



Spodumene production and recovery on the up

Company/ASX Code	Galaxy Resources Ltd/GXY
AGM date	Tuesday 28 May 2019
Time and location	2pm Botanical 1 & 2 Crown Perth Convention Centre Great Eastern Highway Burswood WA
Registry	Computershare Investor Services Ltd
Webcast	No
Poll or show of hands	Show of hands
Monitor	Alan Dickson, assisted by Ian Berry
Pre AGM Meeting?	No

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

Summary of ASA Position

ASA Vote	No vote required
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Summary of ASA Position

Galaxy Resources have had some positive outcomes this year. They have organised the sale of the northern leases in Argentina, maintaining the southern ones where they intend to establish a lithium brine operation. The Canadian proposed operation has been advancing with regulatory work. The Western Australian operation has been undergoing an upgrade of their treatment plant but have still sold 159 thousand tonnes of lithium concentrate (5.76% Li₂O).

This year the company has changed the currency in which it reports to US dollars and provided in the annual report comparisons with 2017's figures translated to US\$. It is of little use looking at the comparison as this year's figures include gains on the sale of exploration and evaluation assets of US\$223m. So after tax the profit attributable to Members amounted to US\$150m compared to last year's figure of US\$127,000 (\$A166,000).

Galaxy Resources have now been operating for 2 years and production has improved. This coming year spodumene recovery is expected to improve as was shown by the April 2019 results. The sale of the northern leases in Argentina has provided significant cash, though not received until 2019.

It is noted that the 2018 year achieved some very high prices for the company's product. These prices have subsequently reduced significantly. It was good to see that the company, in April 2019, had achieved lower operating costs and so should be able to stand a period of lower prices.

The company appointed Mr Alan Fitzpatrick to the board after the end of their financial year and Jian-Nan Zhang retired on the same day.

At financial year end shares held directly or indirectly by board and key management personnel accounted for 9.86m shares (2.4% of issued capital). The Chair has 4.5m and the Managing Director/CEO has 4.7m. One of the non-executive directors does not hold shares. It is noted that a new CEO has been appointed (Mr Simon Hay) as from 1 July 2019.

Summary

(As at FYE)	2018	2017
NPAT (US\$m)	150	0.127
UPAT (US\$m)	150	3.83
Share price (A\$)	2.17	3.83
Dividend (cents)	Nil	Nil
TSR (%)	-43	46
EPS (US cents)	36.6	0.32
CEO total remuneration, (US\$m)	1.4	2.2

For 2018, the CEO's total actual remuneration was **23 times** the Australian Full time Adult Average Weekly Total Earnings (based on May 2018 data from the Australian Bureau of Statistics).

Item 2	Adoption of the Remuneration Report
ASA Vote	Against

Summary of ASA Position

The Board approved incentive cash payments to the CEO and other Key Management Personnel to recognise their contribution and achievement in realising and unlocking value from the Sal de Vida asset with the completion of the POSCO transaction. There were no rights or options granted to key management personnel (KMP) this year, and no options were exercised. The options previously granted are now exercisable at a prices of A\$2.78 and A\$3.66 (compared to a A\$2.17 price at the end of the year and a current share price of A\$1.61). The remuneration followed on last year's format with no new options or performance rights issued. Last year the resolution was passed on a show of hands despite 13% of proxies being directed against the remuneration report.

We see little change since last year when we opposed the resolution which was easily carried with over 80% of the vote. See our opposition to Item 4.

Item 3	Resolution 2 - Re-election of Mr Alan Fitzpatrick as a director
ASA Vote	For

Summary of ASA Position

Mr Fitzpatrick was appointed to the board in January 2019, and as such must stand for election to the board at this AGM. Mr Fitzpatrick brings 45 years of technical engineering experience in mining companies to the board so should be a good addition to a board currently comprised mainly of lawyers and financial directors. We consider that Mr Fitzpatrick brings valuable experience and skills to the board's deliberations.

Item 4	Resolution 3 – Approval of Incentive Award Plan
ASA Vote	Against

Summary of ASA Position

This resolution aims to replace a similar scheme introduced in 2017. The plan to incentivise the eligible participants of the workforce by the issue of options and or performance rights is accepted. The idea that directors or their associates will require formal shareholder approval is also accepted. What we find unacceptable is the lack of any details on what parameters these awards will be based on; and no cap as to how many and at what price these can be offered by the board.

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

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