

FINANCIAL RESULTS FOR THE HALF YEAR ENDED 30 JUNE 2019

OPERATIONAL EXECUTION AT MT CATTLIN AND ROBUST BALANCE SHEET

Galaxy Resources Limited (ASX: GXY, “Galaxy” or the “Company”) is pleased to report to shareholders on its financial results for the 6 months ended 30 June 2019 (“half year”). The half year results demonstrate Galaxy’s continued focus on operational execution at Mt Cattlin, and the strength of the Company’s operating capability and balance sheet in the face of challenging market conditions.

HIGHLIGHTS

- ◆ As at the reporting date, operations have remained Lost Time Injury (“LTI”) free at Mt Cattlin
- ◆ Total lithium concentrate (“concentrate” or “spodumene”) production and sales volumes of 98,334 dry metric tonnes (“dmt”) and 44,630 dmt, respectively
- ◆ Average unit operating costs of US\$387¹/dmt produced, positioning Mt Cattlin as one of the lowest cost spodumene producers
- ◆ Group EBITDA before inventory write down of US\$9.4 million
- ◆ Underlying net profit after tax of US\$4.9 million, excluding one-off write down of inventory, impairment of property plant and equipment and derecognition of deferred tax assets of US\$176.8 million
- ◆ Net loss after tax of US\$171.9 million, including one-off write down of inventory, impairment of property plant and equipment and derecognition of deferred tax assets of US\$176.8 million
- ◆ Cash position of US\$176.3 million as at 30 June 2019, and nil debt
- ◆ Subsequent to period end, Galaxy purchased the senior secured loan facility provided to Alita Resources (ASX: A40, “Alita”) by a consortium of lenders led by Tribeca Investment Partners (“Tribeca”) for US\$31.1 million

SAFETY

Galaxy’s Total Recordable Injury Frequency rate (“TRIFR”) for the rolling 12 months ended 30 June 2019 was 14.31. Operations at Mt Cattlin, through to the reporting date continued without any LTI’s, whereas two LTI’s were recorded at the Sal de Vida project in Argentina during the 12 months ended 30 June 2019.

OPERATIONAL AND FINANCIAL PERFORMANCE

The Company reported a total of 98,334 dmt produced in H1 FY2019, representing a 7% increase on the prior corresponding period and a 51% increase on H2 2018.

Revenue from operations reported for the half year was US\$28.0 million, down from US\$88.4 million in the prior corresponding period. This is due to lower realised selling price and lower sales volumes, due to customer shipping schedules, compared to H1 2018. The average realised selling price for concentrate volumes sold in H1 2019 was 38% lower than the prior corresponding period and 36% lower than H2 2018.

Group EBITDA, before inventory write down, for H1 2019, was US\$9.4 million, compared to US\$42.4 million in the prior corresponding period. Reduced revenue from concentrate sales was partially offset by a reduction in cost of goods sold.

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In line with Galaxy's periodic reporting obligations, the Company undertook a review of key balance sheet items with consideration for the current and projected lower spodumene price estimates for the short to medium term. This review resulted in non-cash write downs and impairment of US\$176.8 million made up as follows:

- ♦ Write down of inventory at Mt Cattlin of US\$13.6 million;
- ♦ Impairment of Property Plant and Equipment ("PP&E") at Mt Cattlin of US\$123.5 million; and
- ♦ Derecognition of Deferred Tax assets of US\$39.7 million

The adjustments arising from these write downs and impairment were non-cash items and did not have any impact on cash-flow, operations or banking covenants.

The Group reported a statutory net loss after tax of US\$171.9 million (US\$11.5 million profit after tax in prior corresponding period) which included the non-cash items described above. The underlying net profit after-tax for the half year, excluding the one-off items was US\$4.9 million.

Net cash outflow from operations in H1 2019 was US\$79.5 million, driven by reduced receipts from customers resulting from a lower realised selling price and reduced shipment volumes and a US\$54.3 million income tax payment to the Argentina tax authority. Unit operating costs for the period were US\$387¹/dmt produced, representing a 30% improvement on H2 2018.

The net cash inflow from investing activities of US\$237.9 million was impacted by the following one-off cash movements incurred throughout H1 2019:

- ♦ Cash consideration for the sale of a tenement package in the northern Salar del Hombre Muerto to POSCO of US\$271.6 million;
- ♦ Strategic investment in Alita Resources of A\$22.5 million; and
- ♦ Subscription for entitlement in the Lepidico (ASX: LPD) rights issue of A\$1.2 million

At 30 June 2019, Galaxy held cash of US\$176.3 million, marketable securities of US\$27.2 million and no debt.

Subsequent to the reporting date, Galaxy announced that it had purchased the senior secured loan facility ("**Facility**") provided to Alita by a consortium of lenders led by Tribeca. Pursuant to a Sale and Purchase Agreement and a Transfer Certificate, dated 27 August 2019, the rights, title and interest of the Facility have been assigned and novated to Galaxy for a cash consideration of US\$31.1 million.

Galaxy Resources', Chief Executive Officer, Simon Hay commented "*operational outcomes achieved in H1 2019 were pleasing in the face of difficult market conditions. Strong production volumes, improved product quality and reduced operating costs compared to H2 2018 demonstrate the early outcomes of an operational turnaround and the Company's focus on production and costs efficiencies at Mt Cattlin.*"

"A continued focus on safety, productivity, capital and operating cost efficiency will seek to reinforce Galaxy's current market position as a low-cost producer of lithium concentrate and to maximise value derived from Mt Cattlin. A key project milestone achieved in H1 2019 was the completion of the yield optimisation project. Operational results from the half year demonstrate the realisation of initial benefits from the upgrade, including increased product grade, reduced impurity concentrations and improving recovery. Ongoing operational efficiencies, such as the optimisation of optical sorter performance, mine scheduling and blasting practices continue to advance well."

"Galaxy's core portfolio of development projects remains one of the Company's key differentiators. Senior management are working to refine the implementation strategy and sequencing of project development and will report on this strategy in Q4 2019. The process test work program at Sal de Vida continues to advance, with the scope of potential processing options being refined with the elimination of some concepts. Galaxy's environmental permit was recently extended for a further 2 years. Feasibility work at James Bay continues to progress according to schedule and Impact and Benefit Agreement negotiations will commence with the Cree Nation of Eastmain in the first week of September."

"The non-cash write downs and impairment in H1 2019 reflect the current state of lower spodumene pricing in the market. Galaxy's strength as a mature hard rock producer with established operating capability ensures that we are able to plan and adapt to this reality and ensure the Company continues to generate positive operating margins."

"Galaxy's balance sheet remains robust, whilst affording the Company some strategic flexibility. Galaxy's purchase of the secured debt facility provided to Alita established the Company as the senior secured creditor to Alita. Following the appointment of administrators to Alita by the directors of Alita, Galaxy appointed KPMG as Receivers and Managers of Alita. Galaxy will now work with the Receivers and the voluntary administrators to determine a course of action for the Alita Group."

¹Excludes royalties and marketing and sales commissions

Table 1: Financial and Operations Summary

		H1 FY2019	H1 FY2018
Operations			
Lithium concentrate produced	dmt	98,334	91,753
Lithium concentrate sold	dmt	44,630	90,019
Profit & Loss			
Revenue	US\$'000	27,961	88,440
Cost of sales	US\$'000	(33,926)	(65,201)
EBITDA ^{1,2}	US\$'000	9,414	42,377
Write down and Impairment	US\$'000	(137,061)	-
Derecognition of Deferred Tax Asset	US\$'000	(39,671)	-
Net profit / (loss) after tax	US\$'000	(171,864)	11,495
Earnings / (loss) per share	cps	(43.7)	2.8
Cash Flow			
Cash inflow / (outflow) from operating activities	US\$'000	(79,466)	31,156
Cash inflow / (outflow) from investing activities	US\$'000	237,944	(31,011)
Cash (outflow) from financing activities	US\$'000	(5,441)	(426)
Net cash inflow / (outflow)	US\$'000	153,037	(281)
Closing cash & cash equivalents	US\$'000	176,346	45,122

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

²Excluding inventory write down

GUIDANCE

Galaxy reaffirms guidance provided in the June Quarter 2019 Quarterly Activities Report.

Targeted lithium concentrate production volume for Q3 2019 is 45,000 – 55,000 dmt, with full year guidance being maintained at 180,000 – 210,000 dmt.

Target shipping volumes for Q3 2019 are 60,000 – 70,000 dmt.

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About Galaxy (ASX: GXY)

Galaxy Resources Limited (“Galaxy”) is an international S&P / ASX 200 Index company with lithium production facilities, hard rock mines and brine assets in Australia, Canada and Argentina. It wholly owns and operates the Mt Cattlin mine in Ravensthorpe Western Australia, which is currently producing spodumene and tantalum concentrate.

Galaxy is advancing plans to develop the Sal de Vida lithium and potash brine project in Argentina situated in the lithium triangle (where Chile, Argentina and Bolivia meet). Sal de Vida has excellent potential as a low-cost brine-based lithium carbonate production facility.

Galaxy’s diversified project portfolio also consists of the wholly owned James Bay lithium pegmatite project in Quebec, Canada. James Bay will provide additional expansion capacity to capitalise on future lithium demand growth.

Lithium compounds are used in the manufacture of ceramics, glass, pharmaceuticals, grease and are an essential cathode material for long life lithium-ion batteries used in hybrid and electric vehicles, as well as mass energy storage systems. Galaxy is bullish about the global lithium demand outlook and is aiming to become a major producer of lithium products.

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, 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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