

Perth, Australia
10 April 2013

GALAXY DELIVERS MAIDEN RESERVE ESTIMATE AT SAL DE VIDA

Highlights

- Maiden JORC-compliant reserve estimate of 1.1 mt of retrievable lithium carbonate equivalent
- Potash reserve estimate 4.2 million tonnes of potassium chloride equivalent
- Reserve base supports 25,000 tpa lithium carbonate and 95,000 tpa potash production
- Sal de Vida current mine life 40 years, potential to be extended
- Confirms Sal de Vida as one of world's most significant deposits
- Potential to increase Reserves in other areas of the basin
- Reserve estimate results to be fed into Sal de Vida Definitive Feasibility Study

Galaxy Resources Ltd (**ASX: GXY**) ("**Galaxy**" or "**the Company**") is pleased to announce a maiden JORC-compliant Reserve estimation of 1.1 million tonnes of retrievable lithium carbonate equivalent for its Sal de Vida lithium-potash brine Project ("**Sal de Vida**" or "**the Project**") in north western Argentina. In addition, the Reserve estimates 4.2 million tonnes of potassium chloride (potash) equivalent.

The Reserve estimate supports annual production at Sal de Vida of 25,000 tonnes of lithium carbonate and 95,000 tonnes of potash over a 40 year period. The maiden Reserve estimate is based on updated exploration drilling, well field pump tests and groundwater flow model projections.

Table 1 – 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

Galaxy Managing Director Iggy Tan said: "We are extremely pleased to deliver a robust maiden JORC-compliant Reserve estimate for Sal de Vida. This Reserve base and mine life puts Sal de Vida in line with other significant brine deposits in the world. Furthermore, we believe with further drilling in other areas of the basin, we have the potential to lift the Reserve base and extend the life of the project beyond the current 40 years."

The results of the reserves estimation will now be incorporated into the Definitive Feasibility Study (DFS) on the Sal de Vida project.

Sal de Vida lies within the northern and eastern sub-basins of the Salar del Hombre Muerto, one of the largest lithium-rich brine basins in the 'Lithium Triangle' of Argentina, Chile and Bolivia. The Salar del Hombre Muerto lies approximately 1,400 km northwest of Buenos Aires at an altitude of 4,000 metres.

Galaxy acquired a 70% stake in the Sal de Vida project following its merger with Lithium One Inc., which was completed in July 2012. Sal de Vida's brine chemistry is highly favourable, with high levels of lithium and potash and low levels of magnesium and sulphate impurities.

Maiden Reserve Estimation

The maiden Reserve estimate was compiled by consultancy Montgomery and Associates (M&A). Total tonnages for the economic reserve values provided in **Table 1** account for anticipated leakage and process losses of lithium and potassium. **Table 1** 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 m³/d.

Based on their understanding of the conceptual hydrogeologic system and the results of the numerical model, M&A and Galaxy determined that it is appropriate to categorise the Proven reserve according to what can be feasibly be pumped to the ponds and recovered at the end of the process during the first 6 years of operation. This production is expected to come almost entirely from the Southwest well field. The model projects that the well fields will sustain operable pumping for 40 years, and as a result, the following 34 years of pumping are categorised as a Probable reserve. If the model forecasts are shown to be tracking the estimated Proven reserve, the model projects that pumping of brine above the cutoff grade should be possible past 40 years.

As the model does not project excessive drawdown in either well field at the end of 40 years, and all pumped brine is still projected to be above the cutoff grade, the current numerical model projections suggest that additional brine could be pumped from the basin from the proposed well fields past a period of 40 years.

Furthermore, additional brine resources have been demonstrated in other parts of the basin. Favourable hydrogeological exploration and development of the other parts of the basin could potentially produce future increases in the Reserve estimates.

Calculating the Reserve

Brine prospects differ from solid phase industrial mineral prospects by virtue of their fluid nature. Due to the mobility of the brine, the flow regime and other factors such as the hydraulic properties of the aquifer material are considered to be as important as the chemical constituents of the brine.

Resource methodology used to characterise in-situ brine deposits consisted of two key components: characterisation of the mineral grade dissolved in the brines and characterisation of the host aquifer drainable porosity that contains the resources. These key parameters were used to estimate the total amount of brine, and therefore lithium and potassium in storage that could be theoretically drained in the entire mining concession.

The method used for the Reserve calculation instead focuses on the potential for retrieval of lithium and potassium via well field pumping in selected areas where pumping at relatively large rates has been demonstrated. As the brine is a mobile fluid, it is necessary to utilise a calibrated numerical groundwater flow model, respective of fluid density, to project future well field production and projected future brine grade. M&A considers this to be the most appropriate technique to calculate the lithium and potassium reserve in the Salar de Hombre basin.

The numerical groundwater flow model projections were used to calculate total lithium and potassium to be extracted from the proposed Southwest and East well fields for a period of 40 years. The model projections indicate that each of the proposed well fields will be able to produce a reliable quantity of brine at an average annual rate of 30,000 m³/d (about 350 L/s). The average grade at start-up is expected to be about 810 mg/L of lithium and 9,100 mg/L of potassium. The average grade after 40 years of pumping is projected to be 590 mg/L of lithium and 6,700 mg/L of potassium due to projected dilution from brackish water.

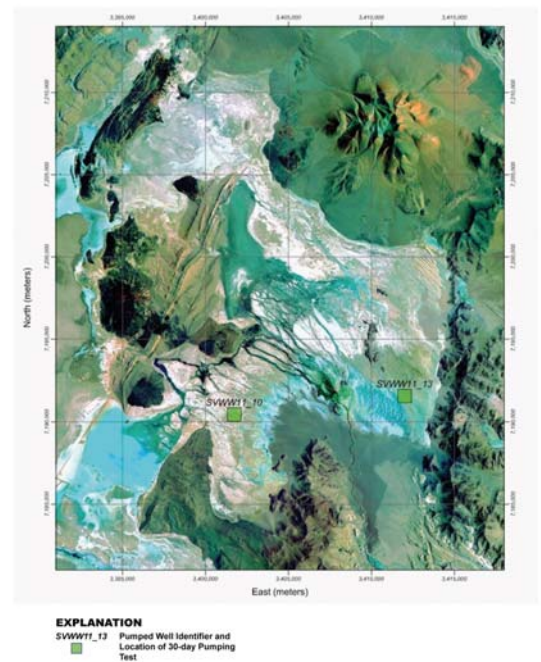
Following the completion of the resource drilling and based on the results from the exploration programs, further investigations were conducted during 2012 in two areas of previous exploration drilling in the Hombre Muerto basin where aquifer conditions appeared most favourable for long-term brine production. Factors used to select these potential well field areas included favourable brine quality, comparatively large aquifer transmissivities, yield from existing wells in these areas, and the presumed continuity and large extent of the favourable aquifer units. The locations for test wells within the two proposed well fields are shown in **Figure 1**.

A pilot production well field program was designed to further assess the potential of these two areas and included new wells, observation bores and 24-hour and 30-day aquifer tests. Five wells were drilled, constructed and aquifer tested. Some of these wells were designed to be production wells and some were designed to be observation wells during the long-term tests.

To acquire critical hydrogeological information necessary for characterising the aquifer and for being able to project feasible commercial development of lithium and potash brine, M&A coordinated and analysed long-term testing at well SVWW11_13 in the planned east brine production well field and at well SVWW11_10 in the planned southwest brine production well field. Well SVWW11_13 was pumped at a constant rate of 15.2 L/s during the period 27 August through 26 September, 2012.

During testing, four observation wells were monitored for water level change. Well SVWW11_10 was pumped at a constant rate of 9.8 L/s during the period 19 October-18 November, 2012. During testing, three observation wells were monitored for water level change.

Figure 1 - Location Map for Pumped Wells During the 30-Day Aquifer Tests, Proposed Southwest and East Well Fields.



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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 will eventually produce 17,000 tpa of battery grade lithium carbonate, becoming 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%) spodumene 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.

Competent Persons Statement

The information in this report that relates to Mineral Resources is based on information compiled by Michael J. Rosko who is a full time employee of Montgomery & Associates Consultores Limitada (M&A). M&A have been engaged by Galaxy Lithium to prepare the documentation for Sal de Vida Project in Salar de Hombre Muerto, Argentina. Mr Rosko is a member of a 'Recognised Professional Organisation' (RPO) included in a list promulgated by ASX. Mr Rosko has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity 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. Mr Rosko verifies that the announcement is based on and fairly and accurately reflects in the form and context in which it appears, the information in my supporting documentation relating to Ore Reserves.

Forward Looking Statements.

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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