

Australia
10 April 2017

SAL DE VIDA UPDATE - PRODUCTION WELL DRILLING COMMENCED AND ENVIRONMENTAL PERMIT RENEWED

Highlights

- **First drill hole for planned production well completed to a depth of 150 metres**
- **Earthwork for second drill pad and existing access road improvement undertaken to facilitate drill rig mobilization completed**
- **Approximately 3,000 hectares of topographic survey to be utilized in future evaporation pond layout and design now completed**
- **Sal de Vida Project previously permitted through to completion of construction, now granted renewal of environmental permit from Catamarca Province**
- **Planning commenced for relocation of former pilot plant facilities to new camp location**

Galaxy Resources Ltd (ASX:GXY) ("Galaxy" or the "Company") is pleased to provide an update on development work at the Sal de Vida (SDV) Project in Argentina.

The SDV Project Team has been re-established on the ground at the development site location and has recommenced development work in line with the recently established development budget and schedule. This included the relocation of the existing camp facilities to facilitate relevant earthworks as part of the preparation for two new drill site locations and associated access roads. In addition, a topographical study covering an area of approximately 3,000ha was completed on the eastern, more elevated area of the Salar del Hombre Muerto. The drilling for the first of two planned production wells has also been completed to a depth of 150 metres which will imminently be equipped and commissioned to supply brine to new evaporation ponds which will be constructed in the current year.

Earthworks & Drilling

Earthworks on the first production well, located adjacent to the site of an existing previous drill hole, including improvement works to access roads and an elevated drilling pad, were completed efficiently utilising local service provider resources from Catamarca. This drill location was selected by the SDV Project Team with the objective to gain further information on hydraulic parameters, as well as flow rates in the selected area. This will enhance the design of the overall development in the future by allowing a sustained measurement and analysis of in field results. The plan will be to convert the existing drill hole to one which can be used as a monitoring well, once long term pumping tests have been undertaken on the new drill hole. Drilling was completed successfully up to a depth of 150 metres and once in production, this new well will be equipped to supply brine to the evaporation ponds, which are to be constructed later this year.





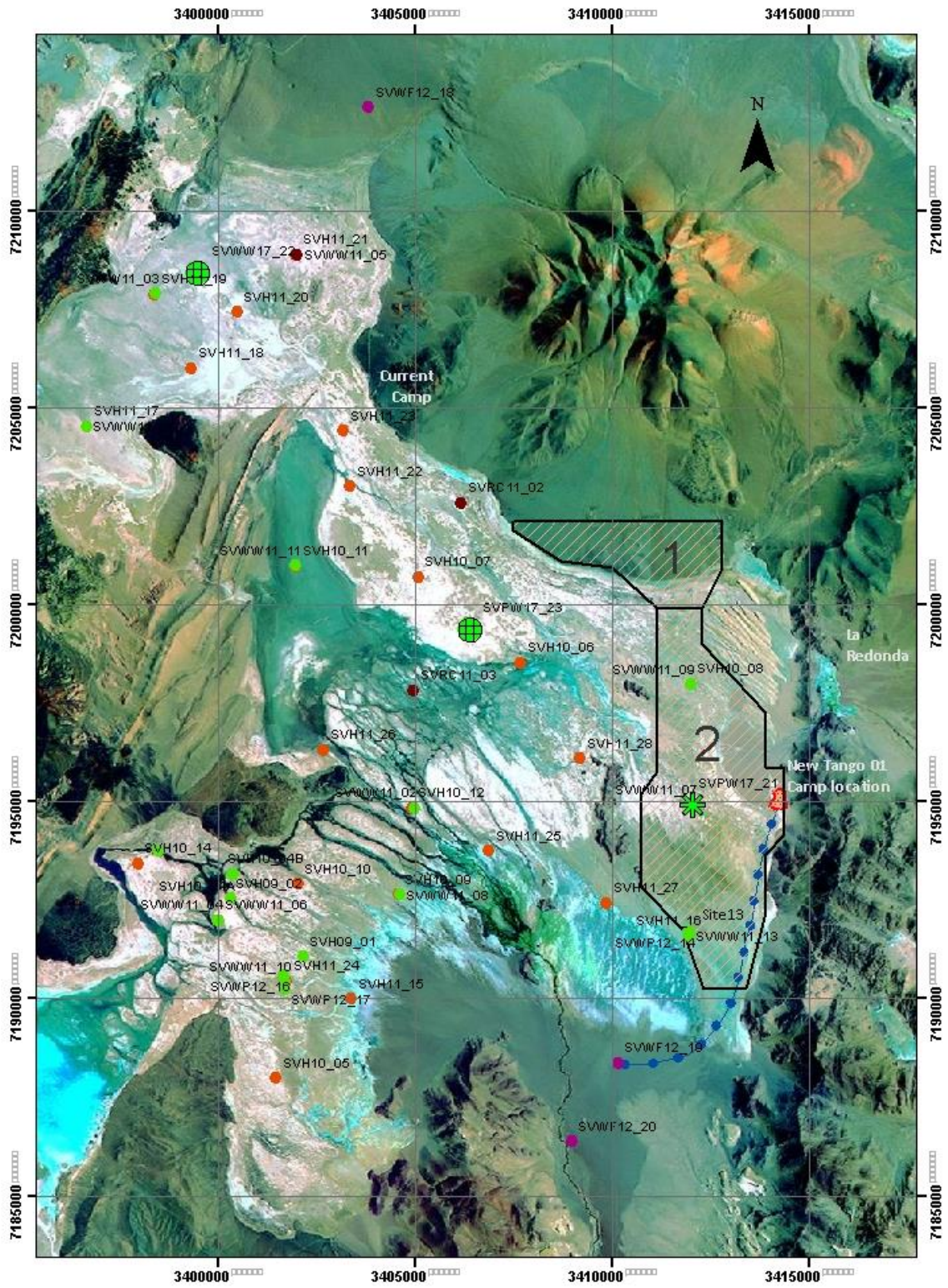
Topographic Studies

An intensive topographic survey campaign was conducted over recent months and has now been completed successfully. These studies covered 3000 hectares of Galaxy's SDV tenements, planned to facilitate the construction of a 45 Ha initial evaporation pond as well as future full scale commercial ponds. The desired perimeter was selected based on identifiable, superior geological and geo-mechanical conditions, paired with better accessibility all year round predominantly as a result of a slightly increased elevation than the salar level.



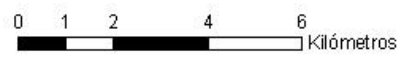
Two target areas were covered and identified as shaded areas 1 and 2 on the map below, with the main objective to better detail the topographic site conditions, and also provide input to earthworks design to optimize cut and fill parameters. Given the high proportion of development costs associated with earthworks, this analysis will be important in future development activities.

Area 2 is predominantly level and slightly elevated in comparison to the rest of the salar, and on initial evaluation, has been deemed a suitable and effective option for production pond layouts. The survey indicates that pond perimeter boundaries can be positioned such that the base elevation is in all areas within a 1m variance and offers an near-optimum scenario for pond wall construction. In contrast, Area 1 is a good location to set up a future permanent camp, as it is orientated to provide natural protection from adverse weather conditions, in particular that which stem predominantly from the prevailing North West winds.



References

- Diamond
- RC
- Rotary Mud
- Fresh Water
- ✱ SVPW17_21
- ⊗ Next planned drill sites
- Demo Ponds & Plants Proposed Area
- Surveyed Area 1 + 2
- 8" Water Pipeline

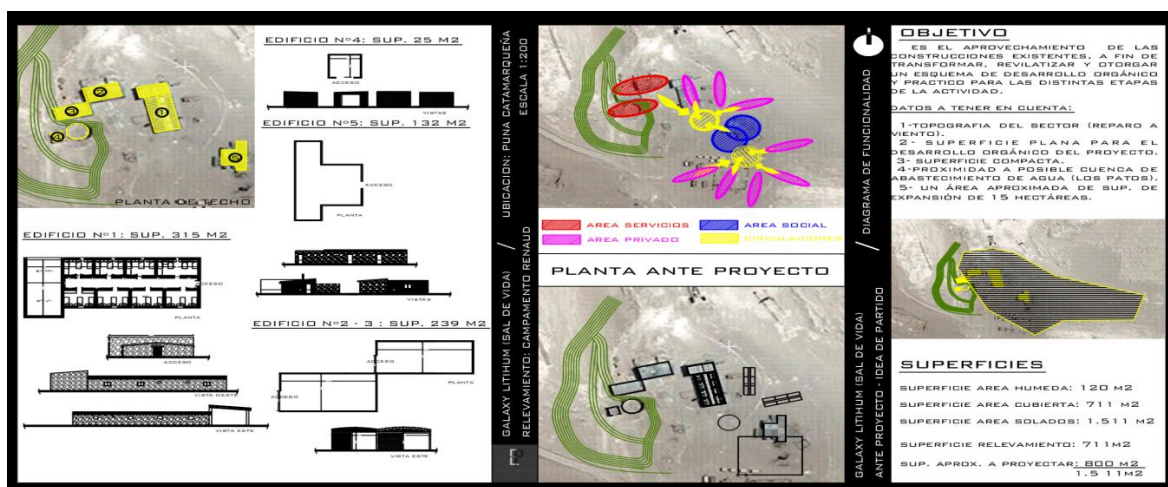




New “Tango-01” Camp

After completing the purchase agreement for an existing on-salar infrastructure easement, a new camp location was set up and is also identified in the map above. The new “Tango-01” camp facilities are located 2.5 km due east from the recently completed, new production well SVPW17_21. Existing buildings were also a part of the transaction, and include sleeping quarters, kitchen, warehouses, generators housing, water tanks and other auxiliary buildings. These facilities will be refurbished and additional buildings will be constructed to allow for up to 80 people to be accommodated in the complex. Tango-01 will be used as a constructors temporary living camp while the first 45Ha evaporation pond is constructed. The acquisition of these existing facilities, not only has a positive schedule impact, but will also reduce the overall project footprint, thus making the best use of already disturbed areas.

Required planning and works will reach completion before year’s end and local community labour will be used as part of contractor’s manpower.



Pilot Plant Facilities – Existing

A total of eight container size modules, comprising Galaxy’s existing pilot plant, will be relocated during Q2 near SVPW17_21 to have access to readily available brine flow all-year round. The relocation also includes the six evaporation pans associated with the plant and is scheduled to occur during May 2017. Once set up at the location, and with the addition of an ICP lab on site, pilot scale testing will be resumed and will include expanded trials on numerous circuits contained in the future lithium carbonate plant flow diagram. Process alternatives to investigate potential reagent usage reductions will be trialed and evaluated, while new brine stocks reach required plant feed concentration levels and the construction of the first 45Ha evaporation pond is completed.

Corporate Social Responsibility

The Company’s local subsidiary, Galaxy Lithium SDV, has now established an office in San Fernando del Valle, the capital city of Catamarca Province, where the SDV team will commence recruitment initiatives to begin engagement with the local workforce, and planning for future human resource requirements as project activity ramps up. Other members of the SDV team recently assisted, along with other local industry peers, in the organization of the first Mining Providers Seminar. Procurement representatives from Galaxy SDV are now working closely with the Mining Secretary of Catamarca to identify service providers with the potential able to support future development and construction requirements forming part of the overall SDV Project. The focus of such activities will be to build mutually beneficial and sustainable relationship with the local host communities. These activities reaffirm Galaxy Lithium SDV’s commitment to Catamarca and mark a significant milestone in the relationship with the province, and a platform to build on for the longer term.

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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.

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This document contains forward-looking statements concerning Galaxy.

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