

Company: Galaxy Resources Limited
Title: 2020 Annual General Meeting
Date: 21 May 2020
Time: 2:00PM (AWST)

Start of Transcript

Martin Rowley: Good afternoon, everyone. I'm Martin Rowley and I'm the Non-executive Chairman of Galaxy and I'll be chairing today's meeting. On behalf of my fellow Directors, welcome to the 2020 AGM of Galaxy Resources Limited.

This year's AGM is being conducted via live webcast as we play our part in the measures required to contain the spread of COVID-19. Although we have had to make changes to the format of the meeting, we have sought to maximise the shareholder experience while following guidance from the relevant authorities.

Galaxy recently released a revised Notice of Meeting for today's meeting together with updated live webcast details. These can both be viewed on the ASX and Galaxy's website. The revised Notice of Meeting and live webcast details contain additional details on how shareholders can participate in today's meeting including voting and asking questions in real time. When we get to the formal business of the meeting the operator will explain the voting instructions again. There have been no changes to the business of the meeting or the explanatory statement.

I thank shareholders for submitting questions prior to this meeting. We have not received any questions on the formal business of the meeting, and so answers to the questions provided in advance will be presented as part of the CEO presentation after the formal business of the meeting is completed.

I will also provide a reasonable opportunity for shareholders to ask questions via telephone during the meeting. To do this, shareholders must dial in in accordance with the instructions provided on the Lumi home page. Please note, you will not be able to submit written questions on Lumi during the meeting. Guests at the meeting will not be able to ask questions but are welcome to contact the Company after the meeting.

If you do wish to ask a question during the formal business of the meeting, please limit your question to the subject matter of the resolution being considered. There will be an opportunity for general questions following the corporate presentation at the end of the meeting. This presentation has also been released to the ASX and is available on the Galaxy website.

When asking a question, it would be appreciated if you would state your name and indicate whether you are speaking on behalf of your own shareholding or whether you are speaking as a proxy for another shareholder. Please keep questions short and to the point so that as many shareholders as possible have an opportunity to ask a question.

Finally, due to time constraints, we may not be able to get to every caller. If this happens, we encourage you to contact us via email or telephone after the meeting so that we can come back to you in due course. If you experience any difficulties during the meeting, please refer to the live webcast details available on the ASX and Galaxy's website. Also, if technical difficulties arise with the webcast which results in a number of members being unable to participate, and I do not believe it is reasonable in the circumstances to proceed with the meeting, I will adjourn the meeting until the problem is fixed. Where the meeting is adjourned, we will upload notification of adjournment onto the ASX platform and the Galaxy website at www.gxy.com. We will also provide details on those sites about when the adjourned meeting will be reconvened. A recording and transcript of this meeting will be available on our website shortly after the meeting has concluded.

After all that introduction it is now past 2:00pm (AWST), so I call the meeting to order. I confirm that a quorum is present and now formally declare the meeting open. I thank you for your attendance today and extend a warm welcome to everyone participating in this quite unusual meeting format. Executive Director Anthony Tse is present via webcast today, Non-executive Director Alan Fitzpatrick is also present on the line. Apologies have been received from Non-executive Directors Peter Bacchus, John Turner, and Florencia Heredia who are unable to join us today due to time differences associated with their geographical locations. We also have in the room our CEO Simon Hay, CFO Alan Rule, and Company Secretary John Sanders. Representatives from the Company's auditor PwC, are also in attendance and will be available to answer questions on the financial statements. Our share registry, Computershare is represented today by Rod Somes and Wendy Turner.

To enable shareholders to consider the business of today's meeting, a notice of meeting was circulated to all shareholders, which I will take as being read. Before proceeding further, I advise that 1,026 proxies, totalling 111,596,708 votes and abstentions have been received at this meeting. Where a proxy vote has been given to me as the chairman of the meeting without instructions I will vote in favour of each resolution.

Ladies and gentlemen, I now turn to the formal matters being considered today. Following recent changes to ASX listing rules and the current constraints on gatherings and travel imposed by governments as a consequence of COVID-19, we are conducting today's meeting via webcast so as to enable shareholders to view the meeting, submit votes and ask questions during the meeting. As previously notified, voting on all resolutions today will be conducted by way of a poll. The proxy votes which have been submitted for each resolution will be shown on your screens at the relevant time. In order to provide you with enough time to vote, I will shortly open voting for all resolutions. At that time, if you are eligible to vote at this meeting, a new polling icon will appear. Selecting this icon will bring up a list of resolutions and present you with voting options. To cast your vote, simply select one of the options. There is no need to hit a submit or enter button as the vote is automatically recorded. You have the ability to cast and change a vote on all resolutions up until the time I declare voting closed.

Rod Somes from Computershare has agreed to be returning officer today and following confirmation by Computershare final results will be announced to the ASX later today. This release will also be available on Galaxy's website.

At the conclusion of the formal part of the meeting, our CEO Simon Hay will make a presentation and there will be a further opportunity for questions at the end of his presentation.

In accordance with the *Corporations Act* and the Company's constitution, all voting today will be conducted by way of a poll and voting on all resolutions is now open. The polling icon will soon appear, please submit your votes at any time. I will give you a warning before I move to close voting.

The first item of business deals with the financial statements and reports. These have been forwarded to shareholders who requested them. These financial statements and reports are for the financial year ended 31 December 2019. This is not a resolution. As I have advised, representatives from the company's auditors are in attendance to answer any questions shareholders may wish to direct to them in relation to the conduct of the audit or in relation to the preparation of the financial statements.

I now invite shareholders to call to ask any questions they may have on the company's financial statements and reports. The dial in details are displayed on the Lumi home page.

Operator, could I ask you to explain again the procedures for phone questions?

Operator: Thank you. Ladies and gentlemen, to ask a question during this session please call the number provided on the Lumi home page and quote the conference ID number. Please remember to mute the sound on your Lumi broadcast when calling, as it may submit some feedback through the call. We will now begin the question and answer session.

There are no questions at this time.

Martin Rowley: As there are no questions, we will now move on to the second item of business and the formal resolutions. Resolution 1 is the adoption of the remuneration report. This item of business asks shareholders to adopt the Company's remuneration report for the year ended 31 December 2019. The remuneration report is included on pages 39 to 49 of the Annual Report that has been made available to shareholders. Unless there is an objection, I will take the motion as being read and refer you to the screen for details of the proxies received for the resolution. While this is a non-binding advisory vote of shareholders, the views and comments of shareholders will certainly be taken into account by Directors when further considering remuneration matters. I note that a voting exclusion applies to this resolution as set out in the Notice of Meeting which means that Directors and key management are not allowed to vote on this resolution. I now invite shareholders to call to comment or ask any questions they may have on the remuneration report.

Are there any questions or comments on this resolution?

Operator: There are no questions or comments on this resolution at this time.

Martin Rowley: As there are no questions, I put the resolution to the meeting. If you haven't already done so, please now cast your vote on this item.

Okay. The voting is closed for that resolution.

As stated in the Notice of Meeting certain Directors must retire at the AGM and are eligible for re-election. I will now deal with each of the resolutions separately. Each of the Directors other than the Directors standing for re-election recommends the re-election of each of the other Directors who are standing for re-election.

As the next item of business relates to my own re-election, I pass the chair to Simon Hay, the Chief Executive Officer.

Simon Hay: The next item of business that requires voting is the re-election of Martin Rowley. Details of Martin's qualifications and experience are set out in the Notice of Meeting. Unless there is an objection, I will take the motion as being read and refer you to the screen for details of the proxies received for this resolution.

I now invite shareholders to comment or ask questions on the resolution to re-elect Mr Rowley.

Are there any questions or comments on this resolution?

Operator: There are no questions or comments at this time.

Simon Hay: There being no more questions, I put the resolution to the meeting. If you haven't already done so, please now cast your vote on this item.

I now close the voting on this item and we will now move on to the next item of business. I now invite Martin Rowley to resume the chair.

Martin Rowley: Thank you, Simon. The next item of business that requires voting is the re-election of Anthony Tse. Details of Anthony's qualifications and experience are set out in the Notice of Meeting. Unless there is an objection, I will take the motion as being read, and refer you to the screen for details of the proxies received for this resolution.

I now invite shareholders to comment or ask any questions on the resolution to re-elect Mr Tse.

There being no questions or comments on this resolution, if you haven't already done so, please now cast your vote.

I declare the voting closed for that resolution. I will now move to the next item of business.

Resolution 4 is for the re-election of Mr John Turner as a Director. The next item of business that requires voting is the re-election of John Turner. Details of John's qualifications and experience are set out in the Notice of Meeting. Unless there is an objection, I will take the motion as being read and refer you to the screen for details of the proxies received for this resolution.

I will now invite shareholders to comment or ask any questions on the resolution to re-elect Mr Turner. Are there any questions or comments?

Operator: There are no questions or comments on this resolution at this time, thank you.

Martin Rowley: There being no questions, I put the resolution to the meeting. If you haven't already done so, please now cast your vote on this item.

I declare the voting closed on this resolution. I will now move to the next item of business.

The next item of business that requires voting is the re-election of Peter Bacchus. Details of Peter's qualifications and experience are set out in the Notice of Meeting. Unless there is an objection, I will take the motion as being read and refer you to the screen for the details of the proxies received for this resolution.

I now invite shareholders to comment or ask questions on the resolution to re-elect Mr Bacchus. Are there any questions or comments on this resolution?

Operator: There are no further questions at this time on this resolution, thank you.

Martin Rowley: There being no questions, I put the resolution to the meeting. If you haven't already done so, please now cast your vote on this item.

I declare the voting closed on this resolution.

Ladies and gentlemen, that concludes the resolutions to be presented to the meeting. I now ask all shareholders to complete their voting before I close the poll.

I now take it that all shareholders have voted and declare the poll closed.

Ladies and gentlemen, that concludes the formal business of today's meeting. As noted earlier, details of the final results will be posted on both the Company's website and on the ASX company announcement platform later today. I thank you for your attendance and participation and I now formally declare this meeting closed. Simon Hay will now give a presentation following which there will be an opportunity for questions.

Simon Hay: Thank you, Mr Chairman. Good afternoon, ladies and gentlemen. Thank you for you joining us today. Before we begin, please note that today's discussion will involve forward-looking statements that are subject to various risks and uncertainties concerning specific factors. Information that we present today is our best judgement based on today's information. Actual results may vary based on these risks and uncertainties.

Firstly to sustainability. We are pleased to have released our first sustainability report last month, which is available on our website. This report outlines our sustainability program, which is aimed at lifting Galaxy's sustainability practices and

aligning our approach with global principles and standards as the Company expands from a single operation in Australia into Argentina and Canada. We recognise the importance of our social responsibility and aim to be an active member in the communities in which we operate.

Today, a well-resourced and planned sustainability program is fundamental for the successful development of any international mining project. In line with this approach we have committed to a community support program in Argentina, which I will talk about later. With regards to the James Bay project, we are working in close collaboration with the local Cree community, and the Cree nation to ensure that a positive working relationship continues throughout the permitting process of this project.

As with all companies, Galaxy has had to cope with COVID-19. This slide covers our actions that we have implemented promptly to deal with the impact of this virus. In some cases we are now at the stage of easing restrictions. At Mt Cattlin, operations have continued in 2020 with minimal disruption as we swiftly relocated non-local contractors to the Ravensthorpe region in advance of the border closing.

Perth-based contractors and employees had their rosters adjusted to minimise travel and shift transitions and social distancing measures were also implemented across the operation. The Perth head office will undertake a soft re-opening next week in accordance with state government guidelines.

In Canada, the Montreal office remains closed and we are working with the Cree nation to reschedule on-site activities to the second half of this year in line with the regional safety measures implemented in Quebec. In Argentina, the country went into early lockdown and, although that had some immediate benefit in controlling the spread, the curve is still on an upward trend in the country. Pleasingly, Catamarca province remains free of the virus at this stage. The Catamarca office reopened earlier in May in accordance with the local protocols and also, importantly, restrictions of development projects have recently been lifted, so on-site activities have resumed. However, restrictions on travel between provinces continues, this will have an impact on the project schedule. The priority of local management is to protect the health and safety of our staff and the local communities and adapt our existing programmes to work within these new challenges.

Looking back at the 2019 year, challenging market conditions prevailed in the lithium sector, particularly in the second half due to the lower-than-expected demand in China, coinciding with the increase in supply of lithium from both brine and spodumene producers. Due to the declining market conditions, our financial performance deteriorated significantly compared to 2018 and a net loss was disappointing. The major contributor to this loss was the decline in spodumene price, which necessitated a significant non-cash write-down of inventory, impairment of Mt Cattlin carrying values and the de-recognition of the deferred tax asset.

However, Galaxy performed well in areas it could control. Mt Cattlin achieved records across many performance indicators, including spodumene production, product grade, and unit costs. This reinforces our position as a low-cost producer with the operational capability to deliver robust production volumes of high-grade lithium concentrate.

Looking at our balance sheet, at the end of Q1 2020, we remain in a very good financial position with no debt, unlike many of our competitors and are able to execute our growth strategy.

This growth strategy, which was released in November last year, details our plan to capitalise on Galaxy's growth assets to create a sustainable large-scale global lithium chemicals business. The first growth priority is to accelerate the development of Sal de Vida whilst de-risking the project. This remains largely on track despite the impacts of COVID-19. More about that on subsequent slides.

New operating plans at Mt Cattlin commenced on schedule in February and we have made solid progress towards the final investment decision for Sal de Vida Stage One. In regard to our strategy, our focus has clearly been on the first two

pillars of the strategy although we are simultaneously working on opportunities with longer timeframes, including James Bay and downstream lithium opportunities.

Last year we outlined the staged, scalable development plans for Sal de Vida and in many ways the impact of COVID-19 on the lithium market reinforces the benefits of this plan. We have seen competitor projects for full-scale development in one large go with half-billion dollar price tags being curtailed or stalled because of lack of funding, market risk or development risk. Galaxy continues to believe that our approach is right for the times. Our approach smooths capital expenditure and is appropriate for this size of company. Stage One targets initial commercialisation of primary lithium carbonate and we have the ability to largely self-fund this stage. We target Stage 2 as a direct expansion and Stage 3 aims to purify primary-grade lithium carbonate into battery-grade at an off-site location.

Galaxy is committed to ensuring that Sal de Vida's capital intensity and operating cost are highly competitive. A number of work programmes are underway as we advance towards a final investment decision for Stage 1. The key deliverables include finalising operating and capital estimates and project financials, as well as product off-take. The project is largely permitted with preliminary environmental and water permits granted, and further permitting work is continuing.

A delay is inevitable for Stage One due to COVID-19 travel restrictions, which is preventing OEMs and other critical visitors' access to site. Our project team is working through these issues presently and is in the process of defining the extent of the delay. Once this is defined, we will communicate this to the market and we expect to be in position to do that in early Q3, even if at that stage it is a preliminary view on the schedule as the situation remains completely fluid, as I'm sure you'll agree with.

We have made solid progress towards a final investment decision for Stage One. Progress on the numerous engineering work programs and scope packages is advancing. The FEED package for the wellfields and ponds will be awarded imminently and the tender for the processing plant has now commenced. Ongoing test work continues to deliver very positive results to validate the simplified process flow sheet that we developed last year.

Shareholders will be pleased to see that onsite we have completed construction of the pilot ponds and process plant. We have now entered the piloting phase with the ponds filled and operational. Preparatory work is underway for winter operations and the process plant right now which involves staff training and final commissioning activities. We are also conducting long term pump testing to update the hydrogeological model and refine the design of the production wellfield.

Further on our social responsibility and the community support program, this has gained momentum during the year. In May 2019 we agreed with the Catamarcan provincial government to fund three projects in nearby communities. These projects will provide meaningful benefits to the local communities and relations with these communities is broadly positive and supportive of Galaxy's plans as shown by our recently completed social baseline study. Construction activities are scheduled to resume again shortly after being temporarily suspended due to COVID-19 restrictions.

As well as the long-term projects, Galaxy periodically assists local communities. A recent example is the provision of medical supplies and logistics support to the Antofagasta de la Sierra hospital to assist their actions combatting COVID-19.

Now, over to Mt Cattlin. After a successful 2019 year, we announced that we would adopt a revised operating market-driven strategy in 2020 to adapt to weaker market conditions while still meeting our customer demand. In line with this, we also appointed a new mining contractor to reduce costs and allow for greater flexibility to respond to market conditions.

I was at Mt Cattlin earlier this week and the new mining contractor has settled in well and is hitting targets. The new ore sorter circuit is operational, cleaning up the stockpiled ore although we still have further opportunities to optimise this circuit. Likewise, the campaign mode of operating has some further fine-tuning still to go. Q2, the current quarter we're in,

will be the first full quarter under the new operating plan. The operating costs and performance for this quarter will be indicative of where we see the year ahead.

Two shipments totalling 47,500 tonnes have taken place this year, with arrangements for Q2 shipments progressing, albeit in a very competitive pricing environment. Our 2020 sales remain fully contracted on a volume basis. We are in regular contact with our customers on shipping schedules.

We estimate spodumene inventory in China remains at around four to five months of supply, leading to pricing pressure.

Now to James Bay. Our strategy with James Bay is to 'take our time and to get it right' and to prioritise the work on upstream mine and concentrator package first. We believe James Bay is a strategic asset and will provide a compelling investment proposition when the EV value chain builds out in North America and Europe in the coming years. Value engineering work on the upstream component will be completed this quarter with the objective of identifying capital and operating cost reductions. We continue to work closely with the Cree Nation to ensure that a positive work relationship continues as we advance through the next stage of this project.

Now moving over to the lithium market. Looking at the downstream and EV markets, we believe it's too early to define the full impact of COVID-19 and the lithium chemicals sector does remain challenging and uncertain right at this time. Though there have been significant declines in EV production and sales recently, there are some positive indicators that can assist a recovery in lithium demand. In China, stimulus packages have been implemented at both municipal and provincial levels to support EV sales. There has been some early positive indication of this post the March quarter close, however the overall demand in the upstream and midstream segments remains soft for now.

Significant growth from the rest of the world is emerging, with 32% year-on-year growth in EV sales in 2019 compared to a reduction of 4% in China. Pre-COVID-19, Europe reported a 119% year-on-year growth in plug-in electric vehicle sales in January and February of this year. On the supply side, globally a number of spodumene and brine production and expansion projects have been curtailed or delayed, which will allow the market to accommodate some supply/demand rebalancing and ultimately price recovery.

The medium to long term still remains very positive with significant growth is predicted for the sector. While a lower oil price environment could, on face value, reduce the competitiveness of EVs compared to internal combustion engine vehicles, we believe this will not materially impact the long-term impact for EVs. Demand in markets such as Europe is primarily being driven by CO₂ emission targets, which remain unchanged and in China the government have reaffirmed they target a 25% new energy vehicle penetration rate by 2025 in their latest development plan for the industry. Globally, major auto makers have made significant investments to transition to EVs, and they remain on course to do so.

In conclusion, Galaxy remains in a strong position to navigate the current turmoil in the markets with a solid balance sheet and no debt to service and this differentiates us from many of our competitors. Mt Cattlin continues to operate with no impact from COVID-19 at this stage. We are making solid progress on a tier 1 asset in Sal de Vida despite the COVID-19 restrictions as we advance towards a final investment decision. As I said earlier, we do expect a delay. When the extent is defined, we will advise the market. Management is actively working on cost, sales, and project options at this stage as we deal with the very dynamic situation in the market and this very competitive price environment that we remain in at this stage.

So, with that, we will now commence the Q&A session and I invite shareholders to ask questions by following the instructions on the Lumi page.

Operator: Thank you, and once again, ladies and gentlemen, to ask a question during this session please call the number provided on the Lumi home page and quote the conference ID number. Please remember to mute the sound on your Lumi broadcast when calling. We will now begin the question and answer session. If you wish to ask a question you will need

to press the star key followed by the number one on your telephone keypad. Please limit to two questions per person. I will now give you a short moment to register your questions.

There are no questions at this time. I would now like to hand the conference back to the CEO. Thank you.

Simon Hay: We'll continue to give it more time for questions.

Operator: Thank you.

Martin Rowley: As there are no questions, I think that we will shortly close the meeting. As I said earlier on, any shareholder is always welcome to contact the Company directly to ask any questions that they may have, and Simon and I as best we can to participate in that process to answer questions.

Simon Hay: Martin, we have also received a number of written questions and we intend to unveil the new Galaxy website next week. On that website we will have a page of frequently asked questions and management's response to those questions. That will be available to all shareholders next week.

Martin Rowley: Just before I end the meeting, if I could comment about the COVID-19. Seems to me that this is actually beneficial for companies like Galaxy in the sector of supporting a green climate going forward, a green future. Most of the world have seen a much cleaner environment in their cities because of the closures that have been forced upon them by statutory authorities and governments and our view is that what they have seen they will want to see continued.

Therefore, electric vehicles are going to be a much greater part of that climate change requirement and the future is already bright. There has been obviously, a hiccup because of what's happened with COVID-19 but the future was bright for EVs and we see that being maintained because of the requirements of what people have seen. Any other comments from you, Simon?

Simon Hay: I think those comments are pretty widely held, Martin, those opinions. We are seeing that across the board, Europe, Asia, maybe less so in North America where I think the switch to electric vehicles may be challenged, but in Europe and Asia it's certainly the case.

Martin Rowley: We maintain a very strong balance sheet which gives us the optionality and flexibility to be able to look at new opportunities. We still have undrawn banking facilities and the strong support of our bank, for any endeavours that we might pursue, but we'll maintain a very responsible attitude about how we deal with our resources and we're lucky that we have strong development assets that we can build into a schedule and maintain our interest and our desire to get to the levels of product that we set out previously.

I thank everyone for their attendance today and I'd ask everyone now to either hang up their phone or disconnect from the internet and I'll close the meeting. Thank you very much.

End of Transcript