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meeting a lithium future

Perth, Australia
12 April 2013

SAL DE VIDA DEFINITIVE FEASIBILITY STUDY SUPPORTS LOW COST, LONG LIFE LITHIUM AND POTASH OPERATION

Highlights

- Sal de Vida DFS confirms robust economics for low cost, long life lithium and potash project
- Estimated pre-tax NPV of US$645 million at 10% discount rate (IRR of 23%)
- Estimated post-tax NPV of US$380 million at 10% discount rate (IRR 19%)
- CAPEX estimate US$369.2 million
- Average operating costs US$2,200/tonne (net of potash credits)
- Potential annual revenues ~US$215 million & operating cash flow before interest and tax of US$118 million/pa
- Maiden JORC-compliant reserve estimate of 1.1 mt of retrievable lithium carbonate equivalent
- Reserve estimate supports 25,000 tpa lithium carbonate and 95,000 tpa potash production
- Joint venture partners to potentially guarantee Galaxy's component of project debt financing to completion
- Final investment decision on Sal de Vida to be made after Jiangsu operation is cash flow positive

Galaxy Resources Ltd (ASX: GXY) (**"Galaxy"** or **"the Company"**) is pleased to advise a Definitive Feasibility Study (DFS) on its Sal de Vida lithium-potash brine Project (**"Sal de Vida"** or **"the Project"**) in Argentina, has confirmed the potential for a low cost, long life operation.

The DFS, completed on schedule and within budget, estimated a pre-tax net present value of US$645 million (US$380 million post-tax) at 10% discount rate. Sal de Vida has the potential to generate total annual revenues in the region of US$215 million and operating cash flow before interest and tax of US$118 million per annum at full production rates. Average operating costs have been estimated at US$2,200 per tonne (net of potash credits) of battery grade lithium carbonate. The total capital cost for Sal de Vida is estimated at US$369.2 million.

A recently-announced maiden JORC-compliant Reserve estimate of 1.1 million tonnes of retrievable lithium carbonate equivalent and 4.2 million tonnes of potassium chloride (potash or KCl) equivalent supports annual production of 25,000 tonnes of battery grade lithium carbonate and 95,000 tonnes of potash over a 40 year period. The DFS has been modelled on an operation with production at these levels. This would take Galaxy's total annual lithium carbonate production to 42,000 tpa from 2017 onwards.

The DFS supports the development of the Project, which will include evaporation ponds, a battery grade lithium carbonate plant and a potash plant. The Board will reserve making a final investment decision on Sal de Vida until after its Jiangsu Lithium Carbonate Plant (**"Jiangsu Plant"**) in China reaches a cash flow positive status on a sustained basis, and Galaxy has received funding commitments from its Sal de Vida joint venture partners.

Galaxy Managing Director Iggy Tan said: "The DFS confirms Sal de Vida has excellent promise as a future low cost brine mine and lithium carbonate and potash processing facility. We have the potential to add reserves and mine life to this project and maintain belief it will become our flagship asset. It also vindicates our decision last year to merge with Lithium One in order to gain access to this world class asset."

Joint Venture Partners

Galaxy's partners in Sal de Vida, KORES, LG International and GS Caltex, ("Korea Consortium (KS)") funded US$15 million towards the Pre-Feasibility Study (PFS) with a farm-in option to earn a 30% interest in Sal de Vida. The Korea Consortium has earned 4% of the Project to date but has 90 days on completion of the DFS to exercise the option to earn the full 30% interest. If the option is exercised, the Korea Consortium will provide a project completion guarantee for Galaxy's portion of project debt financing until completion, and use commercially reasonable best efforts to obtain project finance.

Background

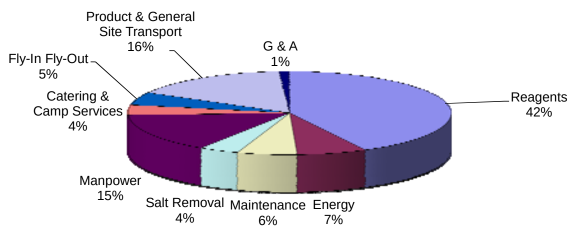
Galaxy acquired the Sal de Vida project in July 2012 from the merger with Lithium One Inc. At that time, the PFS had been completed. The Company has since funded the completion of the DFS, which included extensive hydrology work and modelling, drilling, pump tests, resource development, pilot plant testwork, flow sheet development and engineering, logistics, market and financial modelling. The Company has spent in the region of US$13 million on bankable feasibility study work headed by Argentinean engineering company, Taging S.A. Ingenieria Inteligente ("Taging"). Further engineering and process work was provided by Galaxy, Calder Maloney Pty Ltd and Hatch Engineering ("Hatch").

Project Details

Sal de Vida is situated in the renowned 'lithium triangle' at the junction of Argentina, Chile and Bolivia. It is located adjacent to FMC Lithium's El Fenix lithium operation in the Salar del Hombre Muerto, which has been in operation for the last 15 years and, in 2011, produced 16% of global lithium supply. Sal de Vida's brine chemistry is highly favourable, with high levels of lithium and potash, and low levels of magnesium and sulphate impurities. Galaxy has advanced the development of Sal de Vida, employing, where applicable, some of the same processes and technologies that have proven successful at the Jiangsu Plant.

Operating Costs

Cost estimate data were obtained from reputable equipment suppliers and Argentinean based contractors who relied on technical specifications and material quantity take-offs provided by Taging engineers. Operating cost information and selected input parameters for the economic evaluation were obtained from market pricing of reagents, utilities and services from sources within Argentina where possible. Labour rates were supplied by Galaxy, drawing on local knowledge of rates applicable to the Puna area in northwest Argentina.



The estimated average operating cost per tonne of battery grade lithium carbonate is US$2,200 per tonne (after potash net back) of which 42% comprises reagent costs such as soda ash, lime and various process reagents. The other major contributors to operating costs include labour (15%), transport costs (16%) and power generation (7%).

Capital Costs

Design and supply packages for process equipment are based on budget quotations from selected bidders based on commercial terms and conditions, scope of work and functional specifications or data sheets. For minor equipment, prices were obtained from historical data or budget quotations. Where not included in budget quotes, installation costs for equipment were estimated by using historical data or factored based on the equipment capital cost.

Table 3 – Capital Costs Breakdown

Capital Costs	US$ million
General	7.0
Brine Extraction	26.2
Evaporation Ponds	88.4
Lithium Carbonate Plant	61.8
Potash Plant	26.0
Reagents	6.0
Power Plant & Onsite Infrastructure	50.2
Other	10.1
Total Direct Costs	275.6
EPCM	35.6
Owners Costs & Spares	13.0
Freight	11.4
Total Indirect Costs	60.0
Total Direct & Indirect Costs	335.6
Contingency	33.5
Total Capital Investment	369.2

Cost estimate data were obtained from reputable equipment suppliers and Argentinean based contractors who relied on technical specifications and material quantity take-offs provided by Taging engineers. The capital costs and plant operating cash costs are to an accuracy of +/- 15%.

The total capital costs for the Sal de Vida project are estimated at US$369.2 million. This is made up of direct costs of US$275.6 million, indirect costs of US$60.0 million and contingency of US$33.5 million.

Financial and Sensitivity Analysis

The results of the DFS demonstrate a very attractive project with an estimated pre-tax net present value (NPV) of US$645 million at 10% discount rate. The estimated post-tax net present value (NPV) is US$380 million at 10% discount rate. The economics of the Project are further enhanced by the potash production net-back, which equates in a lower cost of production of lithium carbonate.

Sal de Vida has the potential to generate total annual revenues in the region of US$215 million and operating cash flow before interest and tax of US$118 million per annum at full production rates. The average operating cost was estimated at US$2,200 per tonne (net of potash credits) of battery grade lithium carbonate.

Definitive Feasibility Study (US $)	10% Discount	8% Discount
Lithium Carbonate Production	25,000 tpa	
Potash Production	95,000 tpa	
Mine Life	>40 years	
Capital Costs	$369 million	
Operating Costs (after KCl net back)	$2,200/t LC	
Total Revenue	$215 million	
Av Cash Flow (pre interest, tax)	$118 million	
Av Battery Grade Price (Roskill forecast for 2017)	$6,395 /t LC	
Net Present Value (pre-tax)	$645 million	$921 million
Internal Rate of Return (pre-tax)	23.0 %	23.0%
Net Present Value (post-tax)	$380 million	$565 million
Payback	4 Yrs 7 Mths	4 Yrs 7 Mths
Internal Rate of Return (post-tax)	19.4%	19.4%

Battery Grade Production

Galaxy has utilised purification technology at Sal de Vida to upgrade the lithium carbonate's purity to battery grade (99.5% pure or better) meaning it can be used by battery cathode producers for the manufacture of lithium-ion batteries. Due to its high value application, battery grade lithium carbonate receives a price premium to technical grades.

Sal de Vida Resource and Reserve Estimates

Consultants Montgomery & Associates (M&A) estimated the lithium and potassium resources and reserves in brine for various areas within the Salar de Hombre Muerto basin. M&A prepared a Canadian Securities Administrators NI 43-101 compliant report that estimated Inferred, Indicated, and Measured mineral resources in 2012 (Table 1) for the brine in storage in the concessions held by Galaxy. In accordance with the Australian Joint Ore Reserves Committee (JORC) standards of the Australian Institute of Mining and Metallurgy, M&A has provided additional estimates that categorise the sub-surface brines based on the following additional data.

- 23 diamond drill holes ranging in depth from 95 to 284 metres, cased with 2-inch diameter PVC allowing for sampling and downhole surveying.
- 309 diamond core samples analysed for drainable porosity.
- 352 depth specific brine samples collected from diamond core holes using drive point sampling.
- 17 of the cased diamond drill holes pumped and sampled using a shallow set small diameter submersible electric pump.
- Downhole electrical conductivity and temperature surveys conducted at 17 of the cased diamond drill holes.
- 13 brine exploration wells constructed, ranging in depth from 60 to 163 metres, cased with 6-inch and 8-inch diameter PVC allowing for sampling and testing of the brine aquifer.
- Two reverse circulation drilled boreholes allowing for brine samples to be collected by airlift during drilling.
- 2 long-term pumping and monitoring well batteries used to validate the conceptual and numerical models, in turn used to derive the reserve.

Table 1 – Summary of 2012 Mineral Resource Estimate

Resource Category	Brine Volume (m^3)	Avg. Li (mg/l)	In situ Li (tonnes)	Li_2CO_3 Equivalent (tonnes)	Avg. K (mg/l)	In situ K (tonnes)	KCl Equivalent (tonnes)
Measured	7.2 x 10^8	787	565,000	3,005,000	8,695	6,241,000	11,902,000
Indicated	2.6 x 10^8	768	197,000	1,048,000	8,534	2,186,000	4,169,000
M+Ind	9.8 x 10^8	782	762,000	4,053,000	8,653	8,427,000	16,071,000
Inferred	8.3 x 10^8	718	597,000	3,180,000	8,051	6,692,000	12,762,000
M+Ind +Inf	18.1 x 10^8	753	1,359,000	7,233,000	8,377	15,119,000	28,833,000

Cut off grade: 500 mg/L lithium

New Reserve Estimation

Total tonnages for the economic reserve values provided in Table 2 account for anticipated leakage and process losses of lithium and potassium. Table 2 gives results of the Proven and Probable Reserves from the Southwest and East well fields when these percent estimated processing losses are factored in, assuming a continuous average brine extraction rate of 30,000 m^3/d.

Table 2 – Probable and Proven Reserve Statement April 2013

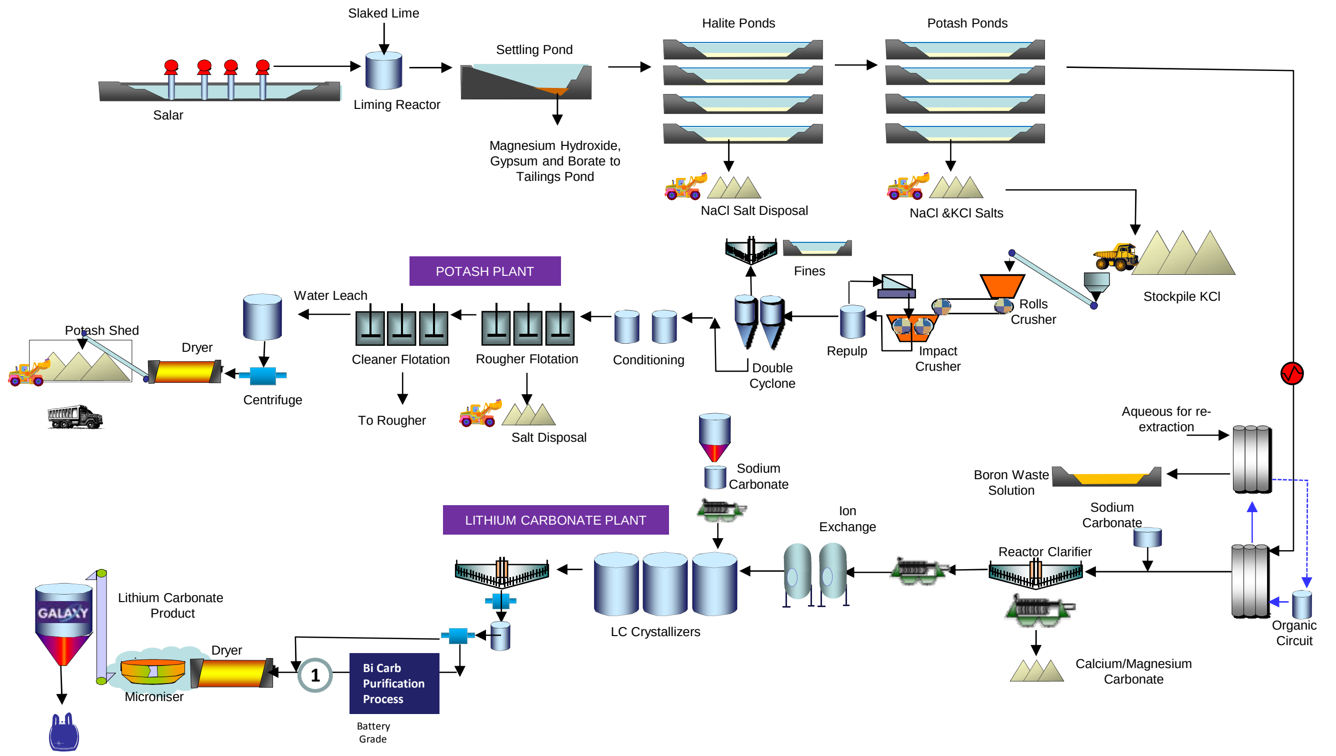
Reserve Category	Time Period (Years)	Tonnes Li Total Mass	Tonnes Equivalent Li_2CO_3	Tonnes K Total Mass	Tonnes Equivalent KCl
Proven	1 - 6	34,000	181,000	332,000	633,000
Probable	7 - 40	180,000	958,000	1,869,000	3,564,000
Total	40 years total	214,000	1,139,000	2,201,000	4,197,000

Note: Assumes 500 mg/L Li cut off

Hydrology and Modelling

The DFS developed an understanding of the hydrogeological conditions for the project area, which allowed the modelling to make reasonably reliable predictions on future changes in water levels, water quality, and well field yield as a result of pumping of the test wells. Exploration and testing programs conducted for Sal de Vida have resulted in a good understanding of the hydrogeological conditions in the basin. The DFS was able to model the basin aquifer system based on two types of models, the conceptual hydrogeological model, and the numerical groundwater flow model. The hydrology supports a production life beyond 40 years with stable total dissolved solids (TDS) concentrations for the well field production period.

Process Flow Diagram



Well fields

The approach to recovery of brine has focused on the use of two well fields (Southwest and East). The two locations for the proposed well fields were determined based on brine quality, extent of the brine aquifer, and the ability to pump the brine aquifer at sufficient quantity and rate to support filling and maintaining levels of the evaporation ponds. Pump tests and daily samples collected showed little variation in lithium and potassium concentrations, indicating dilution of produced brine was not evident during the 30-day pumping periods. A total of 24 well field pumps will provide a continuous flow of brine to the liming and evaporation ponds.

The ultimate production level for the plant is determined by evaporation rate, which varies depending on season. In summer months when temperatures are highest and rainfall low, evaporation rates can double. In these periods additional wells will be brought online to increase the flow of brine to the evaporation ponds.

Well pumping rate and lime plant throughput can be operated at 40% above the average to take advantage of high evaporation rates.

Ponds and Evaporation

Extracted brine from the well fields is pumped to the liming ponds for magnesium removal as the first step of the brine purification process. Magnesium is precipitated as magnesium hydroxide $Mg(OH)_2$ after reacting it with a milk of lime solution. Following reaction, brine is pumped into the active lime settling pond where magnesium hydroxide solids settle to the pond floor and clarified brine overflows into a pumping well.

Halite Ponds

The function of the halite ponds (rock salt, NaCl) is to concentrate limed brine to its potassium chloride saturation limit and remove the sodium chloride (NaCl). This is accomplished through evaporation as a result of solar radiation, wind, and temperature. The halite ponds (lined) consist of five strings (4 operating, 1 in harvest) with a total surface area of 7.7 square kilometres and designed to minimise entrainment of concentrated brine in the halite. The crystallised salts rich in sodium chloride accumulate at the bottom of the ponds and are recovered by harvesting. An additional string has been included for harvesting to allow continuous operation of four strings, while one string is being harvested.

Muriate (KCl) Ponds

From the last halite pond the brine is transferred into the muriate (KCl) ponds where it is concentrated to 2% lithium while at the same time potassium chloride (KCl) crystallizes along with the halite, gypsum and borate. The muriate ponds consist of five strings (4 operating, 1 in harvest) with a total surface area of 1.5 square kilometres, which are each connected to one of the halite pond strings. Muriate salts, rich in potassium chloride and sodium chloride, accumulate at the bottom of the ponds as they crystallise and are to be harvested as the raw material feed for the potassium chloride process plant. Ponds will be harvested sequentially in 18 month cycles using specialised salt harvesting machinery.

Concentrated brine from the final muriate pond in each of the operating strings is pumped into a surge pond, and then to the lithium carbonate plant. This feed rate will be maintained throughout the year, regardless of the seasonal flow variation experienced in the solar evaporation ponds.

Potash (KCl) Plant

When operating at design capacity, 95,000 tpa of agricultural grade potash is expected to be produced annually. 0.5 million tonnes per year of muriate will be harvested from the muriate ponds and transferred to the potash plant feed stockpile. The harvested muriate contains approximately 71% NaCl and 25% KCl. The potash plant is designed to extract and purify the potash (KCl) to 97% grade which is suitable as a fertiliser for the agricultural industry. The process involves the crushing and milling circuit from the stockpile feed system, conditioning and flotation, centrifugation, drying and packaging.

Lithium Carbonate Plant

The lithium carbonate plant is designed to produce 25,000 tonnes per annum of battery grade (99.5%) lithium carbonate (Li_2CO_3). Brine is supplied from the muriate ponds at 33 m^3/h with a minimum 2%(w/w) lithium content. The plant consists of several process stages:

- Boron Removal (solvent extraction),
- Calcium and Magnesium Removal,
- Lithium Carbonate Precipitation,
- Purification,
- Dewatering and Drying,
- Micronizing, and
- Bagging.

Boron Removal

Brine is pumped into the lithium carbonate plant, heated and pH adjusted before the solvent extraction (boron removal) process. The solvent extraction circuit consists of three extraction stages, where the process brine is mixed with organic extractant and five stripping stages where the organic extractant, loaded with boron, is exposed to an aqueous stripping solution, which then releases boron. Solvent extraction reduces the boron concentration in the process brine to 50ppm. The low boron-calcium-magnesium brine concentrate is pumped to the primary ion exchange feed tank where further calcium, magnesium and boron contaminants are removed using ion exchange technology.

Calcium and Magnesium Removal

Brine is pumped into the lithium carbonate plant, and reacted with soda ash (sodium carbonate) to precipitate calcium and magnesium as carbonates. The brine is pumped through a press filter and a polish filter to remove the precipitated solids.

Lithium Carbonate Precipitation

Once the brine has been purified by precipitation, solvent extraction and ion exchange it passes through a series of heat exchangers to raise its temperature. The brine is then reacted with soda ash (Na_2CO_3) solution in draft tube crystallisers, precipitating lithium carbonate (Li_2CO_3). The reactor product is pumped to the crystalliser thickener following which the final lithium carbonate is extracted via a bank of centrifuges.

Purification

Galaxy developed and patented its purification technology in 2010 and has successfully proven the technology at its Jiangsu Plant in China. Galaxy's purification technology is designed to be applied to either hard rock or brine based lithium carbonate production processes.The function of the purification circuit is to remove impurities entrained in the lithium carbonate crystal structure, which cannot be removed by washing. This is achieved using digestion, ion exchange and re-crystallisation. During digestion the solid lithium carbonate crystals are digested in cold process liquor in the presence of carbon dioxide. Carbon dioxide reacts to form lithium bicarbonate ($LiHCO_3$), which has a much greater solubility than lithium carbonate. The resulting liquor is filtered and passed through an ion exchange unit to remove excess entrained contaminants. The final pure liquor is steam-heated and the final pure lithium carbonate crystals precipitate out of solution. The product is pumped to the crystalliser thickener where the lithium carbonate is extracted via a bank of centrifuges and dried.

Micronisation and Bagging

The dried lithium carbonate is jet milled using three micronizers operating in parallel. This process reduces the product particle size to around 5 micron. The micronized product is pneumatically conveyed to the bagging units, storage silos and packaged in either 25kg bags or bulk bags.

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About Galaxy (ASX: GXY)

Galaxy Resources Ltd ("Galaxy") is an Australian-based global lithium company with lithium production facilities, hard rock mines and brine assets in Australia, China, Canada and Argentina. The Company is a lithium producer listed on the Australian Securities Exchange (Code: GXY) and is a member of the S&P/ASX 300 Index.

Galaxy wholly owns the Jiangsu Lithium Carbonate Plant in China's Jiangsu province. The Jiangsu Plant has commenced production and will produce 17,000 tpa of battery grade lithium carbonate, the largest producer in the Asia Pacific region and the fourth largest in the world.

Galaxy is also advancing plans to develop the Sal de Vida (70%) lithium and potash brine project in Argentina situated in the lithium triangle (where Chile, Argentina and Bolivia meet) which is currently the source of 60% of global lithium production. Sal de Vida has excellent promise as a future low cost brine mine and lithium carbonate processing facility.

The Company owns Mt Cattlin (100%) project near Ravensthorpe in Western Australia and the James Bay (100%) Lithium Pegmatite Project in Quebec, Canada.

Lithium compounds are used in the manufacture of ceramics, glass, electronics and are an essential cathode material for long life lithium-ion batteries used to power e-bikes and hybrid and electric vehicles. Galaxy is bullish about the global lithium demand outlook and is positioning itself to become a major producer of lithium products.

Sal de Vida - Competent Persons Statement

The information in this report that relates to Mineral Resources for the Sal de Vida lithium project is based on work completed by Mr. Michael Rosko, who is a Member of a Recognised Overseas Professional Organisation. Mr. Rosko is a full time employee of E. L. Montgomery and Associates and has sufficient experience which is relevant to the style of minerlisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr. Rosko consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

National Instrument 43-101 - Qualified Person
The mineral resources for the Sal de Vida lithium project are reported in accordance with National Instrument 43-101 and have been estimated in conformity with generally accepted CIM "Estimation of Mineral Resource and Mineral Reserves Best Practices" guidelines. Resource evaluation work was completed by Mr. Michael Rosko, P.Geo (Arizona 25065, Texas 6359, California 5236) an independent Qualified Person as defined by NI 43-101. Mr. Rosko has read and approved the content of this news release. A Technical Report compliant with NI 43-101 standards describing the resource estimation was filed on SEDAR within 45 days of its release.

Caution Regarding Forward Looking Information

This document contains forward looking statements concerning Galaxy.

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.

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