

Perth, Western Australia
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GALAXY COMPLETES SUCCESSFUL BRINE PUMPING TESTS AT SAL DE VIDA

Highlights

- Brine successfully pumped from production well
- 30 day pump test completed with constant flow rate and without blockages
- Brine pumping a core part of a lithium brine operation
- Consistency and rate of flow to be supports DFS base assumptions
- Initial wells show potential for very long term supply of brine

Galaxy Resources Ltd (ASX: GXY) (“**Galaxy**” or “**the Company**”) is pleased to advise that it has successfully completed a long term pumping test on the first proposed production well at the Sal de Vida lithium and potash brine project (“**Sal de Vida**” or “**the Project**”) in Argentina.

The successful test involved pumping brine from the production well at a constant rate and without faults or blockages, over a 30 day period. The pumping of the brine to solar ponds is a critical part of a lithium brine operation. Once the brine evaporates, concentrated lithium brine is harvested and further processed into lithium carbonate.

The consistency and rate of flow will be used as base assumptions in the Definitive Feasibility Study currently underway on Sal de Vida and expected to be completed in Q1 2013. The pump test results will be used to demonstrate capability for the long term supply of brine and lithium concentrate to the lithium carbonate plant Galaxy plans to build on the Sal de Vida site.

The initial well at Sal de Vida demonstrates the potential for long term supply to proposed solar ponds and lithium carbonate and potash production plants, utilising only a fraction of the currently estimated extractable resource.

The tested well was set at a depth of 53 metres and pumped brine to the solar ponds at a rate of 16 litres per second. The maximum drawdown at the pumped well was less than 7 metres at end of the test period. The average lithium content of pumped water was approximately 760 milligrams per litre (mg/L); average potassium content was approximately 8800 mg/L reflecting the reserve grades. The brine composition did not change appreciably throughout the test.

Galaxy’s Managing Director, Iggy Tan, said: “These results are pleasing as they demonstrate we can pump brine at a constant and rapid flow rate with no excessive draw down or degradation of brine densities. It gives us more confidence around the outcomes of the DFS and for the development of Sal de Vida. Galaxy can achieve brine supply for a possible 24 wells as part of the overall design. From Sal de Vida, Galaxy plans to produce 25,000 tpa of lithium carbonate and 100,000 tpa of saleable potash-by product. It would take Galaxy’s total lithium carbonate production to 42,000 tpa in 2016.

Sal de Vida is situated in the renowned ‘lithium triangle’ at the meeting point of Argentina, Chile and Bolivia. Sal de Vida’s brine chemistry is highly favourable, with high levels of lithium and potash and low levels of magnesium and sulphate impurities. Sal de Vida 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.

Galaxy recently submitted an Environmental Impact Statement (EIS) for the Project, and anticipates obtaining construction permits and financing in early 2013, targeting first production of high purity lithium carbonate and potash by mid-2015.

Galaxy acquired a 70% stake in the Sal de Vida project following its merger with Lithium One Inc., which was completed in July 2012.

A Pre-Feasibility Study (“PFS”) on the Project, 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.



Brine flows from pump tests



Installing pump at production bore field



Strong brine flows at around 16 litres per second



Sampling brine for further tests

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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 which at full capacity can produce 137,000 tpa of spodumene concentrate as feed for the Company's wholly-owned Jiangsu Lithium Carbonate Plant in China's Jiangsu province. The Jiangsu Plant has commenced production and at full capacity will produce 17,000 tpa of battery grade lithium carbonate making the facility 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.

The Company also owns the James Bay (100%) spodumene project in Quebec, Canada.

Lithium compounds are used in the manufacture of ceramics, glass and 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.

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