



Product price drops but cash boosted by sale of Northern Argentinian leases

Company/ASX Code	Galaxy Resources Ltd / GXY
AGM date	Thursday 21 May 2020
Time and location	2pm (WST) Live Webcast via www.gxy.com
Registry	Computershare Investor Services Ltd
Webcast	Yes
Poll or show of hands	Poll on all items
Monitor	Alan Dickson
Pre AGM Meeting?	No

Product price drops but cash boosted by sale of Northern Argentinian leases

The monitor (or his associates) involved in the preparation of this voting intention does have a shareholding in this company.

Galaxy Resources, like other lithium concentrate producers, has had a difficult year with the price of their product dropping from US\$927/dmt (dry metric tonne) US\$502/dmt and looking at possibly less than US\$450/dmt for the first half of 2020.

The Sale of the northern leases in Argentina in 2018 has provided a boost to cash reserves in 2019.

Item 1	Consideration of accounts and reports
ASA Vote	No vote required

Summary of ASA Position

Galaxy Resources are in a sound financial position with cash and financial assets of US\$143.2M. However, due to collapse of the Lithium Concentrate price (average price in 2018 was US\$927 and in 2019 US\$502. This resulted in revenue dropping from US\$153.9M (159,255 dmt sold at 5.76 Li₂O) to US\$69.5M (191,570 dmt produced at 5.93%Li₂O, but only 132,687 dmt being sold. The result of this was that the EBITDA reduced from US\$58.1m (excl POSCO transaction) to US\$6.8m. The company did reduce operating costs to keep their costs below the sale price. This will be an added problem in 2020 where the current price is US\$450/dmt and costs are being maintained at just under US\$400/dmt.

The Sal de Vida property in Argentina is progressing well and subject to organising future offtake agreements is likely to proceed. The James Bay project in Canada is also continuing with studies. Both these projects are potentially being held up due to the Covid-19 virus shutdowns.

Considerable changes have occurred at Mt Cattlin with optimisation of the plant carried out during the year and front end and back end optical sorter installed over the January break in production. With a reduced demand for concentrate the company will maintain its supply to its customers but have put the plant on a campaign basis to reduce costs. It is also proposed to source plant feed from stockpiles for about 40% of the annual production. This should keep operating costs down as the mining has already been done and costed. The last mining contractor ended at the end of 2019 and a new contractor was mobilised in February and the company has quite a lot of flexibility in setting the mining rate.

The Managing Director Anthony Tse stepped down from role but remains an Executive Director. The new CEO Simon Hay, appointed 1 July 2019, has done a review of the operation and presented this at an impressive Strategy Presentation to shareholders and analysts meeting in October 2019 that I attended. At financial year end shares held directly or indirectly by board and KMP accounted for 11.40m shares (2.78% of issued capital). The Chairman has 4.57m and the Executive Director has 6.56m. NEDs Alan Fitzpatrick (appointed 16 Jan 2019) and Florencia Heredia (appointed 1 Jan 2018) do not hold any shares in the company. The ASA like to see directors have some “skin in the game”. Both the Chairman and NED John Turner acquired additional chairs on the market during the year. Anthony Tse increased his shareholding by exercising his Share Appreciation Rights (SARs) previously awarded.

Shareholder value has decreased this year, with no dividends paid and the share price dropping from \$2.17 on 31 Dec 2018 to \$0.925 on 28 Dec 2019. Shares are currently at \$0.74 (5 May 2020).

Item 2	Resolution 1 - Adoption of Remuneration Report
ASA Vote	For

Summary of ASA Position

The new CEO was awarded 150,000 Performance Rights part of his initial remuneration. He will receive a further 50,000 on 30 June over the next 3 years subject to ongoing employment. These are convertible to ordinary shares and are part of his LTIP, at issue they were valued at A\$1.32. The ASA is not in favour of such grants which appear only to be issued subject to length of service.

The share based remuneration report is quite complex and of little interest, even though additional options did vest in the Directors and KMP, these appeared to be mainly employment time related but had no value as they were exercisable up to 14 June 2020 at a price of A\$2.78/share.

There was a major reduction in Directors’ and KMPs’ remuneration this year from US\$4.29m in 2018 to US\$2.58m in 2019, so they too are feeling the impact of the reduced price for lithium.

It has also been announced that there will be a cut of 20% to Directors and Executives remuneration this year.

Item 3	Resolution 2 - Re-election of Martin Rowley as a director
ASA Vote	For

Summary of ASA Position

Mr Martin Rowley was Chairman and Director of Lithium One Inc which was taken over by the company in July 2012. He was appointed as Chairman and Director on 28th November 2013. He was a co-founder of First Quantum Minerals Limited and until June 2017 was an Executive Director of that company. He thus has considerable experience with mining companies at board level. We consider he brings valuable experience and skills to the board's deliberations.

Item 4	Resolution 3 – Re-election of Anthony Tse as a director
ASA Vote	For

Summary of ASA Position

Mr Anthony Tse was originally appointed to the board as an Executive Director in October 2010 and appointed Managing Director in June 2013. Mr Tse stepped down from the role as Managing Director and CEO on the appointment of Simon Hay to the role of CEO. As he is no longer Managing Director he must seek re-election as a Director. Mr Tse has seen the company through a massive growth phase with the re-opening of Mt Cattlin and the initial development of the Sal de Vida project including the sale of the northern tenements at Sal de Vida to POSCO in 2018. He thus brings a great wealth of experience and history of the company to the boardroom and we support his re-election.

Item 3	Resolution 2 - Re-election of John Turner as a director
ASA Vote	For

Summary of ASA Position

Mr John Turner was originally appointed a Director in January 2017. He is currently Chair of the Remuneration and Nomination board committee. It was good to see him acquire additional shares in the company such that his share holding would be equivalent to a year's directors fees had the share price maintained its June 2018 price.

We consider he brings valuable mine related legal experience and skills to the board's deliberations.

Item 4	Resolution 3 – Re-election of Peter Bacchus
ASA Vote	For

Summary of ASA Position

Mr Peter Bacchus was originally appointed a Director in January 2017. He is currently Chair of the Audit and Risk board committee. Mr Bacchus has two other directorships that of the large Gold mining company Gold Fields Limited and also of the large titanium minerals producer Kanmare Resources plc as well as being the head of a boutique merchant banking organisation. We hope he is not overloaded with these other board positions. At this stage we support his re-election.

ASA Disclaimer

This document has been prepared by the Australian Shareholders Association Limited ABN 40 000 625 669 ("ASA"). It is not a disclosure document, it does not constitute investment or legal advice and it does not take into account any person's particular investment objectives. The statements and information contained in this document are not intended to represent recommendations of a particular course of action to any particular person. Readers should obtain their own independent investment and legal advice in relation to the matters contemplated by this document. To the fullest extent permitted by law, neither ASA nor any of its officers, directors, employees, contractors, agents or related bodies corporate:

- *makes any representations, warranties or guarantees (express or implied) as to the accuracy, reliability, completeness or fitness for purpose of any statements or information contained in this document; or*
- *shall have any liability (whether in contract, by reason of negligence or negligent misstatement or otherwise) for any statements or information contained in, or omissions from this document; nor for any person's acts or omissions undertaken or made in reliance of any such statements, information or omissions.*

This document may contain forward looking statements. Such statements are predictions only and are subject to uncertainties. Given these uncertainties, readers are cautioned not to place reliance on any such statements. Any such statements speak only to the date of issue of this document and ASA disclaims any obligation to disseminate any updates or revisions to any such statements to reflect changed expectations or circumstances.