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Perth, Australia

GALAXY OUTLINES DEVELOPMENT STRATEGY FOR SAL DE VIDA

Highlights

- Plans to develop Sal de Vida lithium project ahead of anticipated rapid demand growth for lithium carbonate
- Sal de Vida expected to become next flagship development for Galaxy
- Sal de Vida offers geographical, process and cost base diversification
- Potential production 25,000 tpa battery grade lithium carbonate, taking total Galaxy output to 42,000 tpa
- Potential production 107,000 tpa of potash by-product
- Project NPV US\$1.07 billion, generating net pre-tax cash flow of US\$139 million per annum
- Galaxy to capitalise on growth in lithium-ion battery sector, driven by consumer demand
- Lithium demand being driven by increase in utilisation and size of lithium-ion batteries
- Investment decision on Sal de Vida to be made once Jiangsu Lithium Carbonate Plant is cash flow positive

Galaxy Resources Ltd (ASX: GXY) (“Galaxy” or “the Company”) is pleased to outline the development strategy for its Sal de Vida lithium and potash brine project (“Sal de Vida” or “the Project”) in Argentina.

Galaxy acquired a 70% stake in the highly prospective Sal de Vida project following its recent merger with Lithium One Inc. Sal de Vida offers Galaxy geographical, process and cost base diversification from its existing assets in Australia and China. Its favourable brine chemistry and prime location mean it is expected to become Galaxy’s next flagship asset.

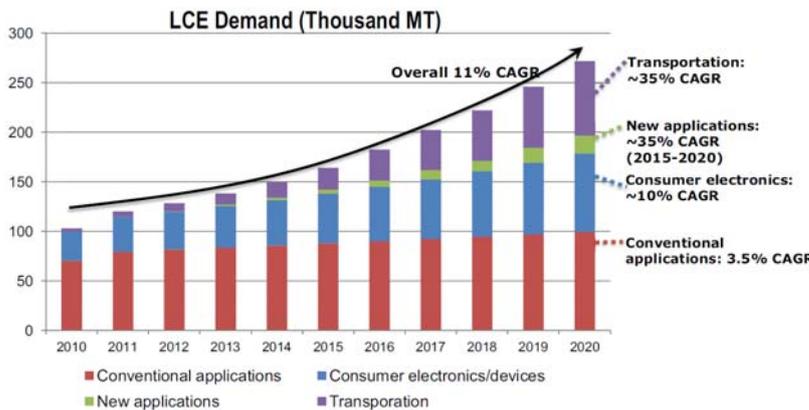
Meeting Potential Lithium Demand

Galaxy’s plans for Sal de Vida include development of a mine and battery grade lithium carbonate plant. The Company’s preference is to advance Sal de Vida’s development to be prepared ahead of anticipated spikes in demand for lithium carbonate, as demand for lithium-ion batteries for electronics, electric vehicles and battery storage grows.

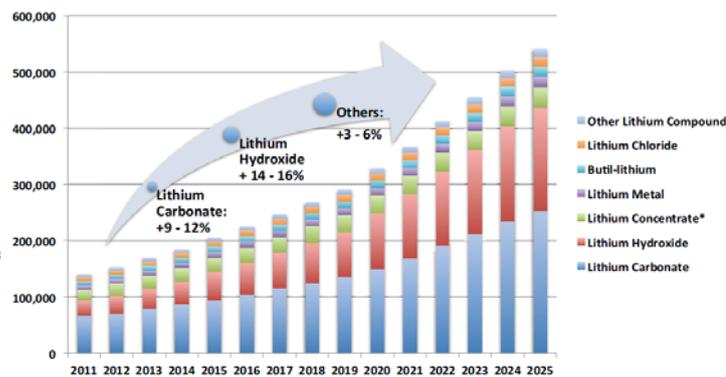
The lithium battery sector continues to be consumer driven and, in the last few years, has experienced consistent growth of around 20-25% per annum. The utilisation of lithium-ion batteries continues to grow and, significantly, the size of lithium-ion batteries is also increasing to fit larger electric vehicles and energy storage units. For example, the amount of lithium carbonate in one electric car is in the region of 3,000 times more than that of a laptop lithium-ion battery.

While lithium carbonate prices are already increasing, Galaxy forecasts exponential growth (a ‘hockey stick’ growth profile) in lithium demand in the next five years, driven by the lithium-ion battery sector. The lithium battery industry today is worth US\$11 billion and expected to grow to US\$43 billion by 2020. Consequently, lithium carbonate feedstock demand is also expected to increase 2-3 times by the end of the current decade.

Demand Forecast by FMC Lithium *



Demand Forecast by Signom Box *



*Source: 4th Lithium Supply & Market Conference, Buenos Aires, Jan 2012

Galaxy also recognises that development lead times on lithium mines and projects can be in the vicinity of 4-5 years. Galaxy therefore needs to advance the development of Sal de Vida to be positioned and ready for the anticipated demand growth. This timeframe would allow Galaxy to fully benefit from the potential demand and lock in long term offtake contracts.

Galaxy believes that those lithium companies with operating projects in place in anticipation of this potential demand will be in the best position to benefit.

Galaxy Managing Director Iggy Tan said: “We see very strong growth ahead in the lithium sector and want to develop Sal de Vida in anticipation of that forecast demand. The Company’s diversification strategy has been to acquire and develop both hard rock and brine lithium operating assets in various geographies. The recently-announced acquisition of Talison Lithium (a hard rock concentrate producer) by Rockwood Lithium (a brine based lithium chemical producer) for C\$724 million, vindicates our strategy and our view of the long term growth in this market.”

Galaxy’s Jiangsu Lithium Carbonate Plant (“Jiangsu”) is currently in production and, with a design rate of 17,000 tpa, will make Galaxy the largest producer of battery grade lithium carbonate in the Asia Pacific region.

Galaxy has representation in the world’s top three lithium battery producing countries - China, Japan and Korea (‘Lithium Battery Producing Triangle’). Galaxy’s global partners include the top 13 cathode producers in China, Mitsubishi Corporation (Japan), Korean Resources Corporation (Korea), LG International (Korea) and GS Caltex (Korea).

Mr Tan added that the Company will not make a final investment decision on Sal de Vida until the Jiangsu Plant achieves positive cash flow.

“Jiangsu will need to reach the point of being consistently cash flow positive and on a sustainable basis prior to full scale commitment to Sal de Vida development. The Company’s utmost priority is to ramp-up the Jiangsu Plant, but the background work for the Sal de Vida needs to happen in parallel. It is a very important development for the Company.”

Sal de Vida Flagship Asset

Galaxy spent a number of years looking for a high quality, undeveloped lithium brine project with the aim of adding extra lithium resources and lithium carbonate capabilities to its asset portfolio in anticipation of growing lithium demand.

Sal de Vida's potential production profile is 25,000 tpa of battery grade lithium carbonate and 107,000 tpa of potash (KCl) by-product for the fertiliser industry. In addition to the 17,000 tpa design capacity of Jiangsu, Galaxy would produce 42,000 tonnes of lithium carbonate per annum from 2017 onwards. (Figure 1.)

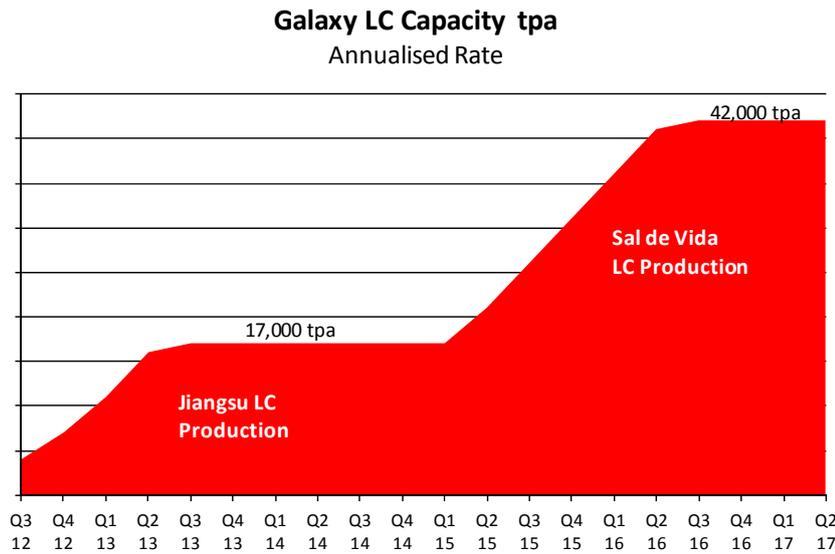


Figure 1: An increased production profile will allow Galaxy to capitalise on forecast demand growth in the lithium-ion battery sector.

The Sal de Vida brine chemistry is highly favourable, with high levels of lithium and potash, and low levels of magnesium and sulphate impurities.

Sal de Vida is situated in the renowned 'lithium triangle' at the meeting point 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.

The Sal de Vida Pre-Feasibility Study ("PFS") completed in October 2011 estimated a net present value for the project of US\$1.07 billion. The average operating cost was estimated at US\$1,537 per tonne of finished lithium carbonate, generating a net pre-tax cash flow of US\$139 million per annum.

Galaxy hopes to advance the development of Sal de Vida, employing some of the same processes and technologies it used to design and construct the Jiangsu Plant.

Galaxy is completing a Definitive Feasibility Study ("DFS") on the Sal de Vida project and will update the market on its progress in due course.



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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 an integrated lithium mining, chemicals and battery company listed on the Australian Securities Exchange (Code: GXY) and is a member of the S&P/ASX 300 Index.

Galaxy wholly owns the Mt Cattlin project near Ravensthorpe in Western Australia where it mines lithium pegmatite ore and processes it on site to produce a spodumene concentrate and tantalum by-product. At full capacity, Galaxy will process 137,000 tpa of spodumene concentrate which will feed the Company's wholly-owned 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 completed a feasibility study for a proposed lithium-ion battery plant, to produce 620,000 battery packs per annum for the electric bike (e-bike) market. The Company also owns 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 achieve its goal of being involved in every step of the lithium supply chain.

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.

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