: CEMAC 2015

### Lithium carbonate price comparison (RMB/t)



Notes:

1. BG Li<sub>2</sub>CO<sub>3</sub> and LiOH prices are current as at August 2016

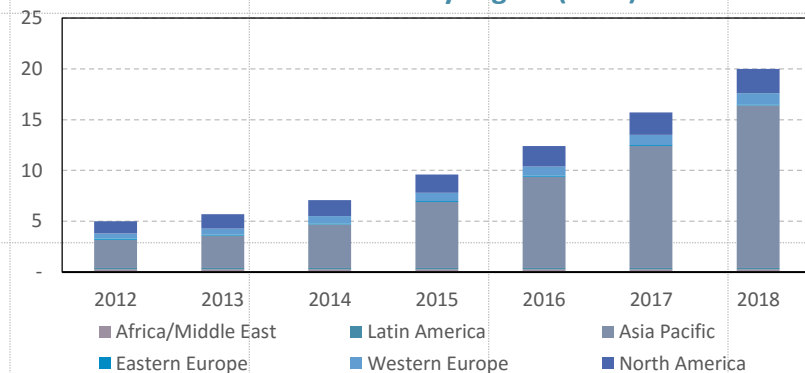
# Electrification Of China's Transport Sector



## China is becoming the global leader in the electrification of transport lithium battery demand across multiple segments

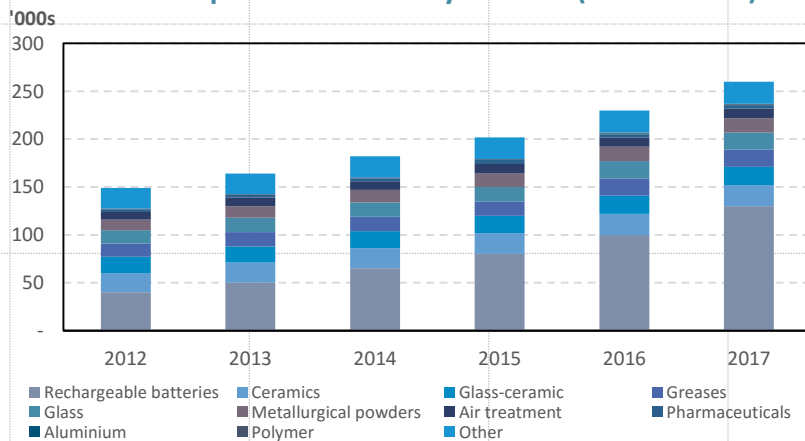
- Chinese demand will dwarf the increased demand from new lithium battery gigafactories
- The **future of electric vehicles will be driven by adoption across a number of industries and applications** including:
  - **Light personnel transportation:** two-wheel motorbikes, scooters, three-wheel hybrid vehicles, light EVs (Smart-size electric cars)
  - **Heavy transportation applications:** including public trains and buses
  - **Logistics industry:** high torque requirement areas including forklifts, scissor lifts, transport buggies
- **China is at the forefront** of the electric vehicle revolution:
  - Targeting 5 million electric vehicles by 2020
  - Aiming for up to 50% of government fleet vehicles to be new energy vehicles
  - Push for green technology, targeting 4.8 million charging stations and city transportation fleets of 200,000 electric buses
  - Continued conversion of 200m+ population of electric bikes to switch over from lead acid to lithium batteries

Annual electric drive bus sales by region (000s)



Source: Pike Research

World consumption of lithium by end use (2012 – 2017)



Source: Roskill – Lithium Market Outlook to 2017

## Demand growth continues to be strong, following government incentive programs globally to encourage increased adoption of electric vehicles

### Demand-side facts and updates from around the world

|               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |
|---------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Asia          | <ul style="list-style-type: none"> <li>China's total demand for lithium carbonate is forecasted to increase at an annual rate of 20% over the next two years                             <ul style="list-style-type: none"> <li>Higher than global average and largely driven by government incentives on electric vehicle purchases</li> <li>Incentives have had an immediate impact with sales of "new energy" transportation tripling in the first ten months of 2015 compared to the same period in 2014</li> </ul> </li> <li>India is targeting 6 million electric vehicles by 2020 (China targeting 5 million)                             <ul style="list-style-type: none"> <li>Target to be achieved by offering c.15% subsidies on electric vehicles under FAME Program announced April 2015</li> <li>2015 electric vehicle sales figures highlight strong growth with 37.5% increase year on year</li> </ul> </li> </ul> |
| North America | <ul style="list-style-type: none"> <li>Tesla continuing construction of 50GWh Giga factory in Nevada, which is set to triple US-based lithium ion battery production by 2020                             <ul style="list-style-type: none"> <li>The Gigafactory (35GWh for EV production capacity; 15GWh for EES) will require c. 25ktpa of lithium at full capacity</li> </ul> </li> <li>Tesla's Model 3 (revealed 31 March 2016), received US\$10bn in pre-orders in just two days, reflecting the strong demand for electric vehicles particularly considering first deliveries are not scheduled until the end of 2017</li> </ul>                                                                                                                                                                                                                                                                                               |
| Europe        | <ul style="list-style-type: none"> <li>Electric vehicles made up 23% of 2015 vehicle sales in Norway</li> <li>In the Netherlands, electric vehicle sales hit record highs in December 2015, with more electric vehicles being delivered in the country during the month than during all of 2014 combined</li> <li>The U.K. electric car market is dominated by plug-in hybrids, which showed 133% gains in 2015 from 2014 – total electric car sales gained 48% over the same period</li> <li>In April 2016, the German government reached a deal with automakers to jointly spend US\$1.4bn on incentives to boost electric car sales, which includes consumer rebates on electric vehicles and significant infrastructure investment</li> </ul>                                                                                                                                                                                   |

## The new Board and Management Team has **successfully transformed the balance sheet, reducing net debt from over A\$200m to A\$20m**

- Galaxy's **Chairman is a respected leader in the global mining industry** and a co-founder of First Quantum (TSX: FM)
- **New Managing Director appointed in 2013** successfully led Galaxy turnaround and restructuring
- Team brings strong financial acumen to Galaxy, with over an aggregate A\$300m of debt restructuring, M&A and financing completed **without external advisors**
- Importantly, the current management and key employees have **successfully developed lithium projects into production** and have established customer relationships in key Asian markets

### **Martin Rowley** – *Independent Non-Executive Chairman*

- Co-founder and Executive Director of First Quantum
- First Quantum is among the largest copper production companies in the world with a market cap of C\$4bn
- Non-Executive Chairman of Forsys Metal Corp (TSX: FSY)
- Previously Non-Executive Chairman of Lithium One Inc. (acquired by Galaxy in July 2012)

### **Jian-Nan Zhang** – *Non-Executive Director*

- Deputy General Manager of Fengli Group, a subsidiary of a leading private Chinese industrial group

### **Anthony Tse** – *Managing Director*

- 20+ years corporate experience in high growth industries, including technology, media and resources
- Extensive senior management experience in corporate strategy and development, M&A, capital markets
- Former Director Corporate Development at Hutchison Whampoa's TOM Group (HKSE:2383), Deputy General Manager of TOM Online (NASDAQ:TOMO), President of CETV and CEO of CSN Corp.

### **Michael Fotios** – *Non-Executive Director*

- Former Managing Director of Tantalum Australia and Galaxy; former Non-Executive Director at Northern Star
- Board member of a number of ASX listed resources companies, and founder and chairman of unlisted investment company, Investmet

## One of the highest quality lithium brine developments globally, as demonstrated by its leading brine chemistry

- High lithium (Li) content to facilitate large scale production
- High potassium (K) yields significant potash credits, reducing operating costs
- Low magnesium (Mg), a low Mg/Li ratio reduces costs and yields higher quality, impurities are detrimental to being able to achieve grade spec

|                          |  <b>Sal De Vida</b> | <b>Project A</b>                                                                                 | <b>Project B</b>                                                                                 |
|--------------------------|------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------|
| <b>Resource</b>          | 7.2Mt LCE ( <i>lithium carbonate</i> )<br>28.8Mt KCl ( <i>potassium chloride</i> )                   | 6.4Mt LCE<br>19.9Mt KCl                                                                          | 11.8Mt LCE<br>35.3Mt KCl                                                                         |
| <b>Reserve</b>           | 1.1Mt LCE<br>4.2Mt KCl                                                                               | Reserve not disclosed                                                                            | 2.7Mt LCE<br>8.0Mt KCl                                                                           |
| <b>Grade/Chemistry</b>   | 810mg/l Li<br>9,100mg/l K<br>11.2 K/Li ratio<br>12.1 SO <sub>4</sub> /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 <sub>4</sub> /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 <sub>4</sub> /Li ratio<br>2.4 Mg/Li ratio |
| <b>Capacity</b>          | 25ktpa LC<br>95ktpa KCl                                                                              | 16.4ktpa LC<br>10-20ktpa KCl                                                                     | 20ktpa LC<br>40ktpa KCl                                                                          |
| <b>Capex</b>             | US\$369.0m                                                                                           | US\$206.7m                                                                                       | US\$313.8m                                                                                       |
| <b>Capital intensity</b> | US\$14,760/t                                                                                         | US\$12,603/t                                                                                     | US\$15,688/t                                                                                     |
| <b>Well fields</b>       | 20 wells – southwest field<br>30 wells – eastern well field                                          | Not stated                                                                                       | 21 wells – initial phase<br>23 wells – phase 2                                                   |
| <b>Tenements</b>         | Owned<br>No other operations                                                                         | Owned<br>Mixed with Project B properties                                                         | Owned<br>Mixed with lease from Project A                                                         |
| <b>Jurisdiction</b>      | Catamarca/Salta                                                                                      | Jujuy                                                                                            | Jujuy                                                                                            |

# Disclaimer



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. Forward-looking statements are not statements of historical fact and actual events and results may differ materially from those described in the forward looking statements as a result of a variety of risks, uncertainties and other factors. Forward-looking statements are inherently subject to business, economic, competitive, political and social uncertainties and contingencies. Many factors could cause the Company's actual results to differ materially from those expressed or implied in any forward-looking information provided by the Company, or on behalf of, the Company. Such factors include, among other things, risks relating to additional funding requirements, metal prices, exploration, development and operating risks, competition, production risks, regulatory restrictions, including environmental regulation and liability and potential title disputes. Forward looking statements in this document are based on Galaxy's beliefs, opinions and estimates of Galaxy as of the dates the forward looking statements are made, and no obligation is assumed to update forward looking statements if these beliefs, opinions and estimates should change or to reflect other future developments. There can be no assurance that Galaxy's plans for development of its mineral properties will proceed as currently expected. There can also be no assurance that Galaxy will be able to confirm the presence of additional mineral deposits, that any mineralization will prove to be economic or that a mine will successfully be developed on any of Galaxy's mineral properties. Circumstances or management's estimates or opinions could change. The reader is cautioned not to place undue reliance on forward-looking statements. Data and amounts shown in this document relating to capital costs, operating costs, potential or estimated cashflow and project timelines are internally generated best estimates only. All such information and data is currently under review as part of Galaxy's ongoing operational, development and feasibility studies. Accordingly, Galaxy makes no representation as to the accuracy and/or completeness of the figures or data included in the document. Not For Release in US This presentation does not constitute an offer of securities for sale in any jurisdiction, including the United States. Any securities described in this presentation may not be offered or sold in the United States absent registration or an exemption from registration under the United States Securities Act of 1933, as amended, following the preparation of required documents and completion of required processes to permit such offer or sale.

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# Competent & Qualified Persons' Statement



## Sal de Vida

The 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 Mineral Resources at the James Bay Project is based on work completed by Mr James McCann, who is a Member of a Recognised Overseas Professional Organisation. Mr McCann is a full time employee of McCann Geosciences, 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 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.

## Mt Cattlin

The information in this report that relates to the estimation and reporting of the Mt Cattlin Project Mineral Resources and Mineral Reserves is extracted from the report entitled "Mt Cattlin Update: Revised Resource & Reserve Statement" created on 4 August 2015 published by General Mining Limited (ASX: GMM) which is available to view on [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 made by GMM. The Company understands that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

## Production Targets and Financial Information

Information in relation to the Sal De Vida Revised Definitive Feasibility Study, including production targets and financial information, included in this report 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 all material assumptions underpinning the production target and financial information set out in the announcement dated 22 August 2016 continue to apply and have not materially changed.