



# GALAXY RESOURCES LIMITED

## 2017 H1 Results Presentation

August 2017

ASX: GXY

# 2017 H1 Production Highlights



## Mt Cattlin transitioned into commercial production as of 1 May 2017, with the ramp up and commissioning of the plant completed

- Mining operations **achieved targeted production levels** during the half year to 30 June 2017
  - Mining activities were concentrated on the northern and western sides of the pit
  - Spodumene production for the half-year was 56,465 dmt
- **Run-rate improved across the half year** with spodumene production of 14,038t in June (exceeding 160ktpa run rate)
- Performance of the redesigned Mt Cattlin plant has now reached steady state with an **average recovery of 61% in June**
- Total of 4 shipments of lithium concentrate were made during the half year
  - Average realised sales price of US\$542/dmt in the March quarter (balance of sales on 2016 pricing) and US\$724/dmt in the June quarter
  - **All prepaid volumes have now been delivered**
- Average production cash costs were US\$391/dmt for the half year (excluding royalties and marketing fees)
  - June cash costs were US\$334/dmt and **cash costs will continue to reduce across 2017 H2**

### Production and Sales Statistics

Parameter	March Q 2017	June Q 2017	YTD 2017	June Q vs March Q
Waste mined (bcm)	143,300	460,850	<b>604,150</b>	222%
Ore mined (bcm)	87,922	110,788	<b>198,710</b>	26%
Ore mined (wmt)	233,193	303,394	<b>536,587</b>	30%
Grade (%)	0.96	1.12	<b>1.05</b>	+0.16
Ore treated (wmt)	253,156	334,036	<b>587,192</b>	32%
Ore feed grade (%)	1.02	1.15	<b>1.09</b>	+0.13
Spodumene produced (dmt)	23,467	32,998	<b>56,465</b>	41%
Spodumene sold (dmt) <sup>1</sup>	23,455	30,135	<b>53,590</b>	28%
Spodumene grade sold (%) <sup>1</sup>	5.38	5.77	<b>5.60</b>	+0.39
Moisture (%) <sup>1</sup>	1.80	2.12	<b>1.98</b>	+0.32
Mica content (%) <sup>1</sup>	1.88	1.96	<b>1.93</b>	+0.08

Note:

<sup>1</sup> Last 3 shipments at product grade and specifications well above contract requirements

# Profit & Loss Statement



A\$000	6 months ending 30 June 2016	6 months ending 30 June 2017
Operating sales revenue	-	14,975
Cost of sales - cash	-	(9,035)
Cost of sales – non cash	-	(3,973)
<b>Gross profit</b>	-	<b>1,967</b>
Operating income	13	2,416
Other expenses	(3,327)	(6,002)
Impairment reversal of PP&E	75,691	-
<b>(Loss)/profit before tax and finance expenses</b>	<b>72,377</b>	<b>(1,619)</b>
Finance income	15	116
Finance expenses	(2,042)	(5,481)
<b>(Loss)/profit before tax expenses</b>	<b>70,350</b>	<b>(6,984)</b>
Income tax benefit/(expense)	-	503
<b>Net (loss)/profit after tax</b>	<b>70,350</b>	<b>(6,481)</b>
— Non-controlling interests	(82)	-
— Owners of Galaxy Resources	70,432	(6,481)

## Remarks

- Transition date from pre-production to commercial production at Mt Cattlin was made during the half year (commenced 1 May 2017)
  - All sales proceeds before this date (A\$30.9m) and pre-production cash and non-cash costs (A\$32.6m) are **not recognised in the profit & loss statement**
  - The net amount has been added to the carrying value of the PP&E (*refer to balance sheet on slide 6*)
- Only spodumene produced and sold after 1 May 2017 (totalling 13,539 dmt) has been recognised as revenue in the profit & loss statement. At 30 June 2017, a total of 12,887 dmt of spodumene was in inventory at the port and on site
- A\$5.5m in finance expenses includes A\$4.6m capitalised finance facility fees arising from the repayment of the OCP facility

# Cash Flow Statement



A\$000	6 months ending 30 June 2016	6 months ending 30 June 2017
Receipts from customers	6,182	14,141
Payments to suppliers, contractors and employees	(2,761)	(6,504)
<b>Net cash inflow from operating activities</b>	<b>3,421</b>	<b>7,637</b>
Interest received	15	115
Sales proceeds from pre-production	-	12,849
Acquisition of property, plant and equipment	(31)	(22,827)
Proceeds from sale of other non-current assets	-	2,416
Proceeds from sale of available-for-sale assets	27	-
Payments for exploration and evaluation assets	(600)	(3,122)
<b>Net cash (outflow) from investing activities</b>	<b>(589)</b>	<b>(10,569)</b>
Net proceeds from issue of shares	960	67,029
Bank charges and interest paid	(1,614)	(1,065)
Proceeds from borrowings	6,200	13,083
Repayments of borrowings	-	(44,698)
<b>Net cash inflow from financing activities</b>	<b>5,546</b>	<b>34,349</b>
<b>Net increase in cash and cash equivalents</b>	<b>8,378</b>	<b>31,417</b>
Cash and cash equivalents at beginning of period	4,761	9,327
— effect of foreign exchange rate changes	(355)	(382)
<b>Cash and cash equivalents at period end</b>	<b>12,784</b>	<b>40,362</b>

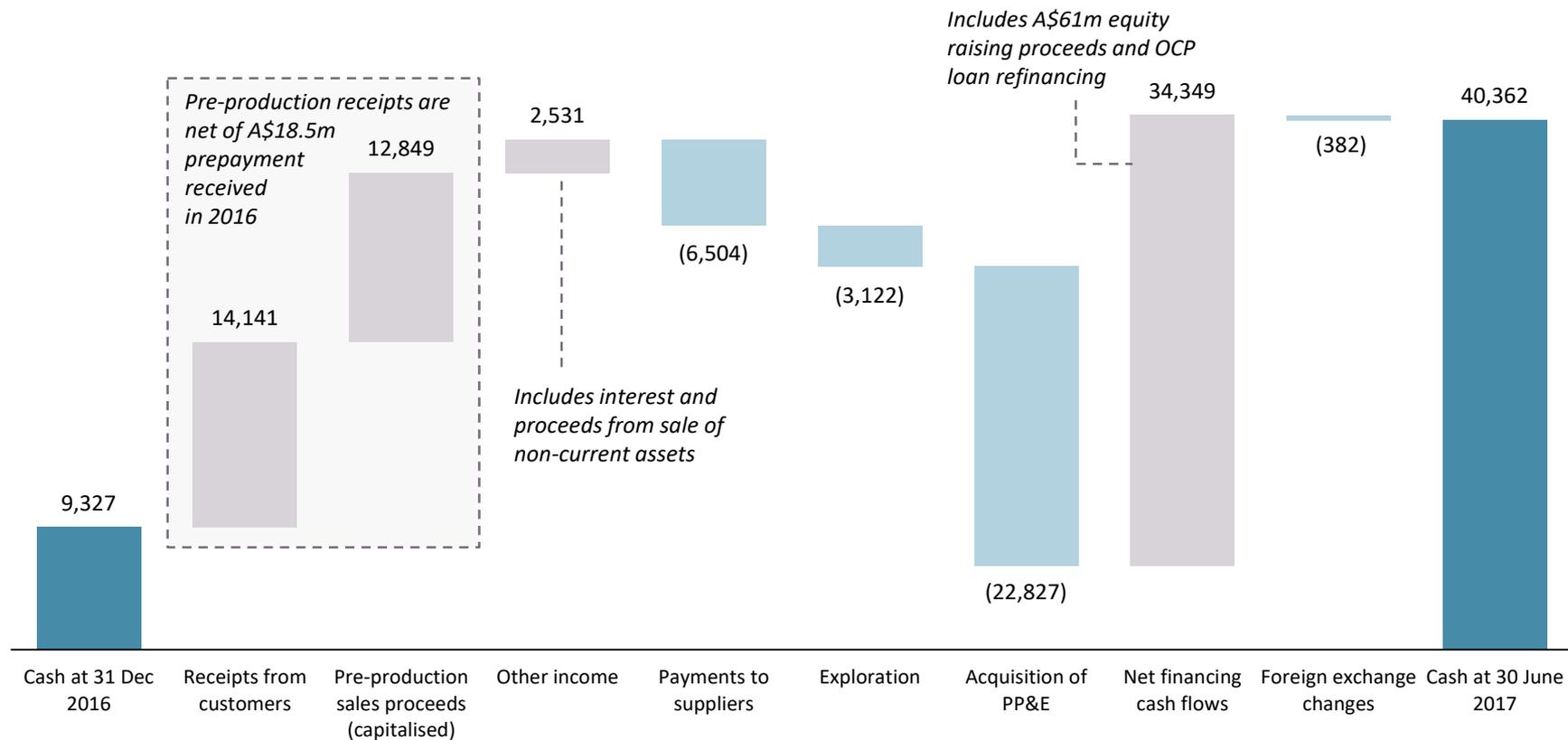
## Remarks

- Sales proceeds from pre-production are net of prepayment of A\$18.5m received in 2016
- A\$22.3m acquisition of PP&E includes A\$19.1m of capitalised pre-production cash costs at Mt Cattlin
- Includes A\$61m of equity capital raised via a placement conducted at A\$2.70 (A\$0.54 pre consolidation) in February 2017
  - Additional equity capital raised through exercise of warrants during 2017 H1
- OCP debt facility refinanced through new US\$40m BNP Paribas facility announced in February 2017
  - Only US\$10m has been drawn as of 30 June 2017

# Change In Cash



For the period 31 December 2016 to 30 June 2017 (A\$000)



# Balance Sheet



A\$000	6 months ending 31 December 2016	6 months ending 30 June 2017
Cash and cash equivalents	9,327	40,362
Other receivables and prepayments	2,163	2,246
Inventories	11,457	12,232
<b>Total current assets</b>	<b>22,947</b>	<b>54,840</b>
Property, plant and equipment	343,468	337,064
Exploration and evaluation assets	123,183	125,154
Deferred tax asset	64,686	65,189
<b>Total non-current assets</b>	<b>531,337</b>	<b>527,407</b>
<b>Total assets</b>	<b>554,284</b>	<b>582,247</b>
Trade and other payables	14,082	23,579
Deferred income	18,374	-
Provisions	177	367
Interest bearing liabilities	40,242	12,663
<b>Total current liabilities</b>	<b>72,875</b>	<b>36,609</b>
Trade and other payables	-	3,041
Provisions	8,423	8,288
<b>Total non-current liabilities</b>	<b>8,423</b>	<b>11,329</b>
<b>Total liabilities</b>	<b>81,298</b>	<b>47,938</b>
<b>Net assets</b>	<b>472,986</b>	<b>534,309</b>
Contributed equity	694,332	768,450
Reserves	4,169	(3,111)
Accumulated Losses	(225,515)	(231,030)
<b>Total equity</b>	<b>472,986</b>	<b>534,309</b>

## Remarks

- Strong cash balance and improving cash flows position Galaxy well for next stage of development activities

- A\$337m PP&E includes A\$1.7m net increase arising from pre-production net sales proceeds and costs

- Deferred income item of A\$18.4m relates to customer prepayments received in 2016, this item has reversed in 2017 H1 as a result of the delivery of spodumene pre-prepayment volumes in full

- Interest bearing liabilities reduced from A\$40.2m through refinancing of the OCP debt in February 2017 with new US\$14m BNP debt facility
  - Only US\$10m has been drawn as of 30 June 2017

## **Caution Regarding Forward Looking Information**

This document contains forward looking statements concerning Galaxy.

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.

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