



Australia
18 April 2019

SAL DE VIDA UPDATE

Galaxy Resources Ltd (ASX: GXY) ("**Galaxy**" or "**the Company**") provides an update on development activities for the Sal de Vida Project ("**Sal de Vida**" or "**Project**") in Argentina.

CORPORATE UPDATE

Throughout the second half of 2018 and early 2019, Galaxy and JP Morgan conducted a comprehensive evaluation of strategic joint venture opportunities for Sal de Vida ("**Sal de Vida process**"). During that same period and concurrent to this process, the Company successfully closed the US\$280 million sale to POSCO of a package of tenements in the north of the Salar del Hombre Muerto, receiving full and final settlement of funds in February 2019.

To date, Galaxy has not been able to agree a transaction structure which provides what it believes is an appropriate valuation basis that properly reflects the world class nature of the Sal de Vida asset, particularly in the context of the successful POSCO transaction. Negotiations are ongoing with a shortlist of interested parties, however the Company has now resolved to formally close the Sal de Vida process.

Galaxy is currently in the strongest financial position it has ever been with c.US\$285 million in cash and liquid assets, zero debt and robust cash flow from Mt Cattlin. The Company now has strategic and financial flexibility and will continue to progress the development of Sal de Vida to ensure that its true value is unlocked and enhanced. Due to prevailing market sentiment and current weakness in short term contract prices for lithium chemicals the Company believes that it is prudent to remain patient regarding any third-party transaction for the Sal de Vida Project, since it remains highly confident in the underlying fundamentals of the lithium sector and market growth potential, as well as the world class quality of the underlying asset.

Sal de Vida is recognized as one of the best undeveloped lithium resources, globally, based on:

- Reserves of 1.14Mt LCE¹, supporting an initial 40-year project life, coupled with a resource of 4.92Mt LCE² and substantial upside
- Demonstrated extractability and superior brine chemistry – highest lithium concentration of Argentine development assets (732mg/L Li) and low impurity levels
- High economic returns forecast through feasibility studies, with operating costs forecast to be within the lowest quartile
- Project already substantially de-risked from a financial perspective following the completion of the POSCO transaction for US\$280 million

2019 SAL DE VIDA WORK PROGRAM

Test Work Program

Given the long life, superior quality and low production cost profile of Sal de Vida and its strategic position within Galaxy's diversified project portfolio, the Company is focused on ensuring a disciplined and responsible development pathway, as well as maximizing operating cost efficiency. The final product from Sal de Vida must meet the increasingly stringent specifications of battery end users at an operating cost well within the lowest quartile.

As part of the Company's continuous product validation and process optimization strategy, the project team has embarked on two concurrent test work programs. The first is focused on process optimization and product qualification based on the existing flow sheet incorporating conventional evaporation pond and processing technology. A semi-continuous pilot operation is underway at site, focused on maximizing process efficiencies at each individual stage of the flow sheet. Fifteen hectares of evaporation ponds are under construction with earthworks now complete and the subsequent lining of the ponds to commence upon contract award. To facilitate the integration of the pond with the semi-continuous pilot plant, some further equipment installations will be made to better match pond outflows to the pilot plant capacity.

The second test work program is focused on testing a limited number of alternative, unconventional processing technologies, and assessing the viability of such technologies for implementation in the process flow sheet. These technologies may be adopted on a stand-



alone basis or integrated with the current base flow sheet. Early laboratory results regarding lithium extraction have been encouraging in terms of the potential to improve process efficiency.

Project Development

Hydrogeological and brine chemistry data collected from recent drilling campaigns will provide further inputs into the hydrogeological and resource models, to be analyzed in the context of a future potential resource upgrade. The project team has collected additional information from observed environmental and salar conditions, which will be used for further calibration of the hydrogeological model. Periodic calibration of the wells has been undertaken to enhance the accuracy of model simulation and optimize key design parameters within the future production wellfields.

Following the current model calibration, development works will focus on wellfield design and production well construction. A detailed engineering bid package related to wellfield design will be issued for competitive tender. Drilling of planned production wells in the eastern wellfield is expected to be begin in Q2 2019.

A geotechnical survey that was conducted at the proposed operation site on the salar is now 90% complete. Results of this study will provide key inputs regarding facility and infrastructure locations, cost estimation and layouts. It will also allow engineering work to commence on the detailed design of the commercial evaporation ponds and enhance the accuracy of the initial estimated civil construction costs related to the earthworks and foundations for the chemical process plant.

Engineering and estimation of key onsite and offsite non-process infrastructure will commence in Q2 2019.

Value Engineering

Work has commenced on energy generation options assessing the preferred mix of energy sources, as well as exploring capital efficiencies in required infrastructure design and construction.

A series of other engineering trade-off and value-add activities will commence in Q2 2019, focused on advancing project engineering and identifying any potential capital reduction opportunities. The project team has been in discussions with other regional developers regarding potential shared infrastructure options.

Environmental Monitoring and Project Permitting

Environmental monitoring and evaluation has been underway throughout Q1 2019 as part of the Company's bi-annual renewal of its Environmental Impact Assessment.

Government and Community Relations

The Governor of Catamarca and the Catamarca Secretary of Mining will attend the official opening of the Sal de Vida office in Catamarca in May 2019. The new corporate office will act as the principal base of operations for the project.

¹ 0.18Mt Proven, 0.96Mt Probable

² 1.96Mt Measured, 2.58Mt Indicated, 0.38Mt Inferred

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About Galaxy (ASX: GXY)

Galaxy Resources Limited ("**Galaxy**") is an international S&P / ASX 200 Index company with lithium production facilities, hard rock mines and brine assets in Australia, Canada and Argentina. It wholly owns and operates the Mt Cattlin mine in Ravensthorpe Western Australia, which is currently producing spodumene and tantalum concentrate and the James Bay lithium pegmatite project in Quebec, Canada.

Galaxy is advancing plans to develop the Sal de Vida 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 potential as a low-cost brine-based lithium carbonate production facility.

Lithium compounds are used in the manufacture of ceramics, glass, and consumer electronics and are an essential cathode material for long life lithium-ion batteries used in hybrid and electric vehicles, as well as mass energy storage systems. Galaxy is bullish about the global lithium demand outlook and is aiming to become a major producer of lithium products.

Competent Persons Statements

Sal de Vida Project

Any information in this report that relates to the estimation and reporting of the Sal de Vida Project Mineral Resources is extracted from the report entitled "Sale of Northern Tenements at Sal de Vida to POSCO Completed" created on 26 November 2018 and the Sal de Vida Project Ore Reserves is extracted from the report entitled "Sal De Vida: Revised Definitive Feasibility Study Confirms Low Cost, Long Life and Economically Robust Operation" created on 22 August 2016 both of which are available to view on www.galaxylithium.com and www.asx.com.au. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements and that all material assumptions and technical parameters underpinning the Mineral Resources and Ore Reserve estimates in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

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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 because 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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