

# MARCH 2021 QUARTERLY ACTIVITIES REPORT

## Successful ramp up at Mt Cattlin & major milestones achieved at Sal de Vida & James Bay

Galaxy Resources Limited (ASX: GXY, "Galaxy" or the "Company") is leveraging its portfolio of world-class development assets to create a sustainable, large scale, global lithium chemicals business. Galaxy is pleased to report on activities undertaken in the March 2021 quarter and its financial position at the end of the period.

### QUARTERLY HIGHLIGHTS

#### COVID-19 RESPONSE

- COVID-19 health and safety practices implemented throughout the organisation without incident
- Sal de Vida's piloting and early construction schedule has been successfully adapted to ongoing restrictions
- No reportable disruptions to Mt Cattlin's operations or James Bay's onsite and offsite engineering activities

#### PROJECT DEVELOPMENT – EARLY CONSTRUCTION

##### Sal de Vida, Argentina

- The 2021 Feasibility Study confirms a globally competitive brine operation with lowest quartile capital and operating costs
- The Study details initial production of 10,700 tpa of battery grade lithium carbonate ("LC"), expanding to ~32ktpa in later stages
- Sal de Vida will move into detailed engineering for the process plant and continue early construction activities
- Drilling of the Stage 1 production wellfield continues and results from the first two wells lead to a Resource and Reserve increase
- Three out of eight wells are complete and further update to the Resource & Reserve is expected on completion of this program
- Piloting activities continue onsite to confirm operational procedures and produce samples of battery grade lithium carbonate for potential customers

#### PRODUCTION & OPERATIONS

##### Mt Cattlin, Australia

- Mining activities ramped up to full rate and the plant returned to nameplate capacity smoothly and safely
- Production guidance achieved with 46,588 dmt of lithium produced, grading 5.8% Li<sub>2</sub>O in line with customer requirements
- Recoveries increased to 60% due to lower final product grade and continuous plant operations
- 29,917 dmt of lithium concentrate was shipped during the quarter plus a second shipment 15,700 dmt in early April
- Unit cash operating costs for the quarter was US\$384/ tonne, in line with full-year guidance
- Contracting arrangements for Q2 shipments of ~48,000 dmt are well advanced and pricing is in excess of US\$600/dmt CIF

#### PROJECT DEVELOPMENT – ENGINEERING

##### James Bay, Canada

- Preliminary Economic Assessment ("PEA") confirmed a highly competitive spodumene project
- Further engineering has commenced to accelerate the project to "construction-ready" status by year-end
- Results from the geotechnical site investigation supported assumptions in the PEA and results will be integrated into the ESIA

#### FINANCIAL & CORPORATE

- As at 31 March 2021, Galaxy was debt free with cash and financial assets of US\$217 million
- US\$40 million undrawn debt facility remains in place, with a maturity date of 31 December 2021
- Galaxy's cash position and positive cashflow from Mt Cattlin provides full funding for Sal de Vida Stage 1

## SUSTAINABILITY

Galaxy is committed to undertaking operations in a transparent, ethical and responsible manner. Galaxy has commenced alignment of its environmental, social and governance practices with international frameworks. Further information is available in the [2021 Sustainability Report](#) released on 14 April 2021.

### Safety Performance

The Total Recordable Injury Frequency ("TRIFR") rate for the rolling 12 months ending 31 March 2021 was 5.11, a 46% improvement from the previous quarter. This was largely due to Mt Cattlin's TRIFR of 4.9, a four-year low since operations re-commenced in late 2016. COVID-19 prevention practices remain in place across all sites without incident.

### Environment

At the Sal de Vida Project, an updated Environmental Impact Assessment was submitted to reflect lower impacts from the updated flowsheet and staged development plan.

### Community

Galaxy is committed to regularly engaging with community stakeholders and providing positive, lasting benefits through employment opportunities, local procurement and educational and health initiatives.

As part of a two-year corporate social responsibility program, Galaxy has committed to fund three projects to support the communities nearest to Sal de Vida. Construction of the high school expansion reached completion during the quarter and was handed over to the Ministry of Education. Expansion of the primary school has progressed to 95% completion and the construction of the first aid facility has commenced.

## PROJECT EXECUTION

### SAL DE VIDA, Catamarca, Argentina

Galaxy is de-risking Sal de Vida by adopting a simplified flowsheet, utilising mature technology and by staging development to smooth capital expenditure and accelerate earnings. Stage 1 is designed to produce battery grade LC through an evaporation and processing operation at the Salar del Hombre Muerto site.

#### 2021 Feasibility Study

Post quarter end, Galaxy released the results of the 2021 Sal de Vida Feasibility Study. The Study focuses on Stage 1, which includes conventional brine extraction, evaporation and processing operations onsite to produce 10,700 tpa LC. Results confirmed lowest quartile development capital of US\$153 million and operating cash costs of US\$3,500 per tonne LC. Stage 1 production is forecast to generate pre-tax NPV of US\$809 million over the 44-year project life and provide strong positive cashflow to fund expansion to a three stage ~32ktpa operation.

The layout and development plan for Stage 1 allows for expansion in two additional stages targeting a further 10,700 tpa LC for each stage. This staged approach utilises the same design basis as Stage 1 with project integration planning and detailed engineering to commence immediately after Stage 1 milestones are achieved. Project development capital expenditure for all three stages combined is estimated to be US\$466 million. Operating costs for all stages are estimated to be US\$3,352 per tonne LC, a slight reduction to Stage 1's operating costs largely due to labour synergies and other economies of scale.

For further information on Sal de Vida's 2021 Feasibility Study, please refer to the ASX announcement titled, '[Sal de Vida Development Plan](#),' released on 14 April 2021.

#### Production drilling & other early construction activities

The production wellfield drilling program commenced in late 2020 to construct eight wells in the eastern region of the salar for Stage 1 brine production and to also explore the resource at depth. In early 2021, two production wells were completed, providing further data on the hydrogeological settings of the salar. Average lithium grades of 933 mg/L were achieved across the wells and results from depth extension drilling increased the depth of the basement model and the size of the brine aquifer. These results contributed to a 27% increase to the Resource and 13% increase to the Reserve, as announced in the ASX announcement titled, '[Sal de Vida Resource & Reserve Update](#),' release on 14 April 2021.

Significant exploration upside remains in the basin with various previous drill holes open at depth. To date, three production wells have been constructed and pump testing has been completed on the first well. A revised Resource & Reserve estimate is expected after completion of the drilling program.

General infrastructure progressed onsite with road construction and advancing an expansion of the accommodation camp.

### Process development & onsite piloting

Galaxy adopted the production of battery grade product as onsite piloting and independent testwork confirmed this could be achieved with the addition of an ion exchange step at the end of the flowsheet. This was seamlessly incorporated into Stage 1 design with a minimal impact on capital and operating costs.

Given the success of the piloting program and achievement of battery grade, Galaxy will continue to operate the pilot plant in 2021 with objectives to confirm operational parameters for the production phase, conduct operational staff training and generate further samples for potential offtake customers.

### COVID-19 response and development pathway

The pandemic continues to have a major impact on Argentina with the number of new daily cases increasing. Catamarca and surrounding provinces are affected by the virus and regional controls continue to hamper logistics including ground transportation, provision of goods and services and personnel movements.

Despite maintaining the project schedule throughout 2020 and to date, these restrictions remain a threat, particularly to mobilising large contractor workforce during the construction phase and delivery of equipment and consumables to site.

Galaxy continues to adapt its execution strategy where possible while prioritising the health and safety of staff and the surrounding communities. Galaxy monitors the progress of all work packages closely and continues to develop contingency plans to mitigate all major risk elements where feasible.

## PRODUCTION & OPERATIONS

### MT CATTLIN, Western Australia

Galaxy announced in early 2021 that Mt Cattlin would be ramping back up to nameplate capacity in response to increased customer demand and sustainably higher spodumene prices. Full-year guidance is detailed in Table 2, reflecting increased production of up to 200,000 dmt of concentrate grading 5.6-5.8% Li<sub>2</sub>O in line with customer requirements.

Table 2: March quarter production and sales statistics & 2021 forecast production metrics

	Units	Q1 2021 actual	2021 Forecast Production Metrics
<b>Mining</b>			
Total material mined	bcm	1,007,177	2,300,000 – 2,600,000
Ore mined	bcm	138,132	-
<b>Processing</b>			
Total ore processed	wmt	310,741	1,500,000 – 1,750,000
Grade of ore processed	% Li <sub>2</sub> O	1.47	1.0 – 1.2
Mass yield	%	15.3	-
Recovery	%	59.7	58 – 62
Concentrate produced	dmt	46,588	185,000 – 200,000
Grade of concentrate produced	% Li <sub>2</sub> O	5.8	5.6 – 5.8
<b>Sales</b>			
Concentrate shipped	dmt	29,917 <sup>1</sup>	-
Grade of concentrate shipped	% Li <sub>2</sub> O	5.9	-
<b>Production Costs</b>			
Cash cost per tonne produced	US\$/t FOB	384	360-390

<sup>1</sup> Does not include 15,700 dmt sold in Q1 but shipped in early April due to late arrival of the vessel

### Mining & processing

Mt Cattlin successfully increased production rate smoothly and safely during the quarter, producing 46,588 dmt of lithium concentrate at a grade of 5.8% Li<sub>2</sub>O, in line with quarterly guidance.

The 2NE pit will be the main source of ore in 2021 and mining in this pit commenced during the quarter with the mining fleet accelerating back to full rate by February. The process plant transitioned seamlessly from campaign mode to continuous operations in late January. Recoveries increased to 60% in the quarter in response to reduced final product grade and continuous plant operations.

### Sales & financial performance

Galaxy shipped 29,917 dmt of spodumene concentrate during the quarter averaging 5.9% Li<sub>2</sub>O. A second shipment of 15,700 dmt was delayed until early April due to late arrival of the vessel. Final product inventory at the end of the March quarter was approximately 30,300 tonnes.

The FOB unit cash cost of lithium concentrate produced for the quarter was US\$384/dmt, in line with full year guidance.

### Outlook and guidance

Galaxy continues to experience strong demand for its spodumene concentrate as rising global EV sales increases the demand for lithium chemicals leading to an increase in utilisation of spodumene converters in China. Contracting arrangements for two shipments, 33kt in May and 15kt in June, are progressing well with final pricing to be well in excess of US\$600/dmt CIF. Galaxy's marketing plans for 2021 are for sales to broadly match production and to continue selling on a spot basis as the market recovery continues.

## PROJECT DEVELOPMENT

### JAMES BAY, Quebec, Canada

#### Preliminary Economic Assessment

Galaxy's proven spodumene expertise from Mt Cattlin has been applied to the design and development of the James Bay Project. The PEA details a 330ktpa spodumene operation utilising conventional open pit mining methods and a process flowsheet and plant design similar to Mt Cattlin. As a result, the PEA demonstrates competitive development capital costs of US\$244 million and unit operating costs of US\$290/tonne. The spodumene operation is projected to generate a pre-tax NPV of US\$560 million over its 18-year project life.

Further information on the PEA is available in the ASX announcement titled, '[James Bay Development Plan](#),' released on 9 March 2021. With achievement of the PEA, Galaxy has commenced the FEED for equipment, plant configurations, detailed mine planning and scheduling to establish a detailed cost / schedule for the delivery plan.

#### Onsite activities & stakeholder engagement

A geophysical survey is scheduled to commence in April to refine drilling targets to the north and east of the orebody, with a view to return later in the year to further test the extent of the resource. Analysis and re-sampling of historic assays is also being undertaken.

The geotechnical site investigation program was completed during the quarter, supporting design assumptions in the PEA and providing data for impact modelling to support an updated Environmental Social Impact Assessment ("ESIA"). The optimised changes and supporting data will be integrated into the ESIA and re-submitted to the authorities in Q2.

Galaxy continued its engagement with local communities and stakeholders, including the Cree Nation of Eastmain and the Cree Nation Government. Community consultations were completed regarding project changes outlined in the PEA, with no additional/material concerns raised.

## FINANCIAL & CORPORATE

### Cash and debt

Post the successful equity financing in Q4 2020, Galaxy is debt free with cash and financial assets of US\$217 million as at 31 March 2021. Capital expenditure for the quarter of ~US\$10.2 million was largely in relation to the development activities of production wellfield drilling, camp upgrade and engineering activities at Sal de Vida.

### Annual General Meeting

Galaxy's Annual General Meeting for shareholders is scheduled to be held at 2:00pm AWST (4:00pm AEST) on Thursday, 20 May 2021. The Meeting will be held in Perth with a live webcast available for non-local shareholders. For further information, please refer to the [Notice of Meeting](#) and/or the Company website.

ENDS

This release was authorised by Mr. Simon Hay, Chief Executive Officer of Galaxy Resources Limited.

### For more information




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## About Galaxy (ASX: GXY)

Galaxy Resources Limited is an international 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 development of the wholly owned Sal de Vida lithium brine project in Argentina situated in the lithium triangle (where Chile, Argentina and Bolivia meet), which is currently the source of more than 40% of global lithium production. Sal de Vida has excellent potential as a low-cost brine-based lithium carbonate production facility.

Galaxy's diversified project portfolio also includes 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 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 and consumer electronics. 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.

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. There can be no assurance that Galaxy's plans for development of its mineral properties will proceed as currently expected. There can also be no assurance that Galaxy will be able to confirm the presence of additional mineral deposits, that any mineralization will prove to be economic or that a mine will successfully be developed on any of Galaxy's mineral properties. Circumstances or management's estimates or opinions could change. The reader is cautioned not to place undue reliance on forward-looking statements. Data and amounts shown in this document relating to capital costs, operating costs, potential or estimated cashflow and project timelines are internally generated best estimates only. All such information and data is currently under review as part of Galaxy's ongoing operational, development and feasibility studies. Accordingly, Galaxy makes no representation as to the accuracy and/or completeness of the figures or data included in the document.

### Competent Person

Any information in this announcement that relates to Sal de Vida Project Exploration Results, Mineral Resources & Ore Reserves is extracted from the report entitled "Sal de Vida Resource & Reserve Update" dated 14 April 2021 which is available to view on [www.gxy.com](http://www.gxy.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 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.

Any information in this announcement relating to Sal de Vida scientific or technical information, production targets or forecast financial information derived from a production target is extracted from the ASX Announcement entitled "Sal de Vida Development Plan" dated 14 April 2021 which is available to view on [www.gxy.com](http://www.gxy.com) and [www.asx.com.au](http://www.asx.com.au). The Company confirms that all the material assumptions underpinning the scientific or technical information, production targets or the forecast financial information derived from a production target in the original market announcement continue to apply and have not materially changed.

Any information in this announcement relating to James Bay scientific or technical information, production targets or forecast financial information is extracted from the ASX Announcement entitled "James Bay Development Plan" dated 9 March 2021 which is available to view on [www.gxy.com](http://www.gxy.com) and [www.asx.com.au](http://www.asx.com.au). The Company confirms that all the material assumptions underpinning the production target, and the forecast financial information derived from a production target, in the original market announcement continue to apply and have not materially changed.

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