

JUNE 2021 QUARTERLY ACTIVITIES REPORT

Record quarterly production at Mt Cattlin

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. The Company is pleased to report on activities undertaken in the June 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
- Sal de Vida’s onsite activities including piloting and early construction schedule has been adapted to ongoing restrictions
- No reportable disruptions to Mt Cattlin’s operations or James Bay’s onsite and offsite engineering activities

PRODUCTION & OPERATIONS

Mt Cattlin, Australia

- Record quarterly production achieved of 63,321 dmt of lithium concentrate, with specifications in line with customer requirements
- Unit cash operating costs for the quarter of US\$328/dmt, a 17% decrease compared to the previous quarter
- 48,499 dmt of lithium concentrate was shipped during the quarter plus an additional 2 shipments of 31,500 wmt completed in July
- In addition to the July shipments, contracted shipments for ~60kt in Q3 are well advanced
- The first phase of pre-stripping activities at the 2NW pit commenced in July

PROJECT DEVELOPMENT – EARLY CONSTRUCTION

Sal de Vida, Argentina

- Stage 1 production wellfield drilling continues, with five out of eight wells successfully completed and installed
- Delivery of pond liners is underway and tender submissions for pond earthworks and liner installation are under assessment
- Piloting onsite successfully produced battery grade lithium carbonate with far lower impurities than previous results
- Detailed engineering for the process plant and non-process infrastructure is underway with early assessment of long lead items
- Expansion of the Sal de Vida camp and primary school in a nearby village was completed
- Cost and schedule continue on track and in line with previous guidance

PROJECT DEVELOPMENT – ENGINEERING

James Bay, Canada

- Basic engineering has commenced in line with the plan to accelerate the project to a “construction-ready” status by year-end
- A revised Environmental Social Impact Assessment (ESIA) was submitted to authorities incorporating further engineering work

FINANCIAL & CORPORATE

- As at 30 June 2021, Galaxy was debt free with cash and financial assets of US\$208 million
- A US\$40 million undrawn debt facility remains in place, with a maturity date of 31 December 2021

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 [2020 Sustainability Report](#) released on 14 April 2021.

Safety Performance

The Total Recordable Injury Frequency (TRIFR) rate for the rolling 12 months ending 30 June 2021 was 5.74, with two recordable injuries for the quarter which have since been investigated and resolved. COVID-19 prevention practices remain in place with an increased focus at the Sal de Vida project with Argentina experiencing significant new cases.

Environment

At Sal de Vida, stakeholder engagement focused on the Environmental Impact Assessment that was submitted in March. The submission reflects reduced impacts from the updated process flowsheet and staged development plan outlined in the 2021 Feasibility Study. Additional activities and monitoring were undertaken onsite to train staff and establish an environmental baseline for wellfield operations.

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 committed to fund three infrastructure projects to support the communities nearest to Sal de Vida. An expansion of a local high school was completed and handed over to the Ministry of Education in Q1, a primary school expansion was completed in Q2 and the construction of a first aid facility for the local community is 70% complete.

PRODUCTION & OPERATIONS

MT CATTLIN, Western Australia

The 2021 forecast production metrics targets up to 210,000 dmt of lithium concentrate and is outlined in Table 2 against Q2 performance.

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

Mining	Units	Q1 2021	Q2 2021	2021 Forecast Production Metrics
Total material mined	bcm	1,007,177	966,920	5,400,000– 5,900,000
Ore mined	bcm	138,132	174,358	-
Processing				
Total ore processed	wmt	310,741	427,587	1,450,000 – 1,650,000
Grade of ore processed	% Li ₂ O	1.47	1.44	1.2 – 1.3
Mass yield	%	15.3	15.1	-
Recovery	%	59.7	60.0	58 – 62
Concentrate produced	dmt	46,588	63,321	195,000 – 210,000
Grade of concentrate produced	% Li ₂ O	5.8	5.7	5.6 – 5.8
Sales				
Concentrate shipped	dmt	29,917	48,499	-
Grade of concentrate shipped	% Li ₂ O	5.9	5.8	-
Production Costs				
Cash cost per tonne produced	US\$/t FOB	384	328	420-450

Mining & processing

Record quarterly and half-yearly production was achieved with 62,321 dmt of lithium concentrate at 5.7% Li₂O grade in Q2 which brought the half-year total to 109,909 dmt. Excellent performance was due to favourable head grade and improved plant utilisation and processing rates.

Mining activities continued to source ore from the 2NE pit and material mined of 966,920 bcm is in line with full year guidance. Average recovery remained stable at 60% and the optical ore sorters continue to make positive contributions to throughput from the stockpiles of low-grade ore.

Sales & financial performance

Galaxy shipped 48,499 dmt of spodumene concentrate during the quarter averaging a grade of 5.8% Li₂O. A shipment of 15,000 wmt was planned for Q2 but slipped into early July due to port congestion. A further shipment of 16,500 wmt was also loaded in July.

The FOB unit cash cost of lithium concentrate produced for the quarter was US\$328/dmt, a 17% decrease compared to the previous quarter. In accordance with full year guidance, the unit cash cost is expected to increase to US\$420-\$450 /dmt as the first phase of pre-stripping activities at 2NW ramps up in H2.

Outlook and guidance

Galaxy continues to experience strong demand for its spodumene concentrate as rising global EV sales increase the utilisation of spodumene converters in China. Contracting arrangements with long term customers are well advanced for further shipments of ~60kt in Q3, in addition to the 31,500 wmt already shipped in July. Galaxy will continue to sell contracted volumes to customers on a spot pricing basis for the remainder of 2021.

Due to the strong production performance at Mt Cattlin in H1 2021, Galaxy had produced sufficient uncontracted volumes to enable a spot shipment to be sold in addition to contracted volumes. In mid-July Galaxy ran an auction process with selected buyers for 15kt of spodumene concentrate at 5.8% Li₂O to be shipped in late Q3. A number of strong bids were received from parties throughout Asia and Galaxy expects to conclude the contract with the preferred buyer in July.

PROJECT EXECUTION

Sal de Vida, Catamarca, Argentina

Sal de Vida is designed to produce battery grade lithium carbonate through an evaporation and processing operation at the Salar del Hombre Muerto site. The [2021 Feasibility Study](#) focuses on an initial 10,700 tpa operation that can readily expand to a ~32ktpa production capacity through later stages.

Engineering & procurement

Procurement of the wells to ponds package has significantly advanced during the quarter. Liners for the evaporation ponds have been procured and delivery to site has commenced. Other packages such as earthworks, pond installation and brine distribution have been tendered and responses are under assessment.

Detailed engineering for the process plant and non-process infrastructure is underway and Galaxy has commenced the procurement process for long lead items.

Early construction & wellfield drilling

To date, five out of eight production wells have been completed for Stage 1 brine production. The sixth well is under construction with the remaining two scheduled for completion in Q4 2021. Pump testing has been performed on three wells by the hydrogeological team and results are in line with operating assumptions and expectations.

A revised Resource & Reserve estimate is planned after completion of the drilling program. General infrastructure and road construction progressed during the quarter and the expansion of the accommodation camp was completed in time for an increase in construction workforce.



Figure 1: Ion exchange circuit in the pilot plant (left), production wellfield drilling (centre), completed camp expansion (right)

Process development & piloting

The onsite piloting program continues to deliver exceptional results. During the quarter, additional process steps were installed in the pilot plant, in line with the revised battery grade plant design for Stage 1. As expected, the IX circuit successfully removed calcium and magnesium to the desired impurity levels in the final product.

In most recent piloting, 86% of the lithium carbonate produced met battery grade quality specifications, compared to the feasibility study assumptions of 80%. Battery grade product achieved lithium carbonate purity of 99.9% with Ca and Mg levels of 14 mg/L and <10 mg/L respectively. Results displayed in Table 1 below compare the recent pilot run with previous runs (without IX) and to typical battery grade specifications in the industry. All battery grade parameters were achieved in this pilot run further increasing confidence in Galaxy's internally developed flowsheet. Samples have been dispatched to top tier chemicals and electric vehicle (EV) manufacturers for testing.

Table 1: Battery grade specifications and piloting results

Detail	Lithium carbonate purity	Impurity species (ppm)					
		Ca	Mg	K	B	SO ₄	Na
Typical battery grade specification	> 99.5%	< 50	< 50	< 30	< 50	< 375	< 180
Product from pilot run – 2020	99.8%	125	165	26	36	135	103
Product from pilot run (with IX) – 2021	99.9%	14	<10	20	<25	58	132

COVID-19 response

The pandemic continues to have a major impact on Argentina with the number of new cases averaging 8,000-10,000 per day. Catamarca and surrounding provinces are affected by the virus and regional controls continue to impact logistics including ground transportation, provision of goods and services and personnel movements.

Despite maintaining the project schedule, non-critical path items were impacted for a few weeks during the quarter. COVID-19 infections and related travel restrictions remain a threat, particularly to mobilising a 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. This involves additional testing, isolation procedures, social distancing and variable work rotations for staff and contractors. Galaxy monitors the progress of all work packages closely and continues to develop contingency plans to mitigate all major risk elements where feasible.

PROJECT DEVELOPMENT

JAMES BAY, Quebec, Canada

James Bay's design basis is a 330ktpa spodumene operation utilising conventional open pit mining methods and a process flowsheet and plant configuration similar to Mt Cattlin. Since releasing the [2021 Preliminary Economic Assessment \(PEA\)](#), front-end engineering design has transitioned to Basic Engineering to accelerate the project to "construction-ready" status by year-end. A downstream study has also commenced to examine options around conversion of James Bay's spodumene concentrate into value-added lithium chemicals.

Onsite activities & stakeholder engagement

A geophysical survey to refine drilling targets to the north and east of the orebody was completed in the quarter. This survey result, plus detailed geological mapping of outcrops in Q3, will assist in developing an exploration drilling program to further test the extent of the resource, planned for the upcoming northern winter.

The ESIA has been updated and was re-submitted to the authorities in July. The submission reflects optimised changes to the project outlined in the PEA and data from the recent geotechnical site investigation program. Engagement with local communities and stakeholders continues, 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 concerns raised.

FINANCIAL POSITION

Cash and debt

Galaxy was debt free with cash and financial assets of US\$208 million as at 30 June 2021. Capital expenditure for the quarter of ~US\$12.0 million was principally for development activities of production wellfield drilling, the camp upgrade and engineering activities at Sal de Vida.

MERGER WITH OROCOBRE LIMITED

Scheme of Arrangement

On 19 April 2021, Galaxy announced it had entered into a binding Merger Implementation Deed with Orocobre Limited (**Orocobre**) under which the two companies will merge via a Scheme of Arrangement (**Scheme**) under Part 5.1 of the Corporations Act. Pursuant to the Scheme, Orocobre will acquire all of the fully paid ordinary shares in Galaxy subject to the satisfaction of certain conditions, including approval of the Scheme by Galaxy Shareholders and the Supreme Court of Western Australia.

Under the Scheme, Galaxy shareholders will receive 0.569 Orocobre shares for each Galaxy share held at the Scheme record date. Upon implementation of the Scheme, Orocobre shareholders will own 54.3% of the fully diluted share capital of the combined entity and Galaxy shareholders will own the remaining 45.7%.

The Scheme is unanimously recommended by the Galaxy Board and each Galaxy Director intends to vote all the shares that they hold in Galaxy in favour of the Scheme (in both cases, subject to no superior proposal emerging and the Independent Expert continuing to conclude that the Scheme is "fair and reasonable" and in the best interests of Galaxy shareholders).

The First Court Hearing in the Supreme Court of Western Australia was conducted on 2 July 2021 and resulted in approval to convene a meeting of Galaxy shareholders and the dispatch of the Scheme booklet and Notice of Scheme Meeting.

Integration planning between the two entities is progressing well with implementation of the Scheme expected to take place on 25 August 2021 in accordance with the timetable below.

Scheme Meeting

The Scheme Meeting, at which Galaxy Shareholders will vote on the proposed Scheme, will be held at 10.00 am (AWST) on Friday, 6 August 2021, at the Karingal Room, the Melbourne Hotel, 33 Milligan Street, Perth WA 6000. Galaxy shareholders will also be able to attend and vote at the Scheme Meeting online via an online platform.

Scheme Timetable

The key dates expected for the Scheme are set out below.¹

Latest time and date for lodgement of completed Proxy Form for the Scheme Meeting (including Proxy Forms lodged online)	Wednesday, 4 August 2021 at 10.00 am
Time and date for determining eligibility to vote at the Scheme Meeting	Wednesday, 4 August 2021 at 5.00 pm
Scheme Meeting	Friday, 6 August 2021 at 10.00 am
Second Court Date	Friday, 13 August 2021
Effective Date	Monday, 16 August 2021
New Orocobre Shares commence trading on ASX on a deferred settlement basis	Tuesday, 17 August 2021
Scheme Record Date	Wednesday, 18 August 2021 at 5.00 pm
Implementation Date	Wednesday, 25 August 2021
New Orocobre Shares commence trading on ASX on a normal settlement basis	Thursday, 26 August 2021

Further information

For further information in relation to the Scheme and/or how to vote in the upcoming Scheme Meeting, please visit www.gxyscheme.com or contact the Galaxy Shareholder Information Line on 1300 034 153 (within Australia) or +61 3 9415 4875 (outside Australia) Monday to Friday between 8:30am and 5:30pm (AEST).

¹ All times and dates in the above timetable are references to the time and date in Perth, Western Australia (AWST). All dates following the date of the Scheme Meeting are indicative only and, among other things, are subject to all necessary approvals from the Supreme Court of Western Australia and each other condition precedent to the Scheme being satisfied or waived. Galaxy reserves the right to vary the times and dates set out above. Any changes to the above timetable will be announced on ASX and notified on Galaxy's website at www.gxy.com.

INDUSTRY & MARKET UPDATE

Supply & demand

Lithium demand is strong across the international lithium-ion battery supply chain and many independent lithium demand forecasts have been raised as EV sales have exceeded earlier forecasts. Europe and China continue to lead this trend with 2021 YTD EV sales rising 224% and 153% year-on-year respectively.

Supply side tightness in raw materials is expected to continue despite supply forecasts revised upwards in response to accelerated EV sales growth. Australian spodumene producers also lifted utilisation rates and exports to China benefiting from higher prices in the period. Relationships between both upstream and downstream of the supply chain continue to be reinforced as downstream suppliers seek to secure feedstock.

The market is set to face structural supply and demand issues from this year with the absence of significant supply-side developments to supplement current and near-term supply. As a result, chemical availability poses a major bottleneck risk to battery production which is also expanding rapidly in response to EV growth. According to Benchmark Mineral Intelligence (**BMI**), pipeline global lithium-ion battery cell production capacity in 2030 has risen to 3,882 GWH, a quarterly increase of 13%.

Lithium chemicals pricing

According to BMI, global weighted average prices reached \$12,432/tonne for carbonate and \$13,873/tonne for hydroxide by the end June, a quarterly increase of 15.6% and 34.5% respectively. Hydroxide restored its premium to carbonate in the Chinese domestic market after high nickel cathode production increased, spurred by growth in the ex-China EV market. Chinese carbonate prices had rallied earlier in the year and overtook hydroxide prices due to strong demand for LFP cathodes. Carbonate prices have now stabilised due to higher Chilean imports and growing seasonal production from brine projects in Qinghai Province in China.

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 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.

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 and 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 and 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.

The information in this report that relates to battery grade production at the Sal de Vida project is based on information compiled by Brian Talbot BSc Engineering (Chemical), FAusIMM, a Competent Person who is a Fellow of the Australasian Institute of Mining and Metallurgy. Mr Talbot is a full-time employee of the company. Mr Talbot has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012

Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Talbot consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

Not for Release in the United States

This announcement has been prepared for publication in Australia and may not be released in the United States. This announcement does not constitute an offer of securities for sale in any jurisdiction, including the United States and any securities described in this announcement may not be offered or sold in the United States absent registration or an exemption from registration under the United States Securities Act of 1933, as amended. Any public offering of securities to be made in the United States will be made by means of a prospectus that may be obtained from the issuer and that will contain detailed information about the company and management, as well as financial statements.

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