



Australia
31 December 2018

SAL DE VIDA UPDATE

Highlights :

- **Project financing substantially de-risked following execution of transfers of the northern tenement package to POSCO for US\$280 million**
- **Multiple bids received for strategic partnership for development of Sal de Vida**
- **Project team strengthened with appointment of a highly experienced Project Director**

Galaxy Resources Ltd (ASX: GXY) ("Galaxy" or "the Company") is pleased to provide an update on the progress of development activities and strategic initiatives for the Sal de Vida Project ("Sal de Vida" or "Project").

Recent project development activities have been largely focused on the Front-End Engineering Design ("FEED") and optimization phase, as well as improving Galaxy's operational readiness in order to minimize executional risks and maximize financial returns.

Financing

Galaxy recently announced that the final tenement transfer deeds in relation to the sale of the northern tenement package at Salar del Hombre Muerto have been executed with POSCO. Registration of the Catamarca tenement transfers was completed on December 28. Registration of the Salta tenement transfers has not been finalized yet due to a significant backlog of transfers in the Salta court and a single judge available. The Salta court is now closed for the entire month of January 2019, so February 2019 is the earliest that registration of the Salta tenement transfers can complete. The registration process is a formality but is the final condition to release the consideration of US\$280 million (less withholding tax of approximately US\$8 million). In the meantime the Company is earning interest on the funds currently sitting in the Company's HSBC escrow account.

Strategic Process

Throughout the second half of 2018, Galaxy has undertaken a comprehensive evaluation of strategic options in relation to Sal de Vida in order to maximize Project value.

Galaxy has received several offers from potential strategic partners which are currently being evaluated in detail. Negotiations continue to progress, so the Board has resolved to formally extend the process timeline to ensure proper consideration is given to the strategic merits and proposed terms and structure of each of the offers.

Given the superior quality of Sal de Vida as a long life, low-cost operation with excellent economics, Galaxy will only proceed with a strategic partner if the final terms of the relationship properly recognize the fundamental underlying value of Sal de Vida and the partner can add additional value to the Project either through technical and/or financial input. The Company will advise the market upon further developments with the strategic process.

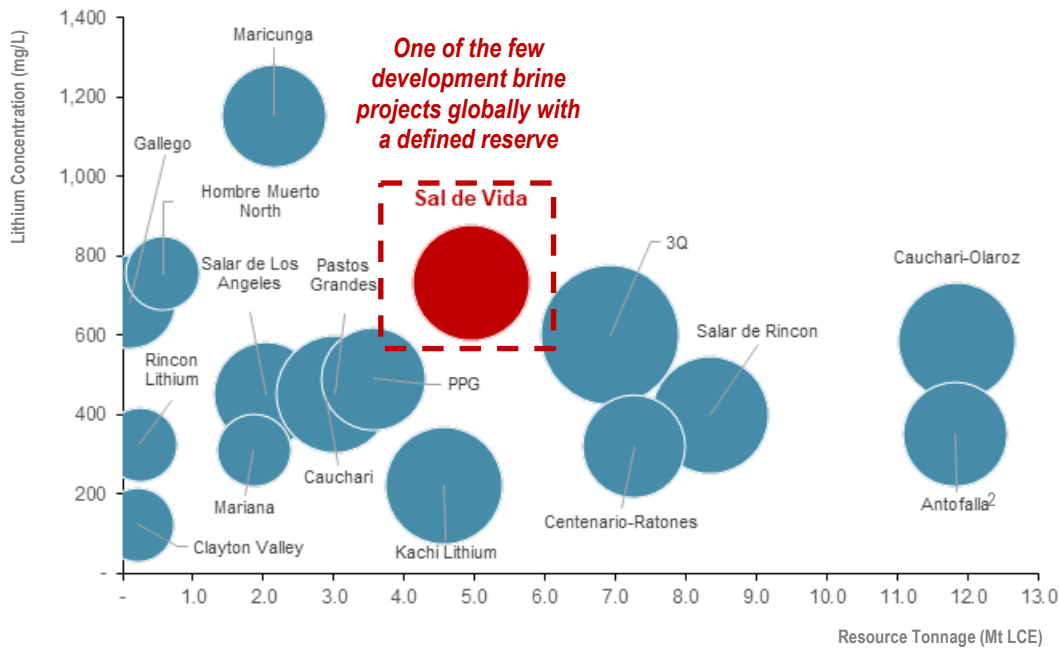
The Company continues to focus on advancing Sal de Vida in the short term. Project development will continue to advance independent of the ongoing strategic process. Galaxy's existing strong financial position, with zero debt and solid cash flow from Mt Cattlin, allows for a comprehensive market testing and price discovery process, without the Project timeline being impacted.

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

- Reserves of 1.14Mt LCE, supporting an initial 40-year project life, coupled with a resource of 4.92Mt LCE and substantial upside
- Favorable 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



Figure 1: Resource Bubble Chart of Lithium Brine Development Projects¹



Source: Company Disclosure, Roskill, Investment Banking Research

Notes:

1. Bubble size represents annual production capacity forecast
2. Bubble size represents estimated annual production capacity forecast due to lack of available production estimates

Human Resources

Michael Nelson, an executive mining professional with 30 years of project execution and leadership experience, has been appointed as the Project Director for Sal de Vida, effective January 2019. Mike’s experience across project development and construction will significantly boost the Company’s execution capability. Mike has successfully managed, developed and delivered multi-billion-dollar international resource projects, with considerable experience specifically in Spanish speaking Latin America.

Prior to joining Galaxy, Mike was the Project Director for the Quebrada Blanca Phase II (“QB2 Project”), leading the project team for Teck Resources (TSX:TECK.A and TECK.B) (“Teck”), plus EPCM and project contractors through execution, technical, permitting, social and operational readiness aspects of the QB2 development.

The Sal de Vida Project team has been further bolstered with the appointment of several specialists in the fields of process engineering, permitting and government and stakeholder relations. Additionally, an independent process advisory committee has been established to oversee the current test work program. The advisory committee consists of former FMC, Rockwood and Tianqi process and hydrometallurgical technical specialists.

FEED and Project Management Consultant (“PMC”)

Following a comprehensive Project evaluation, the next stage of Project advancement will be primarily focused on the execution of a FEED phase. Galaxy is negotiating to formally appoint Worley Parsons (ASX:WOR) as PMC to lead the FEED and the optimization work program.

FEED will be primarily focused on completing outstanding value engineering studies to identify key areas of potential capital savings and optimization, as well as advancing Project engineering to the detail required to prepare and commission bid packages for detailed engineering.

The following key deliverables are expected to be achieved during FEED:

- Completion of key value engineering studies necessary for detailed engineering
- Progression of engineering design to a level suitable for the bid and award of construction contracts



- Refinement of contracting strategy and preparation of bid packages for detailed engineering
- Management of the optimization phase of piloting operations
- Refinement of project capital and operating costs in line with further engineering definition
- Refinement of a detailed project construction, commissioning and ramp up schedule

Value Engineering and Early Works Program

Value engineering studies were initiated throughout Q4 of 2018. A detailed geotechnical work study is currently underway with expected delivery in early 2019. This geotechnical investigation will form the foundation of engineering input related to civil works, most notably applicable to the construction of the solar evaporation ponds and precise location of the process plant.

Further value engineering analysis, including energy generation options, water supply and offsite precast and pre-assembly options will be initiated early in 2019 as part of FEED. Upon completion of these initiatives, specific work packages for detailed engineering can be prepared and tendered.

As part of the next stage of the Company's continuous product validation and process optimization strategy, the current field work program also includes two concurrent test work programs. One is focused on product qualification, process refinement and early operator training based on the existing flow sheet incorporating evaporation ponds. Semi-continuous pilot operations are underway at the onsite batching facility, with various pilot plant upgrades to be made over the coming months. Moreover, construction of a demonstration evaporation pond facility has commenced with major earthworks approximately 40% complete.

Concurrently, Galaxy is also undertaking a second test work program to act as a platform for piloting various alternative, non-conventional processing technologies to assess their viability for implementation for the Project.

ENDS

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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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