



GALAXY RESOURCES LIMITED

BMI Cathodes 2017 Conference

October 2017

ASX: GXY

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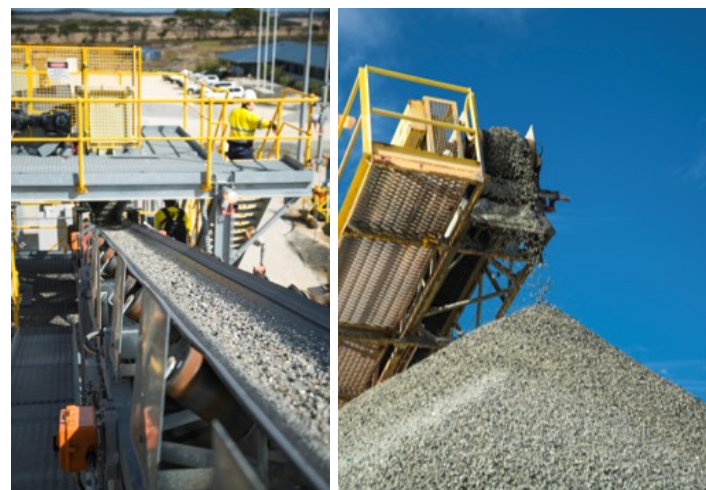
Galaxy Overview

Company Highlights



- One of the premier **global lithium opportunities** with production operations and a world class asset development pipeline
- **Operations restarted at Mt Cattlin with expanded capacity** with ability to generate strong cash flows in 2017, positioning Galaxy as a **major global supplier of high quality lithium**
- Diversified project portfolio with **both hard rock and brine based lithium assets** across Australia, Argentina and Canada
- **Revised DFS at flagship Sal de Vida Project in Argentina** supports low cost, long life project with robust economics; development team confirmed and field work advancing
- **James Bay in Canada, is a high quality development asset**, currently undergoing feasibility study work, with potential to allow Galaxy to supply North American and European markets in the future
- 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



Corporate Snapshot



The leading global pure play lithium company listed on the ASX, with significant institutional participation and strong liquidity

Financial Information (2017.10.06)

Share price	A\$3.11
52 week high / low	A\$3.50 / A\$1.43
Number of shares (undiluted) ^{1,2}	401.3m
Market Capitalisation	A\$1,254.3m
Cash (30-Jun-17)	A\$40.4m
Debt (30-Jun-17)	A\$13.1m
Net cash (30-Jun-17)	A\$27.3m
Enterprise Value	A\$1,227.0m

Source: IRESS

Notes:

- Excludes 18.6m unlisted options on issue with various expiry dates and with exercise prices between A\$0.365 and A\$2.78 and 2m unlisted warrants with expiry 24-Nov-18 and an exercise price of A\$2.075
- Excludes 5.0m share appreciation rights

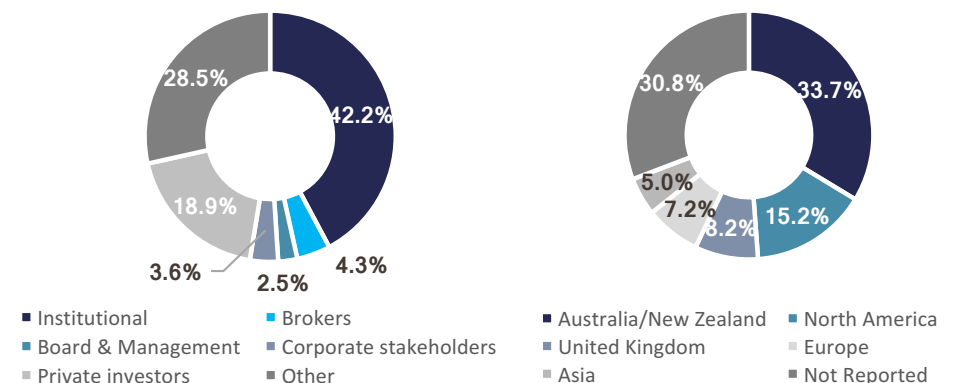
Top Shareholders (2017.08.31)

Investor	%
Blackrock Group	6.5%
Board and Management	2.5%
Top 20 shareholders	38.6%

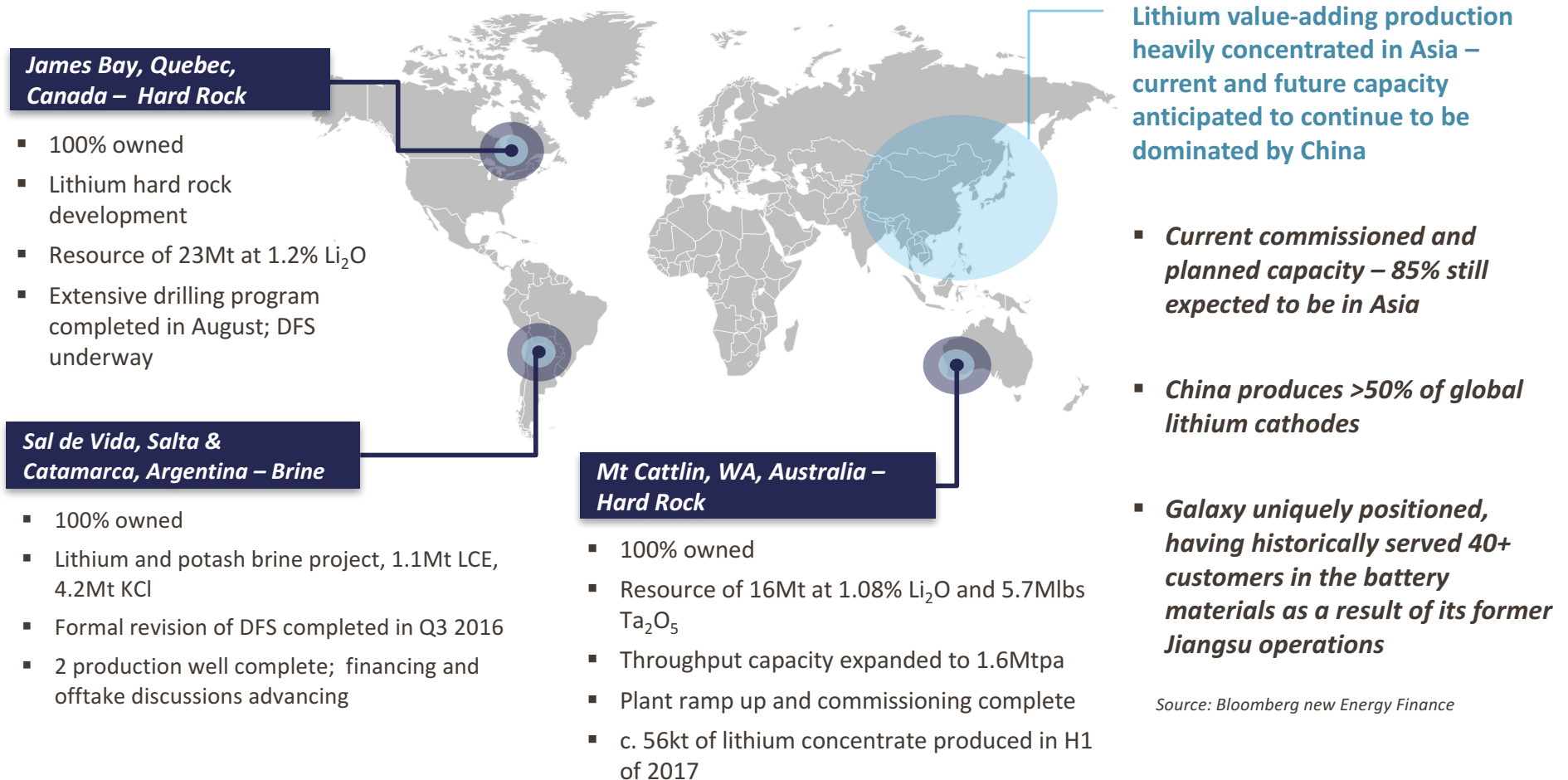
Share Price Performance (1 year)



Shareholder Type and Geographical Breakdown (2017.08.31)



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



Operations have now reached steady state with **ramp-up and commissioning of the plant completed in April 2017** – moving into commercial production

- Mt Cattlin is a **spodumene** (lithium concentrate) and **tantalum** mining operation, located in Ravensthorpe, Western Australia
 - 100% owned by Galaxy
- **Only new independent producer and supplier of lithium concentrate in the market 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**, targeting 160kt of concentrate production in 2017
 - Improved spodumene grades (**5.77% Li₂O achieved** on Q2 2017 sales volumes)
 - Low mica content (**1.96% achieved** on Q2 2017 sales volumes)
 - Initial target of 50% production yield (**61% achieved in June**)
- **Significant expected cash flows to Galaxy** from Mt Cattlin
 - **High margin operation** with current operating costs
 - Cash flows utilising c. A\$200m+ in unused tax losses
 - Low sustaining capex requirement

Location



Resource And Production Capacity¹

Resource category	Tonnes	Li ₂ O %	Ta ₂ O ₅ ppm
Measured	2,540,000	1.20	152
Indicated	9,534,000	1.06	170
Inferred	4,343,000	1.07	132
Total	16,416,000	1.08	157
Production capacity	1.6Mtpa		

Source: General Mining Announcement (2015.08.04)

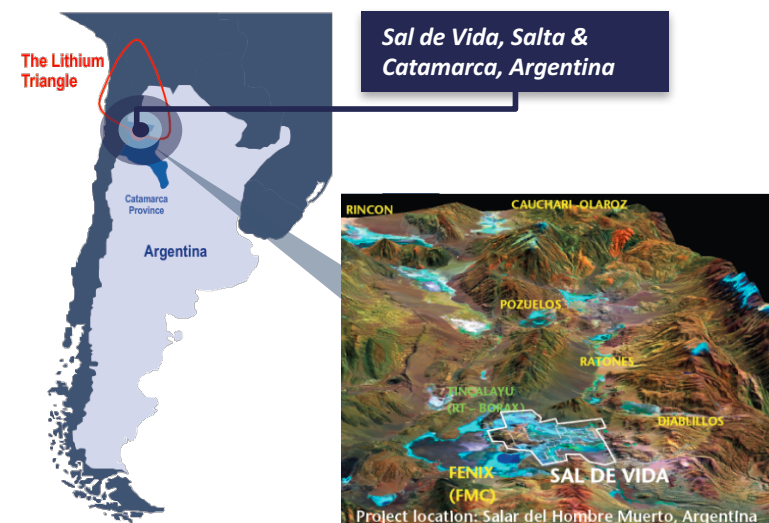
Note:

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

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_{8% real} of US\$1.4bn**
 - Potential to generate **average annual revenues of US\$354m**
 - Potential to generate **average annual operating cash flow of US\$273m pre-tax (US\$182m post-tax)**
- Large mineral reserves to support long life 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 advancing with offtakers and potential strategic partners

Location



Sal de Vida Reserve Estimates

Reserve category	Time period	Tonnes Li total mass	Tonnes equivalent Li ₂ CO 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	214,000	1,139,000	2,201,000	4,197,000

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

James Bay – Overview



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

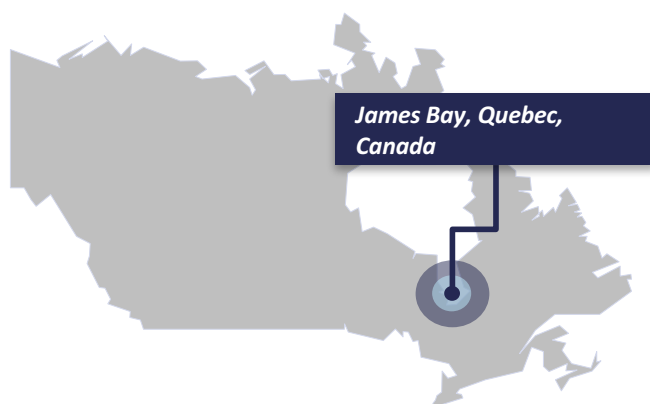
- Lithium pegmatite project located in James Bay, Québec, Canada
 - Strategically located in a mining friendly jurisdiction with a low cost of energy and good infrastructure nearby
- Exploration and development program underway, includes a c.33,000m
- diamond drilling program aiming to **extend existing resources and upgrade mineral resources to reserves**
- **Feasibility work has commenced**; study work expected to take 6-9 months and will take advantage of Mt Cattlin experience to draw synergies for engineering and process flow sheet design
- Feasibility work will include metallurgical testing and an **evaluation for a potential downstream conversion facility** in Québec
 - Metallurgical test work conducted in 2012 produced spodumene grades of 6.53% Li₂O at a 75% lithium recovery rate

Current James Bay Resource Estimate

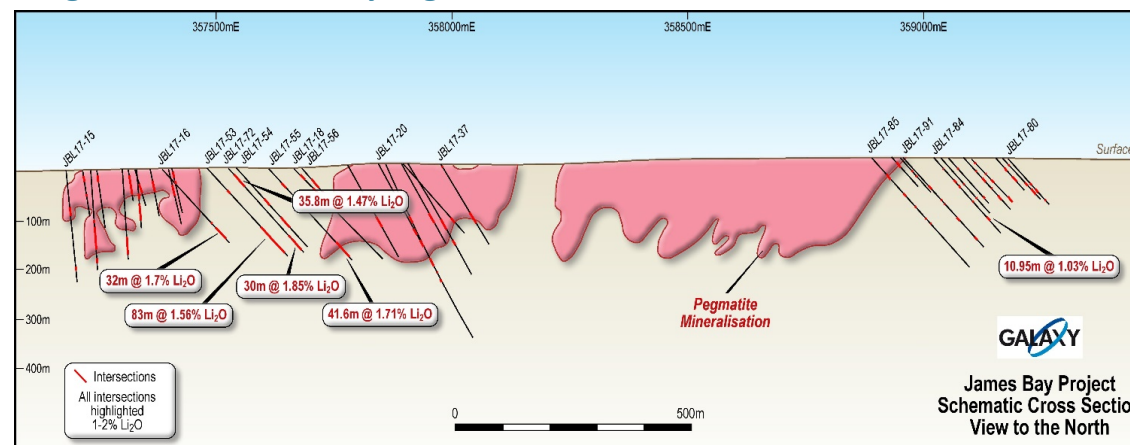
Resource category	Tonnes	Li ₂ O %
Indicated	11,750,000	1.30
Inferred	10,470,000	1.20
Total	22,220,000	1.28

Source: Refer Galaxy Resources Announcement (5 July 2012)

James Bay Location



Long Section of James Bay Pegmatite Swarm



Market Review

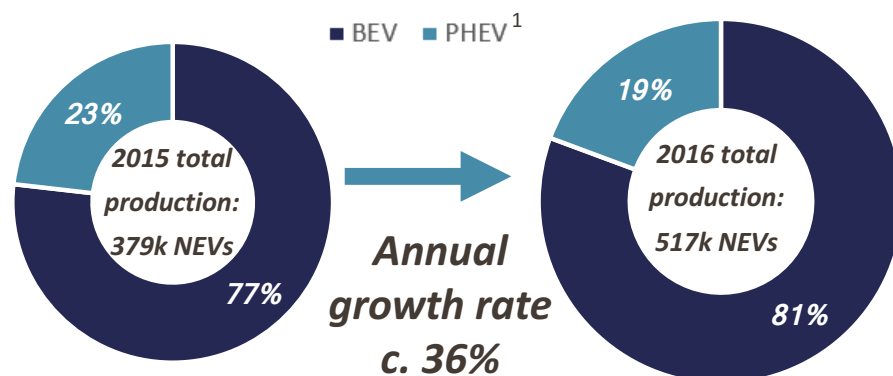
Lithium Sector Growth Dominated By China



Globally, China is the largest consumer of lithium chemicals (c.87kt LCE in 2016 vs Japan c.25kt / South Korea c.20kt LCE in 2016), driven by growth in New Energy Vehicle (NEV) sector

- **“Medium to long term plan for the auto industry” (2025 plan):** details how China plans to strengthen its domestic auto industry and expand global exports of NEVs
 - Forecast production of 2 million NEVs p.a. and targeted NEV stock of 5 million vehicles in 2020
 - Targeted 20% NEV penetration in 2025 (c. 7 million NEVs p.a. out of total projected production of 35 million vehicles)
 - At 7 million vehicles pa, implies **additional demand 280kt² LCE by 2025**
- **Supportive policy:** A NEV quota scheme for all auto manufacturers in China, economic incentives for the consumer and changes in consumer preferences countering subsidy reduction effect, support for growth and investment in lithium battery sector

Breakdown of New Energy Vehicle Production in China



Source: CAAM, CJ Securities

Notes:

1. BEVs = Battery Electric Vehicles, PHEV = Plug-In Hybrid Electric Vehicles
2. Assumed average size of lithium ion battery of 50kWh and LCE demand per EV pf 0.8kg/kWh

2017 YTD NEV Unit Production¹

NEV model	H1 2017	Jul & Aug 2017
BEVs	176.1k	104.0k
PHEVs	36.1k	26.0k
Total	212.2k	130.0k

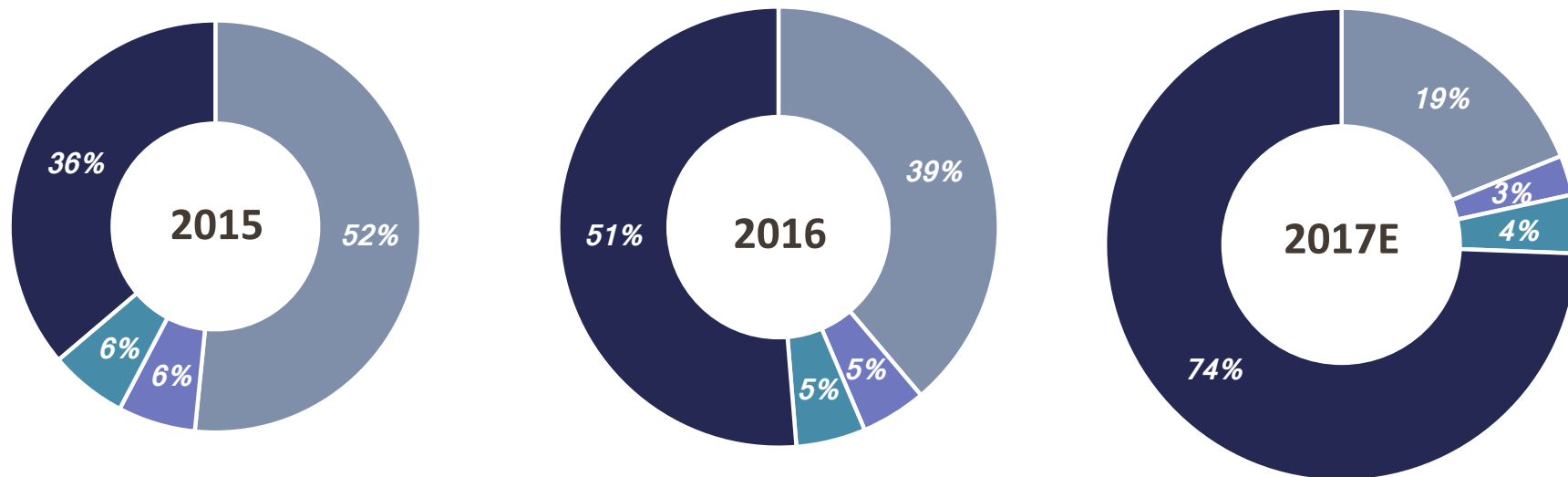
2017 YTD NEV Production @ 342k
YTD YoY growth of 33%

China Lithium-Ion Battery (“LiB”) Consumption



The lithium-ion battery application mix transitioning from being majority dominated by consumer electronics to new energy vehicle applications

Lithium-Ion Battery Consumption Mix



Source: CJ Securities

■ 3C ■ Other Portables ■ Storage ■ NEV

Cathode Chemistry Transition



NEV Subsidies In China

A NEV quota trading scheme, economic incentives for the consumer and changes in consumer preferences **countering subsidy reduction effect**

Revised Subsidy Policy For NEVs For The Period 2016-2020

- Subsidies for passenger NEVs reduced by ~20% in 2017 (compared to 2016 subsidies)
- Subsidies for large commercial vehicles reduced by ~40-70% in 2017 (compared to 2016 subsidies) depending on vehicle type and size
 - Subsidy ceilings introduced on commercial NEVs based on the length of vehicle
- Additional subsidies awarded by Local Governments restricted to 50% of the value of Central Government incentives
- Subsidy funding now awarded after the sale of NEVs, previously before - changes to subsidy policies are expected to trigger a more transparent, efficient and competitive market in battery making and auto manufacturing
- **Alternative economic incentives and technology thresholds are being introduced to continue to promote the uptake of NEVs**

2017 Subsidies For Passenger NEVs

Auto type	Energy density	Driving range (DR)			
		DR ≥ 50km	100km ≤ DR < 150km	150km ≤ DR < 250km	DR ≥ 250km
BEV	90-120Wh/kg		RMB20k (US\$2.9k)	RMB36k (US\$5.2k)	RMB44k (US\$6.4k)
BEV	>120Wh/kg		RMB22k (US\$3.2k)	RMB39.6k (US\$5.7k)	RMB48.6k (US\$7.4k)
PHEV	na	US\$3.5k			

Source: Deutsche

NEV Adoption Not Reliant On Subsidies

China continues its leading investment into NEVs and has introduced a number of policy measures aimed at continuing to encourage uptake

Government Policy & Investment

- **Committed domestic investment** – Committed build out of a nationwide charging infrastructure to support 5 million NEVs by 2020
- **Mandatory NEV targets** – Government initiating credit system encouraging auto manufacturers to target NEV production percentages of 8%, 10% and 12% over the next 3 years
- **Limiting ICE production** – Penalties for manufacturers exceeding certain production thresholds

China Licensing Restrictions

- Certificate of entitlement (COE) required for car purchase
 - Cost of a COE in Shanghai for an internal combustion engine (ICE) vehicle: US\$15k for an individual; US\$30k for a company
- **In Beijing (BJ) and Shanghai (SH):**
 - The right to purchase an ICE vehicle is subject to a lottery
 - Success rates: 4% (SH); 0.2-0.3% (BJ)
- Driving restrictions for ICE vehicles
- ***NONE OF THE ABOVE RESTRICTIONS FOR PROSPECTIVE NEV OWNERS***

Shanghai license plates used to distinguish between car types



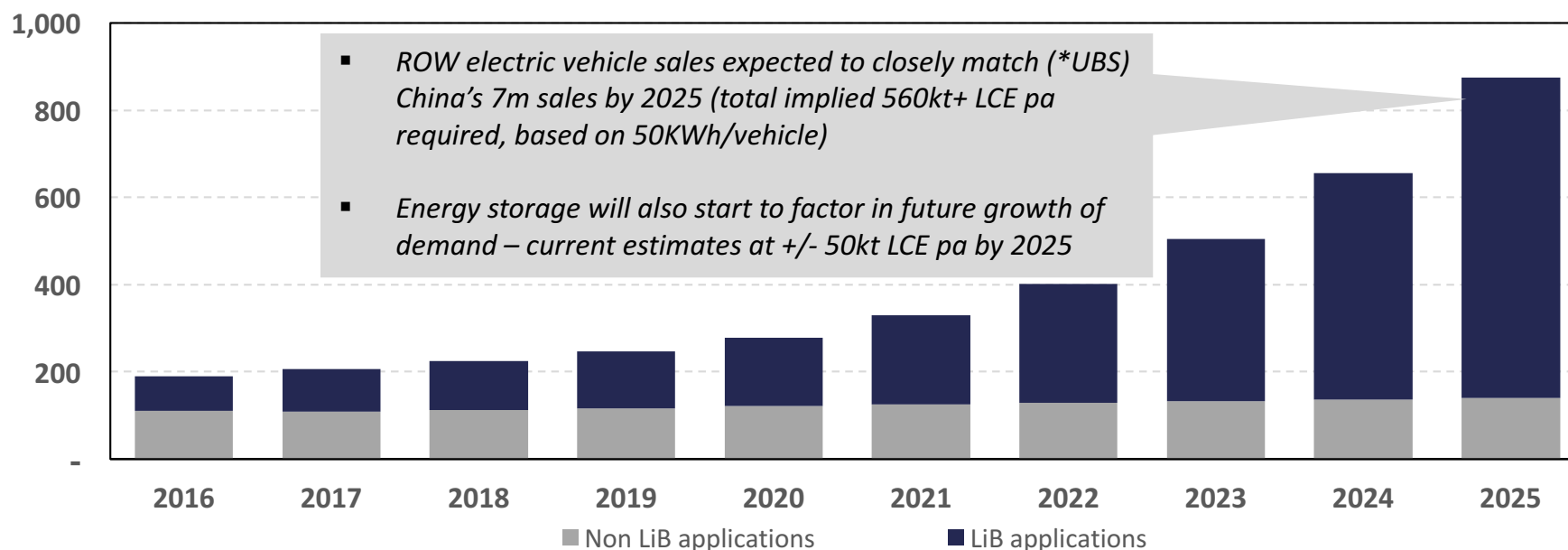
Blue plates: ICE vehicles



Green plates: NEV vehicles

Lithium demand projected to grow 4x from historical c. 200kt LCE per annum to over 800kt LCE by 2025

Lithium Carbonate Demand (kt LCE)



Lithium industry needs to bring online 600kt+ of incremental supply (equiv. circa +70kt growth pa) to meet demand balance – major challenges include number of “shovel-ready” projects to fund into production and capital available to finance those projects

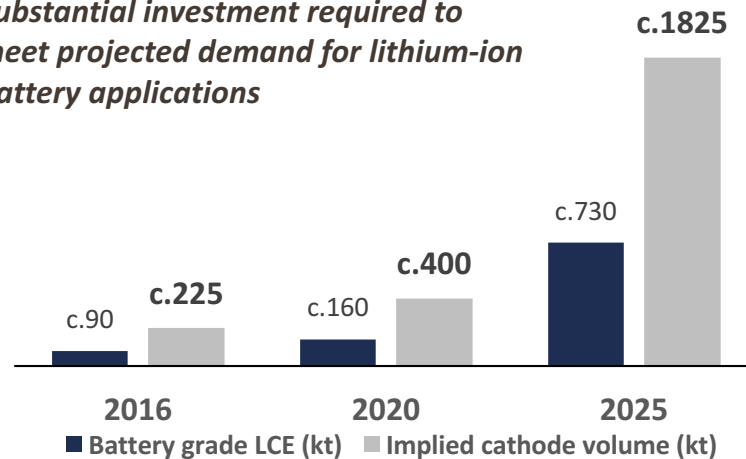
Impact On Required Cathode Capacity

Continued investment in cathode production capacity expansion required to facilitate growth alongside the expected demand growth for LiB applications

- Demand growth in lithium ion battery applications to place strong pressure on supply of cathode materials
 - Majority of new expansions are focused on high-end cathodes for automotive batteries
- Due to enhanced energy density demands, growth in automotive battery demand is driving ternary (NCM) and NCA cathode to become the increasingly dominant chemistry
- Consumer electronics to uphold demand for LCO, potential switch to ternary chemistries if cobalt supply becomes problematic

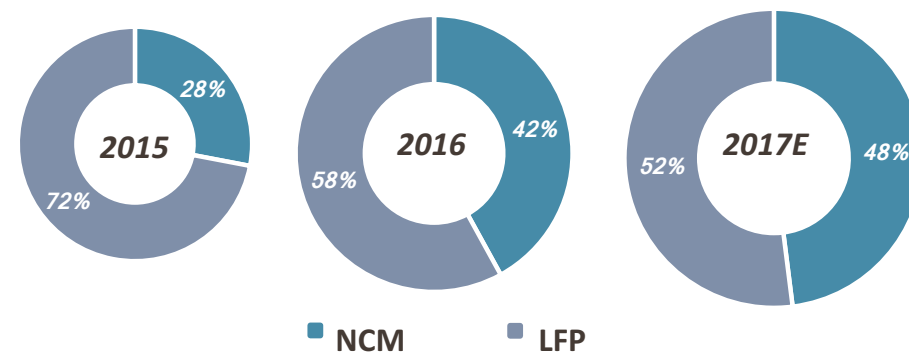
Implied Cathode Demand (Based On Battery Grade LCE)¹

Substantial investment required to meet projected demand for lithium-ion battery applications



China NEV Cathode Mix Transitioning From LFP to Ternary

By 2020, projected NEV cathode mix to reach an estimated 85%/15% mix between ternary and LFP



Source: UBS, Benchmark Minerals, Company Disclosure, Bloomberg, CJ Securities

Notes:

1. Battery grade LCE demand based on UBS estimates; Implied cathode volume assumes that the average LCE intensity per tonne of cathode is 0.4
2. LFP = Lithium Iron Phosphate, NCM = Nickel Cobalt Manganese

Growth Initiatives Throughout The Value Chain



Structural changes in electrification of transportation and continued policy support globally is accelerating investment along the lithium value chain

Announced Expansions of Cathode Producers



€300m investment committed to cathode capacity



Plans to expand capacity from 8ktpa in 2016 to 31ktpa in 2020, mainly for NCM



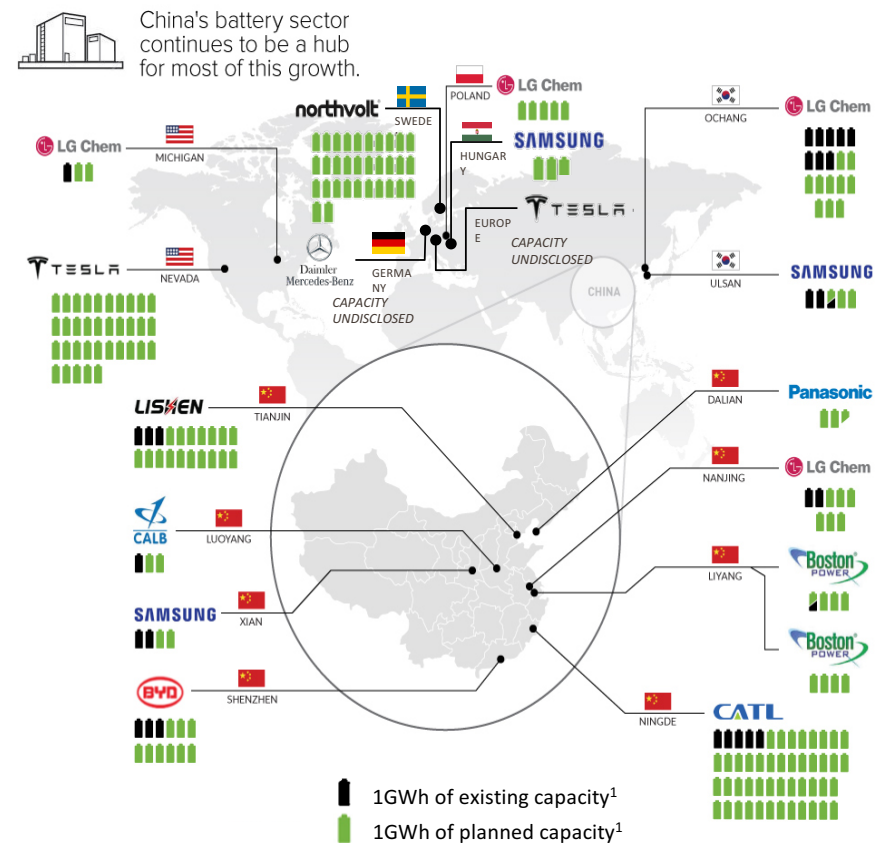
We create chemistry

€400m commitment to build cathode production facilities in Europe



¥4bn investment to increase cathode capacity by c.12ktpa

Planned Construction/Expansion Of Selected Gigafactories



Source: Benchmark Minerals, Company Disclosure, Bloomberg, CJ Securities

Global Investment In LiB Manufacturing



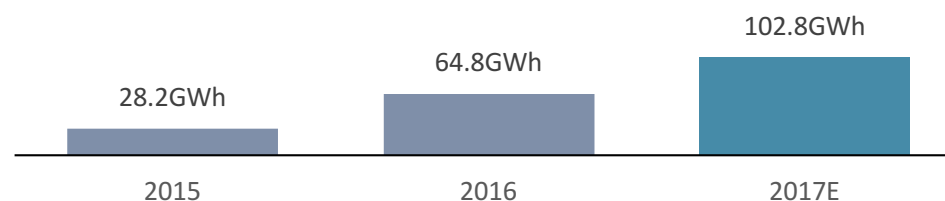
Significant investment is being made into increasing global battery manufacturing capacity, driven primarily by China

- China vs ROW:** China has a total c.160GWh of capacity vs ROW aggregate capacity of c. 120GWh
 - **Represents 57% of global capacity** announced to date
- LCE Required:** If fully utilised today, a total of 280GWh capacity will use **224kt LCE of battery grade material vs only c.90kt LCE** of material that was used in batteries in 2016
- Capital Investment:** Using the Tesla Gigafactory **capital intensity of c.US\$150m/GWh**, an estimated **US\$40B+ of capital invested to date** to build out global lithium battery manufacturing capacity

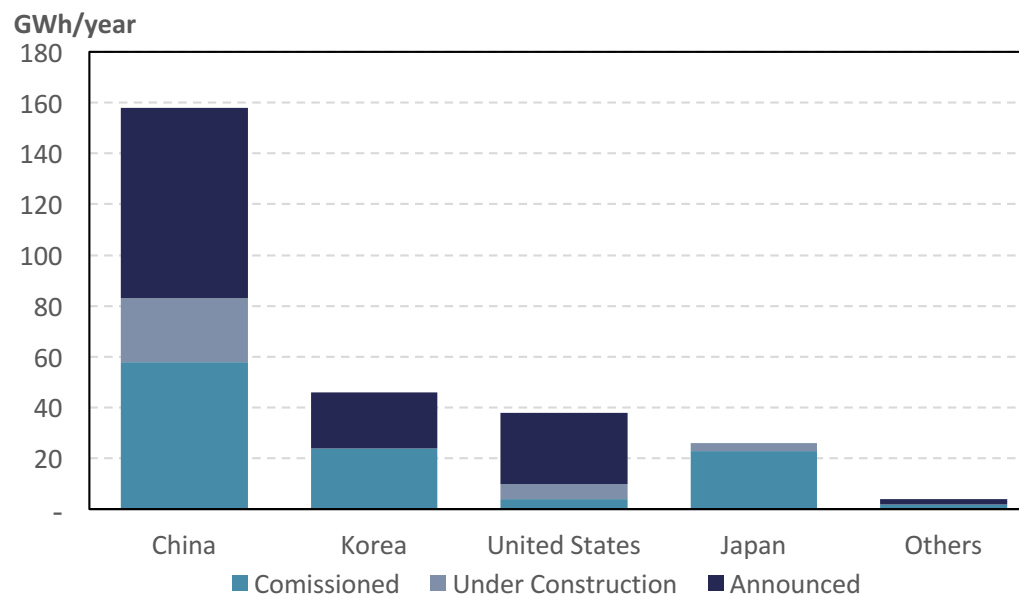


Lithium-Ion Battery Manufacturing Capacity

Capacity expected to grow 2x from 2017E levels to 2020



Global Breakdown of Lithium-Ion Battery Project Capacity



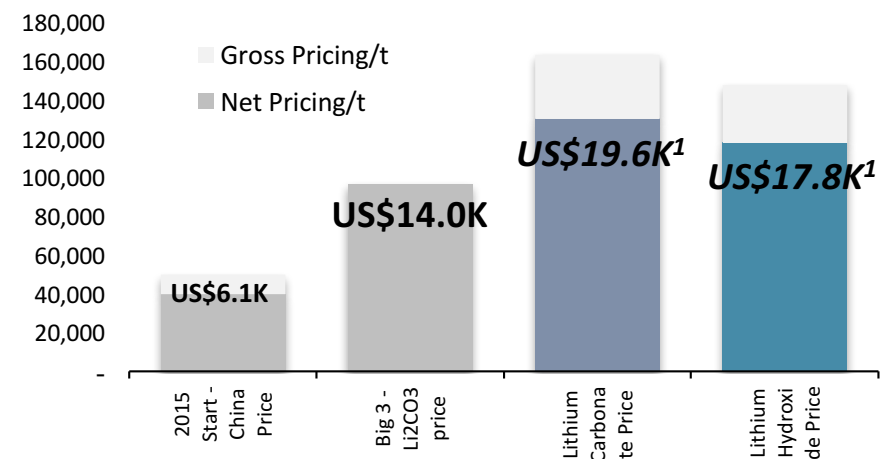
Source: Benchmark Minerals, Bloomberg New Energy Finance

Impact & Trends On Lithium Pricing

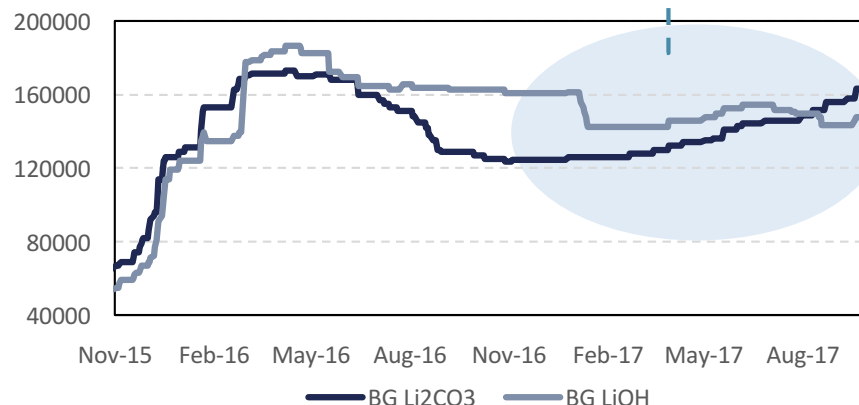
Continued strength in lithium prices is a clear indication that demand growth is likely to be outpacing supply side growth

- Substantial **growth in demand** for lithium chemicals underpinned by a significant **expansion in NEV uptake in China** - **Li₂CO₃ prices are up 29%** versus 2016 year-end
- China domestic lithium production in 2016 was 87kt LCE vs 70kt LCE in 2015 – **Jan to July 2017 already recorded 101% increase to 73kt LCE** of lithium material imports (lithium concentrate, carbonate, and chloride; excluding DSO) vs same period in 2016
- 8% retraction in LiOH prices since 2016-end** – most growth dependent on ex-China demand from Japan (NCM-811/NCA)

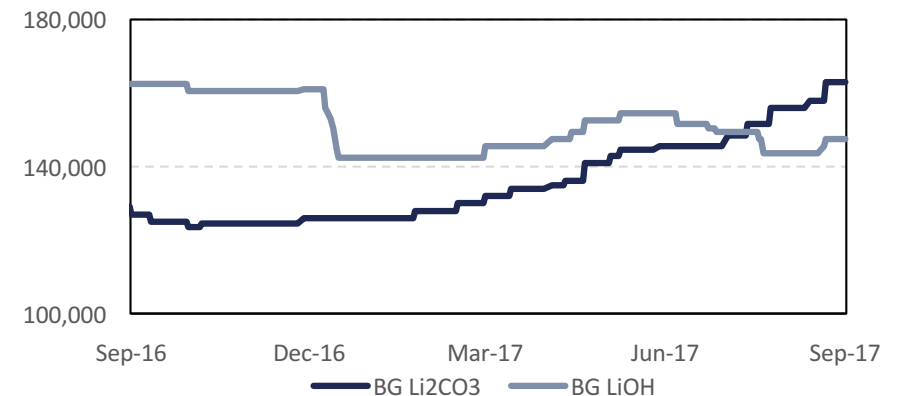
Lithium Carbonate Price Comparison (RMB/t) – August 2017



Historical Lithium Prices (RMB/t)



Historical Lithium Prices LTM (RMB/t)



Source: CLA, Company Estimates, CJ Securities

Downstream Capacity Expansion In China

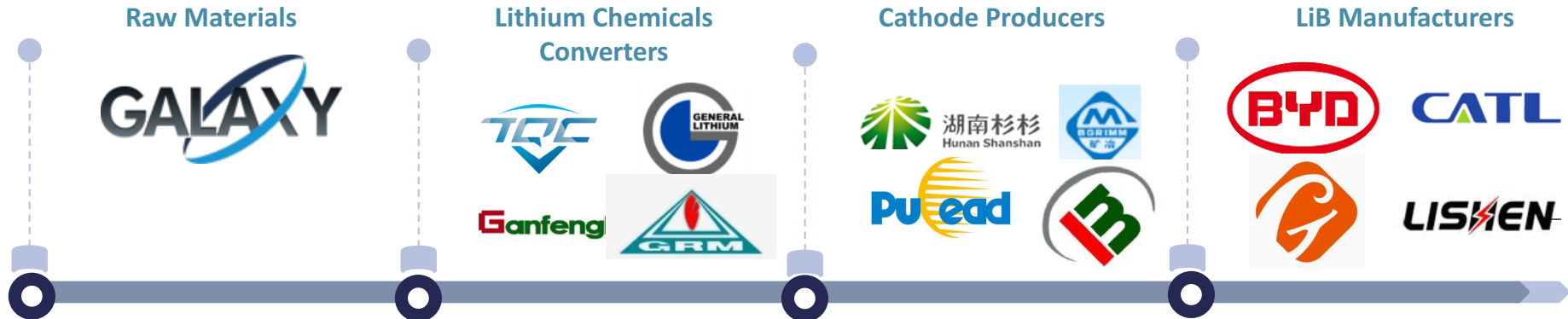


Structural changes in electrification of transportation and continued policy and regulation support is accelerating investment along the lithium value chain

Lithium-Ion Battery Value Chain

Upstream

Downstream



Other upstream resources integrated with downstream conversion



Limited independent feedstock today – major converters invested into spodumene projects

Major expansions planned over next 3 years from existing producers, estimated to add 100kt+ LCE in conversion capacity

China cathode capacity rapidly expanding – mix also trending away from LFP to NCM cathode chemistries

Certain producers targeting up to 100kt of expanded cathode material production capacity by 2020

Battery manufacturing capacity also expanding to meet rapid demand growth from NEV sector

NEV LiB production expected to at least double 2017 levels to over 200GWh by 2020

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 and 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 and 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.

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. 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.

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.

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.

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