

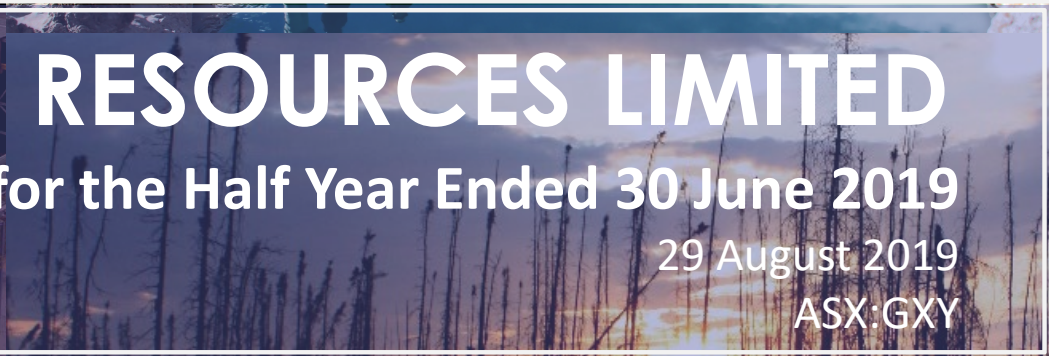


GALAXY RESOURCES LIMITED

Financial Results for the Half Year Ended 30 June 2019

29 August 2019

ASX:GXY



Caution Regarding Forward Looking Information

This document contains forward looking statements concerning 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, The 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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CONTACT INFORMATION

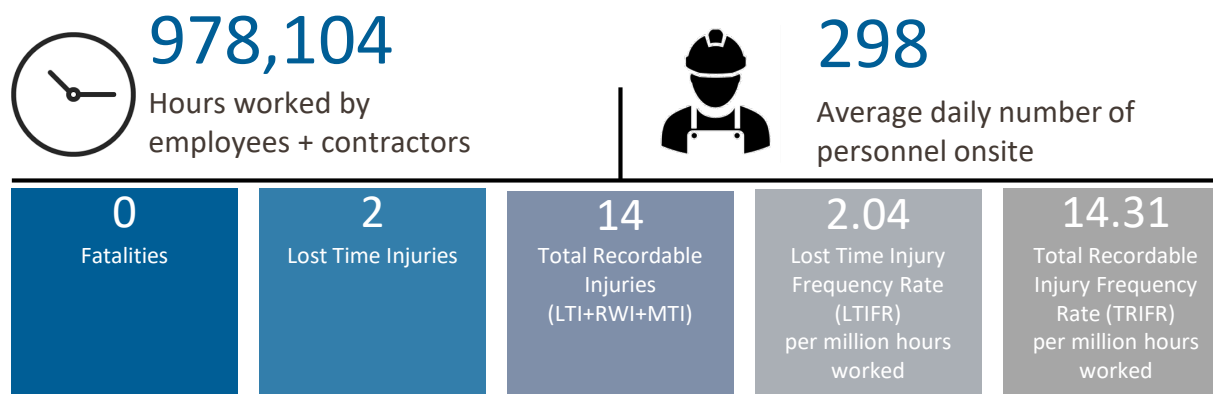
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A photograph of an industrial refinery or processing plant. The scene features several large, complex structures with scaffolding and piping, likely distillation columns or reactors. In the foreground, there are large, cylindrical storage tanks, one of which has the 'GALAXY' logo on it. The background shows a dark, overcast sky and some distant hills. The overall color palette is dominated by greys, blues, and browns.

Operational and Financial Performance

The health and safety of our employees, contractors and any other key stakeholders remains the number one priority

Health and Safety Statistics for the Rolling 12 Months Ended 30 June 2019



HSE Performance Comparison^{1,4}

- 2 low severity LTI's recorded at Sal de Vida
- Roll out of site specific Health, Safety & Environmental Management System progressing
- Improvement in TRIFR despite substantial increase in exposure hours and average daily personnel onsite

Measure	30-Jun-19	30-Jun-18
Exposure Hours	978,104	668,280
Lost Time Injury Frequency Rate (LTIFR) ³	2.04	-
Total Recordable Injury Frequency Rate (TRIFR) ²	14.31	17.96

Notes

- Our safety performance includes both employees and contractors and covers Perth Head Office (Australia) Mt Cattlin (Australia) James Bay (Canada) and Sal de Vida (Argentina)
- Total Recordable Injury Frequency Rate calculation measures the total number of injuries (excluding first aid) per million hours worked in a given financial year
- Lost Time Injury Frequency Rate calculation measures the number of lost time injuries per million hours work in a given financial year
- Injuries are classified in accordance with OSHA 3245-09R (2005) The Regulation and Related Interpretations for Recording and Reporting Occupational Injuries and Illnesses

H1 2019 Highlights



Spodumene Produced

98.3k tonnes (c.12.3kt LCE)¹

H1 2018: 91.8kt (c.11.5kt LCE)¹

Spodumene Sold

44.6k tonnes (c.5.6kt LCE)¹

H1 2018: 90.0kt (c.11.3kt LCE)¹

EBITDA (ex. inventory adjust.)²

US\$9.4M³

H1 2018: US\$42.4M

Cash

US\$176.3M

31-Dec-18: US\$24.8M

Operations

Grade of Con Produced

5.9% Li₂O

H1 2018: 5.7% Li₂O

Unit Cash Cost

US\$387/dmt produced

H1 2018: US\$377/dmt

Statutory NPAT

(US\$171.9M)⁴

H1 2018: US\$11.5M

Profit & Loss

Balance Sheet

Debt

Nil⁵

31-Dec-18: Nil

1. LCE to spodumene conversion factor of 8.0 assumed

2. Non-IFRS financial information that has not been subject to audit by Galaxy's external auditor

3. Excludes inventory write down of US\$13.6 million to reduce inventory valuation to net realisable value

4. Includes non-cash write down of inventory of US\$13.6 million, impairment of PP&E of US\$123.5 million and derecognition of deferred tax assets of US\$39.7 million

5. Drawdown of existing corporate facility used to pay consideration for loan note facility on 27 August 2019

Strong production volumes, improved product quality and lower operating costs

Mt Cattlin Production & Sales Statistics

	Units	H1 2018	H2 2018	H1 2019
Mining				
Total material mined	bcm	1,690,138	1,767,872	2,347,045
Ore mined	wmt	948,291	829,429	817,119
Grade of ore mined	% Li ₂ O	1.06	0.94	1.20
Processing and Sales				
Ore processed	wmt	865,694	837,809	836,695
Grade of ore processed	% Li ₂ O	1.14	1.02	1.28
Mass yield	%	11	8	12
Recovery	%	54	45	55
Concentrate produced	dmt	91,753	64,936	98,334
Grade of concentrate produced	% Li ₂ O	5.7	5.7	5.9
Concentrate sold	dmt	90,019	69,236	44,630
Grade of concentrate sold	% Li ₂ O	5.7	5.8	5.8
Selling Price and Production Costs				
Realised selling price ¹	US\$/dmt	940	912	584
Selling and royalty costs	US\$/dmt	105	75	79
Cash cost per tonne sold ^{1,2}	US\$/dmt	345	497	423
Cash Margin ^{3,4}	US\$/dmt	490	340	82
Cash cost per tonne produced ¹	US\$/dmt	377	556	387

Notes:

1. FOB Esperance price excluding shipping costs

2. Calculated by taking cash costs after net inventory adjustments divided by tonnes sold

3. Calculated as realised selling price less selling and royalty costs less cash cost per tonne sold

4. Non-IFRS measure that has been included to assist investors to better understand the performance of the business, and where included in this report, has not been subject to audit

- One of the strongest half year periods of operational performance since restart in Q4 2016
 - Record quarter of production in Q2 2019
- Yield optimisation project (“YOP”) completed in H1 2019 and initial benefits are being realised
- ✓ Recoveries and mass yield improving
 - Targeting higher grade at request of customers
 - Recovery loss approximately 3% for every 0.1% increase in Li₂O product grade demonstrated across Q2 2019
 - Projects underway to increase grade and minimise recovery loss
- ✓ Improved product quality with higher final product grade of Li₂O and reduced impurity concentrations
 - Reliable and consistent production targeting 5.9-6.0%+ Li₂O; <1.5% Fe₂O₃
- ✓ One of the lowest cost spodumene operations, globally, firming Galaxy’s market position despite weak market conditions
 - Unit cash cost of US\$387/ dmt in H1 2019, a 30% reduction on H2 2018
- Targeted production volume of 45,000 – 55,000 dmt in Q3 2019
- Targeted shipment volume of 60,000 – 70,000 dmt in Q3 2019

Various operational productivity initiatives underway seeking further productivity and cost efficiencies

Optimisation Focus

Product Quality

- In pit ore sorting to minimise contamination of ore reporting to ROM
- Improved presentation of feed to the final product optical sorter to enhance sorting performance
- Improving efficiency of waste rejection in the re-liberation circuit

Operational Efficiency

- Improved mine scheduling to better match processing plant throughput; 2 mine faces now open
- Changes in organisation structure and onsite processes
- Equipment additions to allow the treatment of contaminated ore stockpiled at site

Operating Costs

- Reduced haul distances for mining waste
- Review of all contract rates, including mining, hauling, logistics and port, etc.
- Improving maintenance efficiency and choice of replacement equipment materials

Re-liberation Circuit



Ultra-fine DMS Circuit

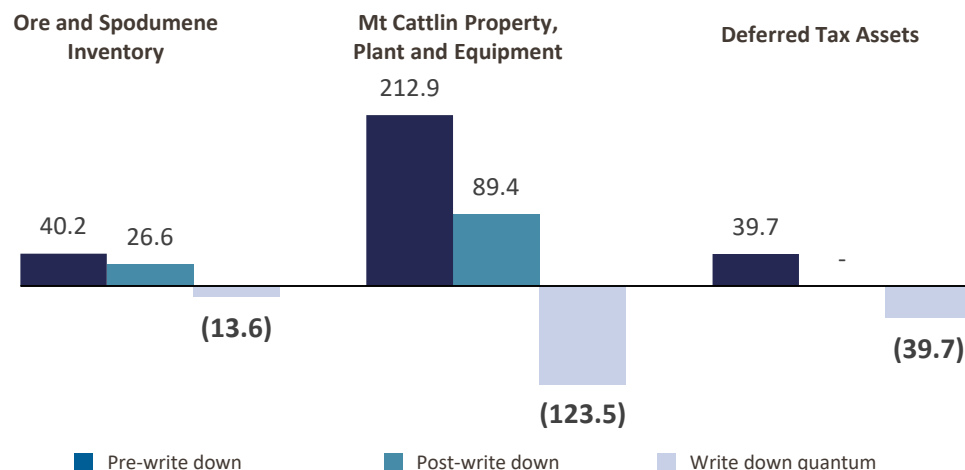


Non-cash Write Downs and Impairment



Total non-cash write downs and impairment of US\$176.8 million across inventory and property, plant & equipment at Mt Cattlin and a derecognition of deferred tax assets

Key Balance Sheet Items and Write Down Amounts (US\$M)



Key PP&E Impairment Assumptions

- Future production based on the current life of mine plan
- Spodumene price forecasts (real) ranging from US\$577/dmt – US\$692/dmt CIF China
- Average future cost of production ranging from US\$385/dmt – US\$470/dmt CIF China
- Discount rate (real, post-tax) of 8.46%

Inventory

- Due to current weakness in spodumene price, the net realisable value of inventory on hand is less than total cost of goods sold to be expensed (cash and non-cash) when sold and therefore the carrying value has been written down to net realisable value

Property, Plant and Equipment (“PP&E”)

- Impairment of US\$48M and US\$75.5M in plant & equipment and mine development expenditure, respectively
- Mine development expenditure at Mt Cattlin represents the difference between the consideration paid under the General Mining acquisition and the fair value of assets acquired

Deferred Tax Assets

- Deferred tax assets have been derecognised due to insufficient forecast taxable income available to utilise previously capitalised carried forward tax losses

Profit & Loss Statement Analysis



H1 2019 EBITDA of US\$9.4M before inventory write down; Future earnings positively impacted by lower expected D&A (compared to historical) following impairment of PP&E

Profit & Loss Statement

		6 months ending 30-Jun-19	6 months ending 30-Jun-18
Revenue	US\$'000	27,961	88,440
EBITDA¹ (before inventory write down)	US\$'000	9,414	42,377
<i>EBITDA Margin</i>	%	33%	48%
Depreciation & Amortisation ("D&A")	US\$'000	(11,766)	(24,642)
Write Down and Impairment	US\$'000	(137,061)	-
Tax Expense	US\$'000	(32,777)	(6,512)
Net Profit After Tax	US\$'000	(171,864)	11,495
Earnings Per Share (undiluted) ²	cps	(43.7)	2.8
Earnings Per Share (diluted) ²	cps	(43.7)	2.8

Remarks

- Revenue impacted by a 38% reduction in the average realised selling price, and a 50% reduction in sales volumes compared to H1 2018
- Sales volumes skewed to H2 2019, thus revenue expected to improve based on volume in H2 2019

- Includes foreign exchange gain

- Reduced D&A a function of lower sales

- Ore and final product inventory written down by US\$13.6M to net realisable value (see slide 8)
- US\$123.5M impairment of property, plant & equipment at Mt Cattlin (see slide 8)

- Includes the derecognition of deferred tax assets of US\$39.7M

Notes:

- Underlying EBITDA is a non-IFRS financial information that has not been subject to audit by Galaxy's external auditor
- Weighted average no. of shares (undiluted) = 409.3 million; Weighted average no. of shares (diluted) = 407.8 million

Cash Flow Analysis



Strong cash position founded by the proceeds received from the POSCO transaction

Cash Flow Statement

	6 months ending 30-Jun-19	6 months ending 30-Jun-18
Receipts from customers	19,027	75,920
Payments to suppliers, contractors and employees	(44,225)	(44,764)
Income tax paid	(54,268)	-
Net cash outflow from operating activities	(79,466)	31,156
Interest received	1,938	399
Payments for exploration and evaluation assets	(12,092)	(8,542)
Net payments for property, plant and equipment	(5,241)	(11,957)
Net payments for financial assets	(18,261)	(10,988)
Proceeds from sale of exploration and evaluation assets	271,600	77
Net cash inflow from investing activities	237,944	(31,011)
Net cash outflow from financing activities	(5,441)	(426)
Net change in cash and cash equivalents	153,037	(281)
Cash and cash eq. at the beginning of period	24,755	46,629
Effect of foreign exchange rate changes	(1,446)	(1,226)
Cash and cash equivalents at period end	176,346	45,122

Remarks

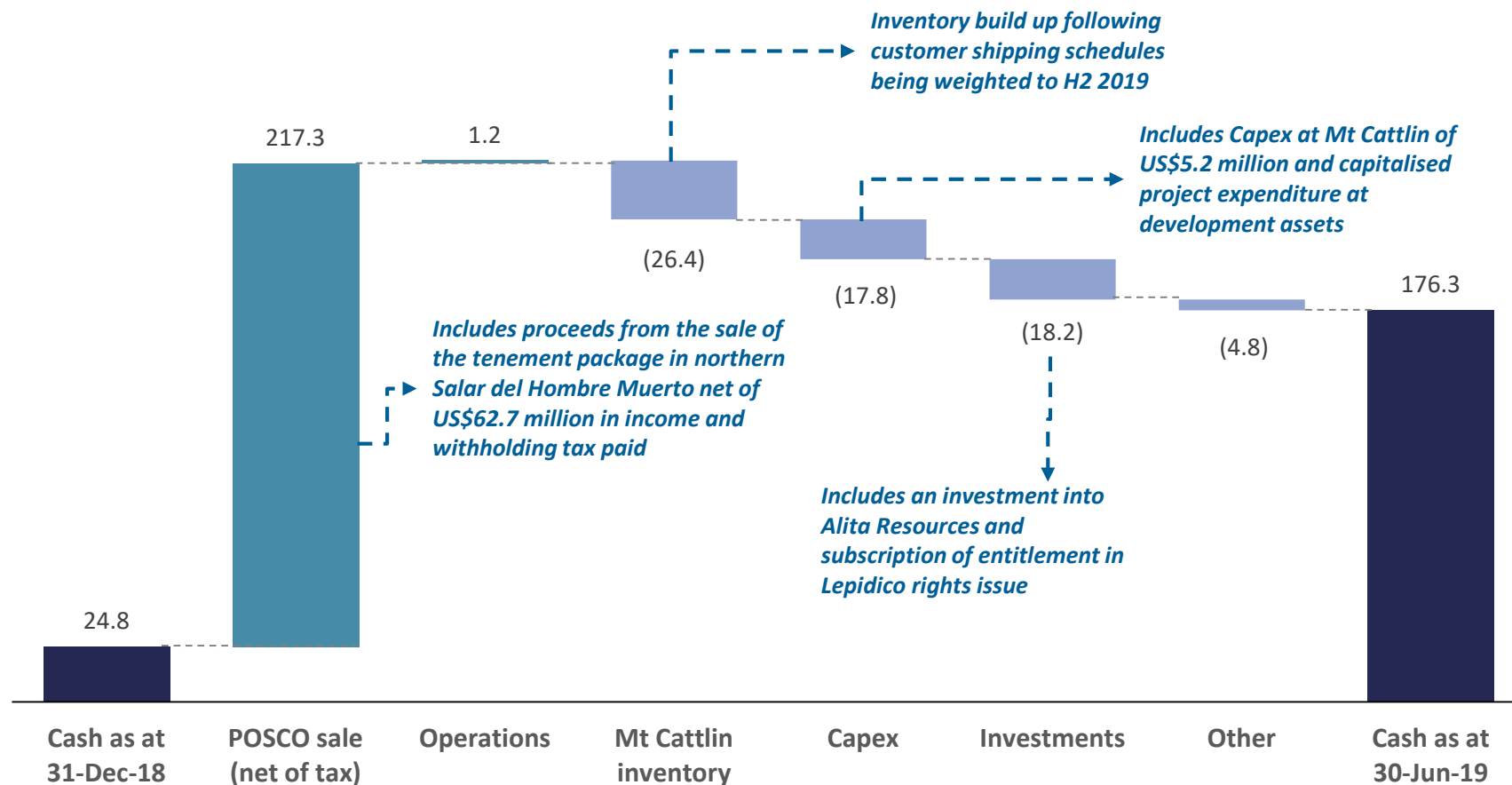
- Income tax paid in relation to the gain on the tenement package sale in northern Salar del Hombre Muerto to POSCO (“**POSCO Transaction**”)
- Total quantum favourably impacted by movements in the ARS:USD exchange rate
- Capitalised expenditure related to development and exploration work undertaken at Sal de Vida and James Bay
- Capital expenditure related to the Mt Cattlin creek and road diversion
- Investments made in financial assets, including:
 - A\$22.5M subscription in Alita Resources (ASX: A40)
 - Subscription of entitlement in Lepidco (ASX:LPD) rights issue of A\$1.2M
- Proceeds received from the POSCO Transaction, net of withholding tax paid prior to completion of US\$8.4M

Cash On Hand Analysis



Strong cash position, in the face of challenging market conditions, allowing for strategic flexibility through the commodity cycle

For the period 1 January 2019 to 30 June 2019 (US\$M)



Balance Sheet Analysis



Robust balance sheet with cash of US\$176.3 million and nil debt as at 30 June 2019

Balance Sheet

	As at 30-Jun-19 US\$ '000	As at 30-Jun-18 US\$ '000
Cash and cash equivalents	176,346	24,755
Receivables	13,232	278,703
Inventories	29,172	16,708
Other current assets	1,732	1,456
Total Current Assets	220,482	321,622
Property, plant and equipment	89,367	213,374
Right of use assets	27,593	-
Exploration and evaluation assets	81,343	81,644
Financial assets	27,183	15,542
Deferred tax asset	-	33,344
Other non-current assets	1,930	1,611
Total Non-Current Assets	227,416	345,515
Total Assets	447,898	667,137
Trade and other payables	31,130	34,611
Lease liabilities	6,406	-
Provisions	6,867	6,569
Income tax payable	-	67,343
Total Current Liabilities	44,403	108,523
Lease liabilities	21,512	-
Provisions	6,047	4,962
Total Non-Current Liabilities	27,559	4,962
Total Liabilities	71,962	113,485
Contributed equity	673,994	673,801
Reserves	(9,117)	(2,447)
Accumulated Losses	(288,941)	(117,702)
Total Equity	375,936	553,652

Remarks

- Final product inventory build resulting from customer shipping schedules being weighted to H2 2019
- Ore and final product spodumene inventory written down by US\$13.6M to reflect net realisable value
- Property, plant and mine development expenditures for Mt Cattlin impaired by US\$123.5M following a review of the recoverable amount of Mt Cattlin
- US\$39.7M in deferred tax assets derecognised
- Galaxy has adopted accounting standard AASB 16 "Lease" with effect 1 January 2019 resulting in:
 - Right to use the underlying assets under lease recognised as an asset on the balance sheet
 - Recognition of a liability in regards to future lease payments
- Payment of income tax in Argentina of US\$54.3M
- FX gain on movement in ARS:USD fx rate on payment date



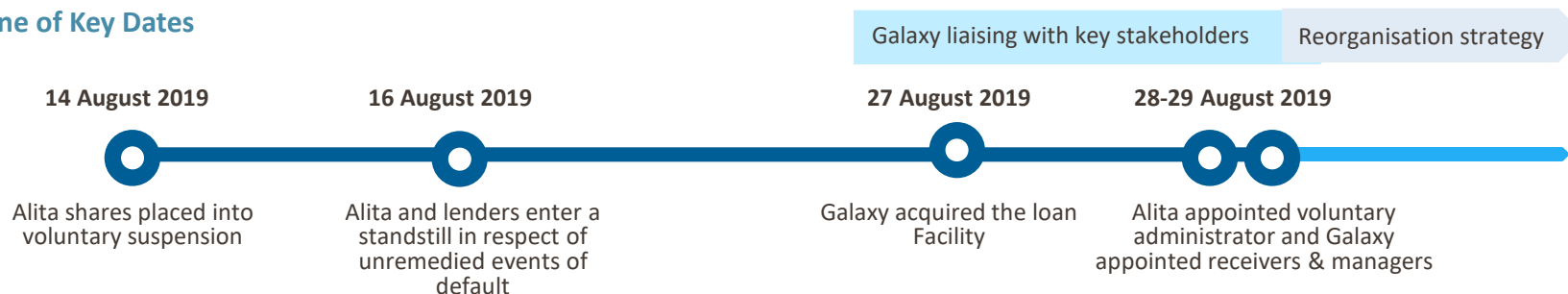
Acquisition of Senior, Secured Loan Note

Acquisition of Alita Resources Debt Facility



Galaxy purchased the senior secured loan facility (“Facility”) provided to Alita Resources from a consortium of lenders led by Tribeca Investment Partners for US\$31.1M

Timeline of Key Dates



Overview and Next Steps

- Galaxy entitled to the rights, title and interests of the Facility, including repayment of the principal, accrued interest, reimbursable costs and any future interest
- First ranking security of the debt facility assigned to Galaxy through the acquisition
- Galaxy appointed KPMG as receivers and managers (“receiver”) on 29 Aug 2019
- Small Galaxy team onsite at Bald Hill and assisting the receiver in winding down operations to a minimum
- Galaxy will now work with the Receivers and the voluntary administrators to determine a course of action for the Alita Group

Key Commercial Terms of the Facility

Term	Details
Borrower	Lithco No. 2 Pty Ltd. (wholly owned subsidiary of Alita)
Principal	US\$28.8M
Repayment Date	1 July 2020
Interest rate	LIBOR plus 13% p.a. (15.33288% for current interest period)
Security	First ranking security over all assets of Alita and its key subsidiaries
Redemption premium	2% (on outstanding amount repaid at maturity)
Early call premium	5% (on any amounts prepaid voluntarily prior to maturity)



Outlook

Operational optimisation at Mt Cattlin and a strong balance sheet underpin Galaxy's continued commitment to the development of Sal de Vida and James Bay

MT CATTLIN

Production & optimisation

- Targeting 45-55kt spodumene production in Q3 2019 (180-210kt for CY2019)
- Targeting 60-70kt of shipment volume in Q3 2019
- Focused on productivity improvements and further rationalising cash costs
- Exploring potential downstream opportunities with existing customers

SAL DE VIDA

Field work, offtake & project financing

- Optimisation and early development works; complete construction of demonstration ponds
- Dual stream test work program seeking to optimise the process flow sheet
- Confirmation of process flowsheet and updated execution plan targeted for Q4 2019
- Resourcing up for project development through key team appointments

JAMES BAY

Project development

- Comprehensive test work program for the upstream operation nearing completion
- Phase 2 test work for downstream operation underway, with results expected in H2 2019
- Confirmation of execution plan
- Continued progress on ESIA and IBA processes

MACRO

Robust lithium demand

- Market conditions currently challenging, with excess supply and soft near term demand for spodumene resulting in inventory build
- China targeting 1.5-1.7 million NEVs in 2019 continuing strong growth trajectory
- Rest of the world will begin to see the launch of mainstream EV models from global OEMs
- Increasing number of energy storage system deployments adopting lithium ion batteries

Competent & Qualified Persons' Statement



Competent Person Statements

Mt Cattlin

Any information in this report that relates to Mt Cattlin Mineral Resources and Ore Reserves is extracted from the report entitled *"42% increase in Mt Cattlin resource to 16.7Mt"* created on 23 January 2019 which is available to view on www.gxy.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 Ore 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.

Sal de Vida

Any information in this report that relates to Sal de Vida Project Mineral Resources is extracted from the report entitled *"Sale of Northern Tenements at Sal de Vida to POSCO Completed"* created on 26 November 2018 and the Sal de Vida Project Ore 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 both of which are available to view on www.gxy.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 announcements and that all material assumptions and technical parameters underpinning the Mineral Resources and Ore 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

Any information in this report that relates to James Bay Mineral Resources is extracted from the ASX announcement, entitled *"James Bay Resource Update"* dated 4 December 2017 which is available to view on www.gxy.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 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.