

# FY2020 FINANCIAL RESULTS

## Strong balance sheet to advance both growth projects and increased 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. Galaxy advises the release of its Consolidated Financial Report for the year ended 31 December 2020. A summary of the results is provided in this announcement.

### HIGHLIGHTS

#### PRODUCTION & OPERATIONS

##### Mt Cattlin, Australia

- Annual production of 108,658 dry metric tonnes ("dmt") of lithium concentrate at 5.95% Li<sub>2</sub>O achieved full year guidance
- Production targeted ~60% of nameplate capacity to adapt to soft market conditions in the sector for most of the year
- Cash cost per tonne produced was US\$447/ tonne FOB, a 14% increase to the prior year due to moderated production levels
- Record quarterly shipments of 75,336 dmt of lithium concentrate were shipped in the December quarter
- Average realised selling price for FY2020 was US\$352/dmt FOB, FY2020 revenue from operations was US\$55.3 million
- Mt Cattlin is ramping up production in response to strong customer demand, improving prices and reduced inventory levels
- Q1 2021 shipments for 45,000 dmt are contracted at materially higher prices

#### FINANCIAL & CORPORATE

- The Group's loss after tax for the year ended 31 December 2020 narrowed to US\$31.3 million
- Successful completion of a A\$160.7 million equity financing to be applied to Sal de Vida Stage 1 and James Bay
- As at 31 December 2020, Galaxy was debt free with cash and financial assets of US\$215.1 million
- US\$40 million undrawn debt facility remains in place, with maturity date extended to 31 December 2021

##### Chief Executive Officer, Simon Hay commented

*"Galaxy experienced challenging market conditions throughout most of 2020 and posted a net loss after tax for the year of US\$6.3 million, excluding mid-year inventory write down and impairments of US\$25.0 million. Revenue in FY2020 was adversely impacted by the realised selling price for spodumene being 30% below FY2019 levels. Pleasingly, Mt Cattlin's unit cash cost of production reduced in H2 despite an increase in the exchange rate. The cash used in operations of US\$6.3 million was US\$29.0 million lower than FY2019 due to stringent cost control and the moderated operational settings implemented at Mt Cattlin at the beginning of 2020.*

*Whilst many competitors cancelled or deferred their projects in response to soft market conditions, Galaxy maintained development activities at Sal de Vida. This approach was vindicated with a rapid recovery in the lithium chemical sector in late 2020. With the Sal de Vida project maintaining schedule for majority of the year, we are well positioned to start production in a buoyant lithium chemicals market. Significant progress was made in the design phase with front-end engineering nearing completion by year end as planned. The test work and piloting program on Galaxy's internally developed flowsheet delivered outstanding results with product quality approaching battery grade levels by year end. 2021 will be an exciting year as we reveal results from the updated feasibility study in early Q2 and commence construction of evaporation ponds mid-year.*

*At Mt Cattlin production outcomes were in line with guidance and the record sales quarter in Q4 is further evidence of the lithium industry recovery which is underway and which led to our decision to immediately ramp up Mt Cattlin.*

*The balance sheet was strengthened at the end of 2020 with the successful completion of a A\$160.7 million equity financing. We were delighted by the strong response received from a broad range of high quality, domestic and international institutions which we believe, underlines the quality of our asset portfolio. Securing these funds is an important milestone for Galaxy as we develop Sal de Vida into a large scale, lowest-quartile cost lithium brine operation. The equity financing proceeds will also be used to accelerate James*

Bay to a construction ready status which Galaxy believes is timely given the project's high-grade and location, positioning Galaxy to take advantage of the forecast growth in electric vehicle demand in Europe and North America. The Preliminary Economic Assessment is on track for release by the end of this quarter."

## FINANCIAL PERFORMANCE

### Financial Overview Summary

	2020 US\$'000	2019 US\$'000	Change %
Revenue	55,293	69,514	↓ 20%
Cost of Sales	(64,690)	(80,897)	↓ 20%
Inventory write down	(10,813)	(23,637)	↓ 54%
Impairment of Property, Plant & Equipment and Right of Use Assets	(14,183)	(188,905)	↓ 92%
EBITDA <sup>(i)</sup>	(5,544)	6,816	↓ 180%
D&A	(5,794)	(35,172)	↓ 84%
Net Profit / (loss) after tax	(31,309)	(283,742)	↑ 89%
Cash inflow / (outflow) from Operating Activities	(13,538)	(97,163)	↑ 86%
Cash inflow / (outflow) from Investing Activities	15,110	184,580	↓ 92%
Cash inflow / (outflow) from Financing Activities	109,425	(9,716)	↑ 1,226%
Net cash inflow / (outflow)	110,997	77,701	↑ 43%
Closing Cash & Cash Equivalents	210,437	100,907	↑ 109%

i. Refer to note 1 – Segment Information of the Consolidated Financial Report for the Year Ended 31 December 2020

### Profit & Loss

Revenue from operations of US\$55.3 million was 20% lower compared to the prior financial year. This was largely driven by a 30% reduction in average realised spodumene price of US\$352/dmt, which was offset by a 14% increase in volume sold.

The Group's loss after tax for the year ended 31 December 2020 was US\$31.3 million, an 89% improvement compared to the previous year. The loss after tax includes a write down of inventory at Mt Cattlin of US\$10.8 million and an impairment of Property, Plant & Equipment and Right of Use Assets at Mt Cattlin of US\$14.2 million. Excluding these items, the Group loss for the period before tax was US\$6.3 million primarily due to the lower prices realised.

Cost of goods sold of US\$64.7 million represents a 20% decrease to the prior year, largely due to lower depreciation and amortisation of US\$5.8 million offset by a 14% increase in sales volume. The lower depreciation and amortisation resulted from the impairment in Property, Plant and Equipment at Mt Cattlin of US\$14.2 million (FY2019: US\$188.9 million). As a result, cost of goods per tonne sold decreased from US\$592/dmt in FY2019 to US\$458/dmt.

### Cash Flow

The Group's cash outflow from operating activities was US\$13.5 million. The US\$83.6 million improvement from the prior year was largely driven by a reduction in income tax paid of US\$54.6 million. There was a reduction in payment to suppliers, contractors and employees of US\$47.0 million due to a 43% reduction in spodumene production. This was offset by a reduction in receipts from customers due to the 30% reduction in the realised spodumene price.

Net cash inflows from investing activities amounted to US\$15.1 million. The reduction of US\$169.5 million compared to the prior year was primarily due to proceeds received from the sale of the Sal de Vida northern tenements of US\$271.6 million before tax. Major investing activities cash outflows were US\$6.1 million in payments for property, plant and equipment, US\$19.2 million in exploration and evaluation costs at Mt Cattlin, Sal de Vida and James Bay and US\$32.1 million in proceeds from financial assets.

The Group had a net financing cash inflow of US\$109.4 million primarily due to the equity financing of US\$118.8 million (net of issue costs) completed in December 2020, offset by principal elements of lease payments of US\$7.8 million.

At 31 December 2020 the Company had closing cash of US\$210.4 million together with Financial Assets of US\$4.7 million

### Balance Sheet

Current assets at 31 December 2020 was US\$243.3 million, a US\$65.3 million increase compared to the prior financial year, primarily due to the equity financing of US\$118.8 million completed in December 2020. This was offset by capex of US\$25.3 million (including capital works and exploration and evaluation costs at Mt Cattlin, Sal de Vida and James Bay) and write down of Inventory of US\$10.8 million at 30 June 2020.

The differential between production and sales volumes in FY2020 of approximately 42,000 dmt resulted in a decrease of closing inventory of US\$19.4 million. At 31 December 2020, Galaxy had approx. 17,000 dmt of final spodumene product ready for sale in inventory.

Non-current assets of US\$143.8 million were in line with FY2019 with capex offset by depreciation and amortisation and the impairment of Property, Plant and Equipment and Right of Use Assets at Mt Cattlin of US\$14.2 million at 30 June 2020.

Current liabilities decreased by US\$16.0 million to US\$36.4 million at 31 December 2020, primarily due to the reduction in income tax payable of US\$14.0 million.

The Group ended the period with no outstanding borrowings or debt liabilities.

## ANNUAL GENERAL MEETING

In accordance with ASX Listing Rule 3.13.1 Galaxy advises that the Annual General Meeting of the Company will be held on Thursday, 20 May 2021. The closing date for the receipt of nominations from persons wishing to be considered for election as a director is 5:00PM (WST) on 26 March 2021.

ENDS

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

### For more information

#### Investor Relations

Phoebe Lee  
Galaxy Resources Limited  
T: +61 (8) 9215 1700  
E: [info@gxy.com](mailto:info@gxy.com)

#### Media Enquiries (Australia)

Scott Rochfort  
Cannings Strategic Communications  
T: +61 435 878 614  
E: [srochfort@canningscomms.com.au](mailto:srochfort@canningscomms.com.au)

#### Galaxy Resources Limited

ABN: 11 071 976 442  
A: Level 4 / 21 Kintail Road  
Applecross Western Australia, 6153  
W: [www.gxy.com](http://www.gxy.com) S:   

## 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 chemical production facility.

Galaxy's diversified project portfolio includes the wholly owned James Bay lithium pegmatite project in Quebec, Canada. James Bay which can provide additional spodumene concentrate production 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.

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