



# GALAXY RESOURCES LIMITED

## 2018 Half Year Results Presentation

August 2018

ASX:GXY

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# 1H FY2018 Highlights



## Cash Balance

**US\$45.1M**

30 Jun 2017: US\$31.0M ↑46%

## Debt

**Nil**

30 Jun 2017: US\$9.7M ↓US\$9.7M

## Customer Receipts

**US\$75.9M**

2017 H1: US\$10.7M ↑612%

## Spodumene Produced

**91.8k tonnes** (c.11.5kt LCE)

2017 H1: 56.5kt (c.7.1kt LCE) ↑62%

## Revenue

**US\$88.4M**

2017 H1: US\$11.3M ↑682%

## Cash Margin Per Tonne

**US\$488/dmt sold**

2017 H1: US\$203/dmt ↑140%

## Gross Profit

**US\$23.2M**

2017 H1: US\$1.5M ↑1,465%

## EBITDA

**US\$42.4M<sup>1</sup>**

2017 H1: US\$1.4M ↑2,878%

## NPAT

**US\$11.5M**

2017 H1: (US\$5.0M) ↑331%

Notes:

1. Underlying EBITDA is non-IFRS financial information that has not been subject to audit by Galaxy's external auditor

## Period on period comparison highlights extent of production optimisation achieved by Galaxy over the past 12 months

### Operational Highlights

- Average cash margin per dmt sold increased by 140% over the previous half-year primarily due to higher realized selling price
- A total of 6 shipments were completed in 1H FY2018 for an aggregate 90,019 dmt of product sold
- Construction of yield optimization circuits at Mt Cattlin (ultra fines DMS, a secondary float re-crush and optical sorting) have commenced
  - Expected to **increase recoveries to a range of 70-75%**, lifting annual production volumes to **220,000 – 240,000 dmt** (holding all else equal)
  - Commissioning expected for 3Q CY2018 with production improvements to be realized in 4Q CY2018
- Expansive regional greenfield exploration campaign (up to 60,000m) planned over the next 12 months
  - Several prospective targets in close proximity to the existing operations already identified
- Mineral Resource upgraded to 11.8Mt @ 1.25% Li<sub>2</sub>O

### Production & Sales Statistics

	Q1 2018	Q2 2018	YTD	H1 2017	PoP Change
Mined volume (bcm)	843,308	846,830	1,690,138	802,860	↑ 111%
Ore mined (wmt)	528,977	419,314	948,291	536,587	↑ 77%
Ore mined grade (%)	1.01	1.11	1.06	1.05	↑ 0.01
Ore treated (wmt)	430,398	435,296	865,694	587,192	↑ 47%
Ore feed grade (%)	1.11	1.17	1.14	1.09	↑ 0.05
Concentrate produced (dmt)	43,852	47,901	91,753	56,465	↑ 62%
Recovery (%)	52	56	54	53	↑ 1
Concentrate sold (dmt)	44,258	45,761	90,019	53,590	↑ 68%
Concentrate grade sold (%)	5.70	5.83	5.77	5.60	↑ 0.17
Cost margin (US\$/dmt) <sup>1,2</sup>	439	534	488	203	↑ 140%

#### Notes:

1. Cash margin per tonne sold is calculated as revenue from the sale of spodumene, minus cash costs of production (including selling and marketing costs), divided by tonnes of spodumene sold
2. This measure is a non-IFRS measure and has not been subject to review by the Group's external auditors; Included to assist investors to better understand the performance of the business

# Profit & Loss Statement (“P&L”)



## Mt Cattlin continues to deliver strong EBITDA margins and significant free cashflow from operations to support development and growth projects

### Summary P&L

- Total revenue is now inclusive of shipping revenue under the new accounting standard ASB15
  - Average realized price c.US\$940/dmt sold, an increase of c.11% over preceding 6 months
- Substantial increase in EBITDA margin over the preceding 6 month period due to an increase in the average realized price of US\$90/dmt and a reduction in share based payment expense of US\$6.1m

	Units	6 months ending 31-Dec-17	6 months ending 30-Jun-18
Revenue from sales of spodumene	US\$ '000	84,981	84,636
Revenue from shipping activities	US\$ '000	-	3,804
<b>EBITDA</b>	<b>US\$ '000</b>	<b>29,137</b>	<b>42,377</b>
<i>EBITDA Margin</i>	%	34%	48%
<b>Gross profit</b>	<b>US\$ '000</b>	<b>24,215</b>	<b>23,238</b>
<b>Profit after tax</b>	<b>US\$ '000</b>	<b>5,098</b>	<b>11,495</b>

Notes:

- Underlying EBITDA is non-IFRS financial information that has not been subject to audit by Galaxy’s external auditor

# Cash Flow Statement



## Mt Cattlin sales delivering robust free cashflow, with continued strengthening of financial position to support future development

### Cash Flow Statement

US\$'000	6 months ending 31-Dec-17	6 months ending 30-Jun-18	Remarks
Receipts from customers	69,192	75,920	▪ Does not include net increase in working capital of US\$7.2m
Payments to suppliers, contractors and employees	(31,615)	(44,764)	
<b>Net cash inflow from operating activities</b>	<b>37,577</b>	<b>31,156</b>	▪ Includes interest received, proceeds from pre-production sales and proceeds from sale of other non-current assets
Other income / (payments)	408	476	
Payments for property, plant and equipment	(10,259)	(11,957)	▪ Capital expenditure (“CAPEX”) related to Mt Cattlin yield optimisation upgrade and sustaining CAPEX
Net payments for financial assets	(2,610)	(10,988)	
Payments for exploration and evaluation assets	(6,519)	(8,542)	
<b>Net cash (outflow) from investing activities</b>	<b>(18,980)</b>	<b>(31,011)</b>	▪ Investments made in financial assets
Net proceeds from issue of shares	7,966	-	
Bank charges, withholding tax and interest paid	(214)	(30)	▪ Capitalized expenditure related to development and exploration work undertaken at Sal de Vida and James Bay
Net proceeds from borrowings	(10,382)	(396)	
<b>Net cash inflow from financing activities</b>	<b>(2,630)</b>	<b>(426)</b>	
<b>Net increase in cash and cash equivalents</b>	<b>15,967</b>	<b>(281)</b>	▪ Significant free cash flow from operations will allow Galaxy to fund expansion and optimization initiatives organically
Cash and cash equivalents at the beginning of period	30,999	46,629	
Effect of foreign exchange rate changes	(337)	(1,226)	
<b>Cash and cash equivalents at period end</b>	<b>46,629</b>	<b>45,122</b>	

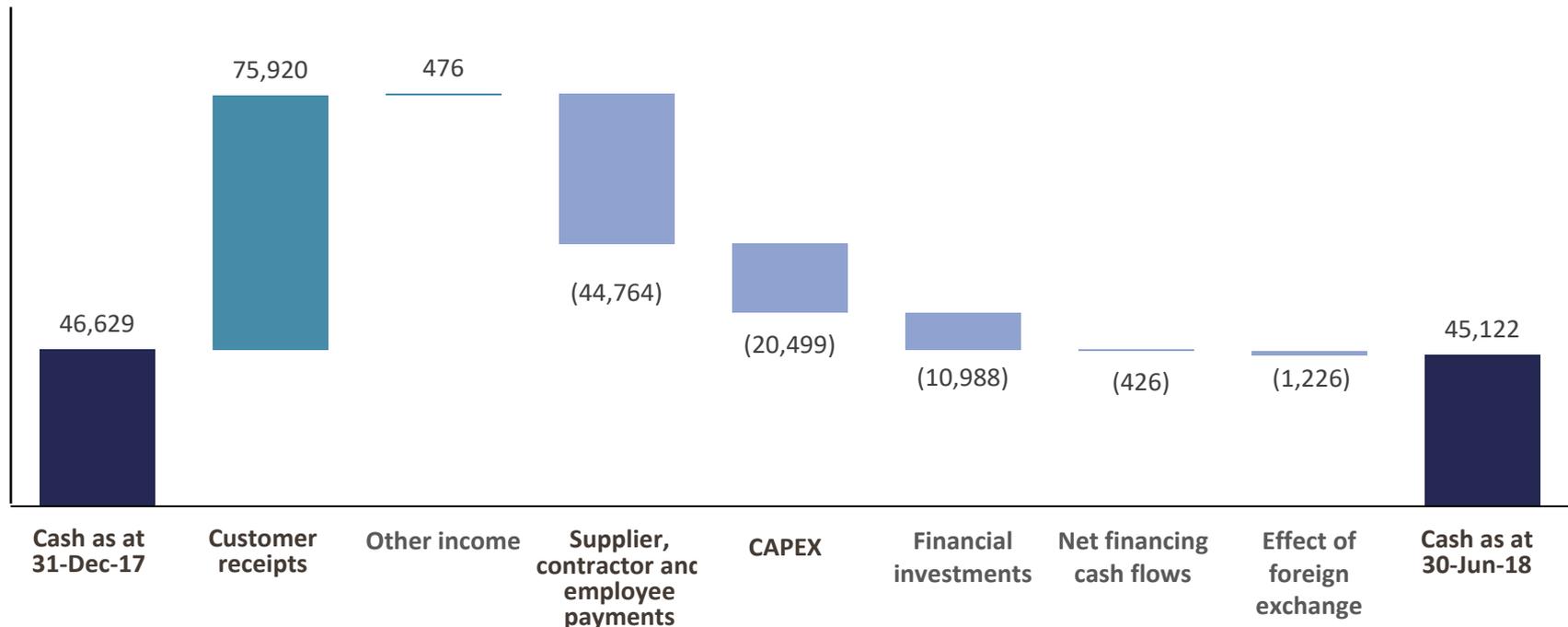
# Change In Cash



## Strong cash balance of US\$45.1M supports funding required for ongoing project development and optimization initiatives

For the period 1 January 2018 to 30 June 2018

(US\$'000)



## Strong financial position with healthy cash balance and zero debt

### Balance Sheet

US\$'000	As at 31-Dec-17	As at 30-Jun-18
Cash and cash equivalents	46,629	45,122
Other receivables and prepayments	13,147	18,939
Inventories	8,958	15,537
Other current assets	705	1,138
Assets classified as held for sale	-	25,868
<b>Total Current Assets</b>	<b>69,439</b>	<b>106,604</b>
Property, plant and equipment	251,043	227,061
Exploration and evaluation assets	102,029	84,944
Financial assets	15,846	23,239
Deferred tax asset	41,850	34,644
<b>Total Non-Current Assets</b>	<b>410,769</b>	<b>369,888</b>
<b>Total Assets</b>	<b>480,207</b>	<b>476,492</b>
Trade and other payables	23,808	28,829
Provisions	393	503
Interest bearing liabilities	-	-
<b>Total Current Liabilities</b>	<b>24,201</b>	<b>29,332</b>
Trade and other payables	1,741	826
Provisions	8,320	8,487
<b>Total Non-Current Liabilities</b>	<b>10,061</b>	<b>9,313</b>
<b>Total Liabilities</b>	<b>34,262</b>	<b>38,645</b>
Contributed equity	668,111	673,304
Reserves	45,639	20,973
Accumulated losses	(267,806)	(256,430)
<b>Total Equity</b>	<b>445,945</b>	<b>437,847</b>

### Remarks

- Inventories slightly up due to higher stockpiles of spodumene at 30-Jun-18 compared to 31-Dec-17
- The accounting cost allocation for the sale of the northern tenements at the Salar del Hombre Muerto to POSCO
- Decreased in line with the above accounting treatment related to the POSCO transaction
- Galaxy remains debt free

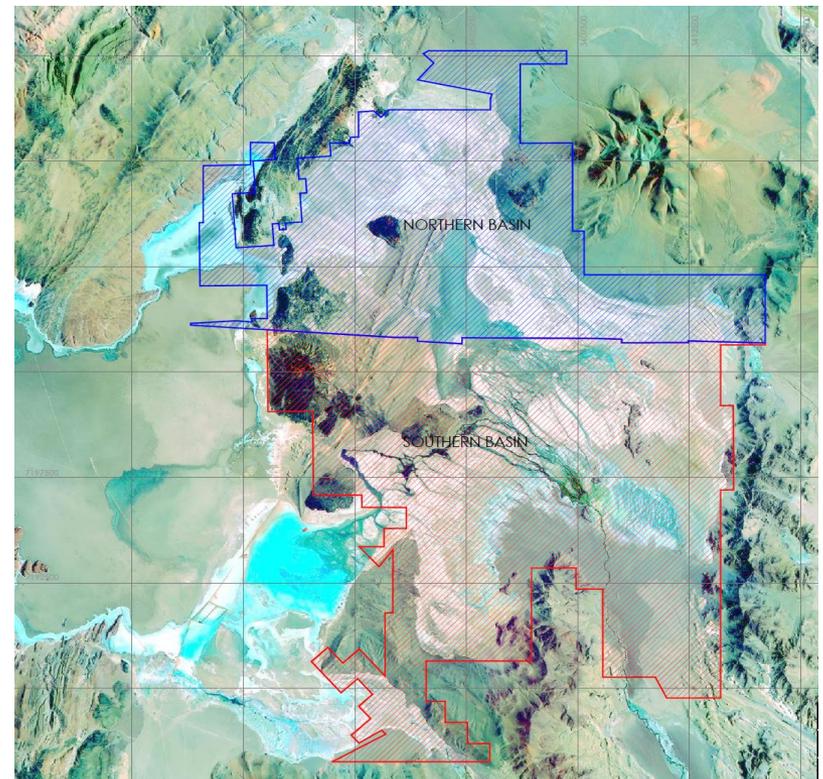
## Sal de Vida funding significantly de-risked through the execution of US\$280m tenement sale agreement with POSCO Corporation

- Binding agreement executed with POSCO to sell a package of tenements on the northern basin of Salar del Hombre Muerto for cash consideration of US\$280 million
- Galaxy will retain its 100% interest in all the remaining Sal de Vida Project tenements in Catamarca Province
- Net proceeds from the transaction to be used to advance the development of the Sal de Vida Project
- Transaction expected to settle in 4Q CY2018 on completion of the relevant tenement transfer and registration procedures in Argentina

### Strategic rationale:

- ✓ Significantly de-risks funding for the Sal de Vida project
- ✓ Realize previously unrecognized project value
- ✓ Provides for maximum flexibility in concurrent strategic process being led by JP Morgan
- ✓ Sale has no impact on the core Sal de Vida project

Map of Salar del Hombre Muerto – tenements to be sold (blue area) and tenements to be retained (red area) by Galaxy



# Competent & Qualified Persons' Statement



## Competent Person Statement

### Sal de Vida

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

### James Bay

The information in this report that relates to the estimation and reporting of the James Bay Mineral Resources is extracted from the ASX announcement dated 4 December 2017 which is available to view on [www.galaxylithium.com](http://www.galaxylithium.com) and [www.asx.com.au](http://www.asx.com.au). The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and that all material assumptions and technical parameters underpinning the Mineral Resources 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.

### Mt Cattlin

The information in this report that relates to the estimation and reporting of the Mt Cattlin Project Mineral Resource is extracted from the ASX announcement dated 20 August 2018, entitled "Mt Cattlin Resource Update – Clarification" 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 and technical parameters underpinning the Mineral Resources in the relevant market announcement continue to apply and have not materially changed. 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.

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