

Perth, Australia
10 May 2013

MAIDEN RESERVE ESTIMATE AT SAL DE VIDA - CLARIFICATION

Galaxy Resources Ltd (ASX: GXY) ("Galaxy" or "the Company") wishes to provide the following clarifications regarding the metal equivalents reported in the ASX announcement titled "Galaxy Delivers Maiden Reserve Estimate at Sal De Vida" dated 10 April 2013.

Calculating the Reserve

The method used for the reserve calculation is different to the methodology used in calculating the resource which consisted of: characterisation of the mineral grade dissolved in the brines and characterisation of the host aquifer drainable porosity that contains the resources. The resource calculation estimates the total amount of brine, and therefore lithium and potassium in storage that could be theoretically drained in the entire mining concession. The reserve calculation 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. Because the brine is a mobile fluid, it is necessary to utilize a calibrated numerical groundwater flow model, respective of fluid density, to project future well field production and projected future brine grade. This method is recommended in the Canadian Institute of Mining, Metallurgy and Petroleum (CIM) Best Practice Guidelines for Resource and Reserve Estimation for Lithium Brines (2012) and Montgomery & Associates Consultores Limitada (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.

Reserve Estimation

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.

Table 1 – Probable and Proven Reserve Statement April 2013

Reserve Category	Time Period (Years)	Tonnes Li	Tonnes Equivalent Li ₂ CO ₃	Tonnes K	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

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The following information is provided in accordance with ASX Company Update 03/07 relating to the Reporting of Metal Equivalents.

- (1) Table 1 summarises the laboratory analytical results for each element reported in the reserve estimate at the commencement and termination of the 30 day pump test:

Location	Southwest Well Field: SVWW11_10		East Well Field: SVWW11_13	
	Lithium	Potassium	Lithium	Potassium
Day 1	750mg/L	8171mg/L	783mg/L	8462mg/L
Day 30	850mg/L	8363mg/L	764mg/L	8519mg/L
30 Day Mean	840mg/L	8351mg/L	776mg/L	8590mg/L

- (2) The assumed commodity prices and metal recoveries (assuming process losses and leakages) used in modelling the reserve estimates were:

Variable	Base Case	Value
Li ₂ CO ₃ Price	US\$/Tonne	6223
KCl Price (ex Guemes, Argentina)	US\$/Tonne	450
Li Recovery to Li ₂ CO ₃ *	% w/w	68.7
K Recovery to KCl *	% w/w	65

* Calculated recovery derived from the measurement of evaporation process losses and leakage and applied prior to conversion to the end products.

- (3) The percentage loss and final recovery values from the solar ponds at the end of the evaporation cycle was determined by chemical and engineering consultants with long experience in large-scale brine projects in the lithium triangle, using data acquired from 2 years of ongoing chemical and metallurgical tests at both laboratory and pilot-scale both on and off-site (including the production of Lithium Carbonate). The recoveries are similar to those reported by other companies in their evaporation pond trials on brine salars in the lithium triangle.
- (4) Galaxy believes that all elements reported as metal equivalents in the reserve estimate have a reasonable potential to be recovered.
- (5) Galaxy's reserve is reported in both Lithium and Potassium and the products which Galaxy intends to produce at the Sal de Vida project, Lithium Carbonate and Potassium Chloride (Potash). The conversion factor for Lithium to Lithium Carbonate is: x 5.3228. The conversion factor for Potassium to Potassium Chloride is: x 1.907. Because the elements of lithium and potassium are not by themselves the ultimate saleable product, reporting as metal equivalents was done to allow for a better understanding of the projected monetary value of the brine. To date, other brine projects have also reported their resource and reserve calculations in these equivalents.

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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 to prepare the documentation for Sal de Vida Project in Salar de Hombre Muerto, Argentina. Mr Rosko is a SME Registered Member of the Society of Mining, Metallurgy and Exploration Inc, 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 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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