

GALAXY RESOURCES LTD

ACN 071 976 442

SECOND SUPPLEMENTARY BIDDER'S STATEMENT

1. IMPORTANT INFORMATION

This document is a second supplementary bidder's statement (**Second Supplementary Bidder's Statement**) issued by Galaxy Resources Limited (ACN 071 976 442) (**Galaxy** or the **Company**) under section 643 of the *Corporations Act 2001* (Cth) (**Corporations Act**) and is supplementary to the bidder's statement dated and lodged with the Australian Securities and Investments Commission (**ASIC**) on 22 June 2016 (**Original Bidder's Statement**) in relation to the off-market takeover offer by the Company for all of the fully paid ordinary shares in the capital of General Mining Corporation Limited (ACN 125 721 075) (**General Mining**) that it does not own (**Offer**).

This Second Supplementary Bidder's Statement was lodged with ASIC on 22 July 2016. Neither ASIC nor any of its officers takes any responsibility for the contents of this Second Supplementary Bidder's Statement.

This Second Supplementary Bidder's Statement must be read together with the Original Bidder's Statement and the first supplementary bidder's statement lodged 13 July 2016 (**First Supplementary Bidder's Statement**). If there is a conflict between the Original Bidder's Statement, the First Supplementary Bidder's Statement and this Second Supplementary Bidder's Statement, this Second Supplementary Bidder's Statement will prevail. Unless the context otherwise requires, terms defined in the Original Bidder's Statement have the same meaning in this Second Supplementary Bidder's Statement.

Please consult your legal, financial or other professional adviser if you do not fully understand the contents of this Second Supplementary Bidder's Statement.

A copy of this Second Supplementary Bidder's Statement will be available on the Company's website (www.galaxyresources.com.au).

2. MT CATTLIN PROJECT PRODUCTION UPDATE

Driven by the substantial efficiency gains on offer and following maiden commissioning of the fines circuit at Mt Cattlin, construction has continued to install a larger circuit which will result in a significantly expanded processing facility.

As detailed in General Mining's ASX Announcement dated 19 July 2016 (which is attached at Annexure 1), the new circuit is intended to:

- (a) reduce mica content below 5% of the total mass in the finished concentrate (previously 20%);
- (b) increase throughput design to an annualised run rate of 1.6 Mtpa (previously assumed by GMM to be 800,000tpa);

- (c) increase yield from a historic 50% to approximately 75% by recovering both fine spodumene and coarse tantalum, as well as significantly reducing mica content; and
- (d) reduce operational costs per tonne through a number of efficiency gains.

No delays to deliveries have been incurred due to the upgrading of capacity at Mt Cattlin and the first shipment from the enlarged circuit remains scheduled for September 2016.

Galaxy and General Mining will now have a substantially increased volume of both spodumene and tantalum concentrates to sell with the opportunity to meet market demand for spodumene concentrate at a time of constrained supply into the China based lithium refining markets.

Surplus 2016 production (above the committed 45,000t) is likely to be sold into the spot market and discussions with both existing and new customers to date indicate very strong demand for both products for all of the forecast production for 2017.

3. ACCEPTING THE OFFER

General Mining Shareholders will by now have received the Original Bidder's Statement (and Acceptance Form). Galaxy encourages General Mining Shareholders to accept the Offer as soon as possible, by completing the Acceptance Form that was enclosed with the Original Bidder's Statement and send it to the address shown in the Acceptance Form. If General Mining Shareholders hold their shares in a CHESS Holding, they may accept the Offer by instructing their Controlling Participant (usually a broker) to do so on their behalf.

If you have any questions regarding the Offer, please call the Galaxy Offer Information Line on 1300 618 450 (toll free within Australia) or +61 3 9415 4014 (normal call charges apply) from outside Australia, or your professional financial advisor.

General Mining Shareholders who have already accepted the Offer are not required to take any further action.

4. DIRECTOR'S AUTHORISATION

This Supplementary Bidder's Statement has been approved by a resolution passed by the Directors of Galaxy.



**Signed for and on behalf of
Galaxy Resources Limited
Martin Rowley
Chairman**

ANNEXURE 1

ASX ANNOUNCEMENT
19 July 2016

General Mining Corporation
ABN: 95 125 721 075

ASX Code: GMM

Issued Capital:
318,397,526 shares
15,000,000 unlisted options

Share Price:
\$0.76 per share

Market Capitalisation:
AUD\$241.9M

Board of Directors
Mr Michael Fotios
Executive Chairman

Mr Alan Still
Non-executive Director

Mr Michael Kitney
Non-executive Director

Company Secretary
Ms Karen Brown

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MT CATTLIN UPDATE

Highlights

- **Mt Cattlin capacity upgraded to 1.6Mtpa**
- **Maiden shipment confirmed for September 2016**

Background

General Mining Corporation Limited (ASX:GMM, "General Mining", "GMM" or the "Company"), together with its partner on the Mt Cattlin Project ("Project") Galaxy Resources Limited (ASX: GXY, "Galaxy") is hereby pleased to announce the following update on the recommissioning process at Mt Cattlin.

Mt Cattlin last operated from 2011 to mid-2012 under the stewardship of the previous Board and Management of Galaxy, with production statistics for the 6 months to 30 June 2012 including (see Galaxy 2012 Annual Report, p.11):

- Ore mined (tonnes) – 454,912
- Grade (Li₂O%) – 1.22%
- Waste mined (BCM) – 925,505
- Ore treated (tonnes) – 453,004
- Grade (Li₂O%) – 1.23%
- Spodumene produced (dry tonnes) – 54,047

On 12 October 2015, General Mining announced an independent review of its plan for the recommencement of production at Mt Cattlin based on the following parameters:

- Annual throughput (ore treated, tonnes) – 800,000
- Average annual LOM spodumene production (dry tonnes) – 111,000
- Peak spodumene yield – 75%

Following maiden commissioning of the fines circuit at the Project in March 2016, construction has continued and will now result in a significantly expanded processing capacity at Mt Cattlin:

- Annual throughput (ore treated, tonnes) – 1,600,000
- Average annual LOM spodumene production (dry tonnes) – 160,000-240,000
- Peak spodumene recovery – 75%

This change has been driven by the substantial efficiency gains on offer to the Project owners in installing a larger circuit, as well as the opportunity for Mt Cattlin to meet significant market demand for spodumene concentrate at a time of constrained supply into the China based lithium refining markets. First shipment from the enlarged circuit remains scheduled for September 2016, no delays to deliveries have been incurred due to the upgrading of capacity at Mt Cattlin.

Forecast Production Summary:

	Previous GXY (est pa)	GMM Oct 2015	GMM Jul 2016
Throughput	909,824t	800,000t	1,600,000t
Spodumene @ 50% yield	108,054t	80,000t	160,000t
Spodumene @ 75% yield	N/A	120,000t	240,000t

Progress Update

Mining and maiden commissioning of the fines circuit at the Project occurred in March 2016. After reaching the initial desired commissioning and production milestones, the Project went back into a construction phase to complete the refurbishment and upgrade of the coarse circuit, and to implement final changes to the significantly improved fines circuit.

The new circuit will:

- Reduce mica content below 5% of total mass in the finished concentrate (previously approx. 20%)
- Increase throughput design to an annualised run rate of 1.6Mtpa (previously assumed by GMM to be 800,000tpa)
- Increase yield from a historic 50% to approximately 75% by recovering both fine spodumene and coarse tantalum, as well as significantly reducing mica content
- Reduce operational costs per tonne through a number of efficiency gains

Over the last three months, mining of the ore grade TSF material has been largely completed (50kt ore remains in situ) and is currently stockpiled ready for use as feedstock in the fines circuit. The ROM pad currently holds 100,000t of blasted ore ready for crushing and feeding into the coarse circuit.

Key milestones during July to September 2016 include:

- Crushing of ROM ore stocks to commence during July
- Upgraded fines circuit to achieve targeted 1.6Mtpa throughput rate in early August
- Commissioning of the coarse circuit due to commence mid-August
- First shipment of spodumene concentrate confirmed for late September 2016

Post start up at a budgeted lithium yield of 50%, further optimisation will increase this to 75% by mid-2017. Previously scheduled for the beginning of 2017, peak metallurgical recovery across the 1.6Mtpa throughput will now occur in two phases with the final optimisation stage (flotation) subject to performance of the plant post commissioning.

Market Update

Further to the announcement made by the Company on 12 July 2016 (*"Offtake completed – 2nd prepayment received"*), GMM and GXY will now have a substantially increased volume of both spodumene and tantalum concentrates to sell.

Surplus 2016 production (above the committed 45,000t) is likely to be sold into the spot market, and discussions with both existing and new customers to date indicate very strong demand for both products for all of forecast 2017 production.

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Further inquiries:

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Forward-looking statements

This announcement includes forward-looking statements. Forward-looking statements are only predictions and are subject to risks, uncertainties and assumptions which are, or may be, outside the control of General Mining Corporation Limited. Actual values, results or events may be materially different to those expressed or implied in this announcement. Although General Mining Corporation Limited believes that the expectations reflected in such forward-looking statements are reasonable, such expectations are only predictions and are subject to inherent risks and uncertainties which could cause actual values, results, performance or achievements to differ materially from those expressed, implied or projected in any forward looking statements and no assurance can be given that such expectations will prove to have been correct. Accordingly, results could differ materially from those set out in the forward-looking statements as a result of, among other factors, changes in economic and market conditions, delays or changes in project development, success of business and operating initiatives, changes in the regulatory environment and other government actions, fluctuations in metals prices and exchange rates and business and operational risk management. Except for statutory liability which cannot be excluded, each of General Mining Corporation Limited, its officers, employees and advisors expressly disclaim any responsibility for the accuracy or completeness of the material contained in this statement and excludes all liability whatsoever (including in negligence) for any loss or damage which may be suffered by any person as a consequence of any information in this statement or any error or omission. General Mining Corporation Limited undertakes no obligation to update publicly or release any revisions to these forward-looking statements to reflect events or circumstances after today's date or to reflect the occurrence of unanticipated events other than required by the Corporations Act and ASX Listing Rules. Accordingly you should not place undue reliance on any forward looking statement.