

## Sal de Vida advances to design phase

Galaxy Resources Limited (ASX: GXY, “Galaxy” or the “Company”) is leveraging its portfolio of world-class assets to create a sustainable, large scale, global lithium chemicals business. Galaxy has advanced its lithium brine project, Sal de Vida into the design phase and is pleased to provide a project development update.

### HIGHLIGHTS

- ◆ Front-end engineering design for the wellfield and ponds is underway and plant and non-process infrastructure is out for tender
- ◆ Process test work is producing high quality primary lithium carbonate with grade at the upper end of expectations
- ◆ Long term pump test on an operational basis finished on schedule with aquifer results meeting or exceeding plans
- ◆ Evaporation at the pilot ponds is performing in line with production models and first operations at the pilot plant is scheduled for Q3
- ◆ Permitting is progressing with the granting of operational permits for the extraction of fresh water and use of reagents
- ◆ COVID-19 has impacted the development schedule however Stage One production in 2022 remains the target
- ◆ Galaxy remains in a strong position to execute its growth strategy countercyclically and meet the forecast lithium demand surge

### ENGINEERING AND PROCESS DEVELOPMENT

Galaxy has de-risked the Sal de Vida Project by developing a simplified flowsheet, utilising mature technology and by staging development to smooth capital expenditure and reduce market risk. Galaxy is committed to ensuring that the Sal de Vida Project is highly competitive on both capital intensity and operating costs and solid progress has been made this year to realise these objectives. The project has moved into the design phase with the commencement of front-end engineering design (“FEED”) for the wellfield, brine distribution and ponds. The second FEED package for the process plant and non-process infrastructure is out to tender and will be awarded in Q3 after the evaluation and selection process. Preferred solutions for both energy and logistics scopes have also been selected and are being progressed into more detail.

A long-term hydrological pump test was successfully completed in June with 40 days of continuous brine flow from an operational well. Significant data was collected during the test relating to brine volume, quality and aquifer behavior and the aquifer continues to be monitored as it recharges. An initial review of results indicates that all performance parameters were achieved and some may be upgraded in the revised hydrological model, providing improved confidence for design and operating assumptions.

The second stage of detailed product specification test work is now largely completed. This work was undertaken at an independent metallurgical test facility and focused on using lower cost reagents whilst simultaneously optimising cost, product quality and recovery. Results exceeded expectations especially in regard to product quality with primary lithium carbonate grades at the upper end of the expected range. Recovery and cost parameters were also in line with previous test work and these results further validate the simplified process flowsheet developed in late 2019.

### PILOTING PHASE AND ONSITE ACTIVITIES



Figure 1: Pilot ponds are operational (left) and the first run at the pilot plant (right) is scheduled to commence in Q3

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Significant progress has been made at site despite the impact of COVID-19 restrictions, as detailed below. Filling of the 15 Ha of demonstration ponds was completed in early Q2 and subsequent monitoring of brine chemistry demonstrates that evaporation is occurring in line with process modelling. Commissioning of the pilot plant is complete and staff training is well advanced in readiness for the first piloting run scheduled to commence in Q3, provided the level of COVID-19 restrictions doesn't regress.

The objectives of the piloting phase are to use Salar Hombre Muerto brine evaporated under normal atmospheric conditions to:

- produce representative samples of primary grade lithium carbonate for customer assessment and value chain qualification;
- validate the flowsheet and key operating assumptions under real operating conditions; and
- enable vendors of critical process equipment to confirm performance and operating design criteria.

Piloting outcomes, including customer qualification and FEED deliverables are required to finalise the design criteria prior to the execution phase.

Additionally, design and procurement work is underway for the next expansion of the accommodation camp. This expansion will ultimately take the capacity to the final level required for both the construction phase and full-scale operations.

Progress was made on approvals in Q2 with the granting of a groundwater permit by the provincial water authority for industrial and domestic use and a permit for the use and storage of chemical precursors (reagents) by the federal regulator.

Galaxy's community support program has resumed after being postponed due to COVID-19 restrictions. Expansion of the two schools is underway and establishment of the first aid facility at the nearest village to the site has been rescheduled to commence in Q4.

Forecast capital expenditure for H2 2020 activities including piloting, engineering, well drilling and owner's costs is expected to be approximately US\$12 million, which is in line with earlier guidance.

## IMPACT OF COVID-19 AND UPDATED DEVELOPMENT PATHWAY

In March, the Federal Government imposed mandatory restrictions on development projects and the Sal de Vida site workforce was mostly demobilised. The resumption of development projects was permitted from May and site works resumed under strict provincial protocols. These controls are ongoing and continue to hamper ground transportation, provision of goods and services and personnel movement and rosters. This has caused a direct impact on the piloting schedule which flows through to the production of samples, customer testing and offtake negotiations. Pleasingly, engineering design work continues unhindered offsite.

Argentina is currently experiencing ~2,000 new cases of COVID-19 per day and President Fernández recently announced a toughening of lockdown measures in Buenos Aires, the location worst affected by the pandemic. Domestic flights have been curtailed whilst a very limited international flight schedule is about to resume, with a 14-day quarantine on arrival. The Catamarca province, in which Sal de Vida is situated, has recently experienced its first cases and Catamarca City has gone into lockdown from 4 July until at least 12 July. The Catamarca office, which re-opened in late May, is now closed with personnel working from home. Galaxy is monitoring the situation closely and will advise on any material impacts to the project schedule outlined below.

The overall impact on the full project schedule has been minimised through the adoption of an early works phase and Galaxy is still targeting first production from Stage One in 2022, although now in Q4. Early works, which is expected to include the procurement of long lead items and the commencement of pond construction, is scheduled to occur in H1 2021. Other critical path activities have progressed as planned and an updated indicative high-level schedule is displayed in Figure 2.

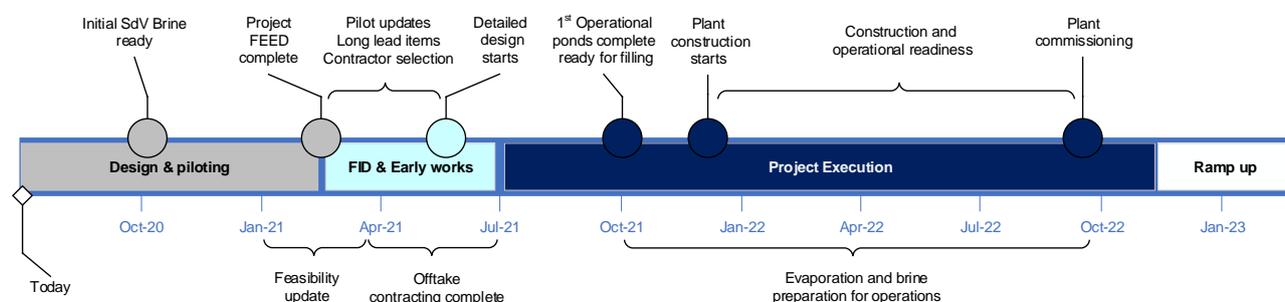


Figure 2: Indicative, high-level project schedule

This schedule is based on an eventual easing of COVID-19 restrictions and in the event that restrictions do not ease timeously, Galaxy will adapt its execution strategy where possible while prioritising the health and safety of staff and the surrounding communities. The project team is monitoring the progress of all packages closely and is developing contingency plans to mitigate major risk elements, where feasible. Galaxy will provide further updates on the schedule periodically.

INDUSTRY AND MARKET UPDATE

Market conditions in the lithium sector remain challenging due to inventory overhang in the upstream section of the value chain and an uncertain near-term outlook for most end markets due to COVID-19. However recently announced stimulus packages are expected to accelerate the pace at which electric vehicles (“EV”) are adopted globally. The EU has announced a “Green Recovery Plan” introducing a € 20 billion, two year purchasing facility for EVs and major European countries are following suit. Germany has effectively doubled EV subsidies, is mandating charging facilities at every petrol station and is penalising automakers for the production of petrol and diesel vehicle cars. China, currently the largest market for EVs, is targeting a 25% penetration rate of new energy vehicles by 2025 and has also implemented a range of stimulus packages to facilitate this.

Current lithium pricing is below incentivisation levels for new production and this is resulting in producers and developers slowing or stopping new mines and expansion projects. This delay will exacerbate the looming structural deficit in the lithium market as shown in Figure 3. Sal de Vida Stage One is planned to enter production right before this deficit emerges and later stages will come online in the midst of the EV-led demand surge.

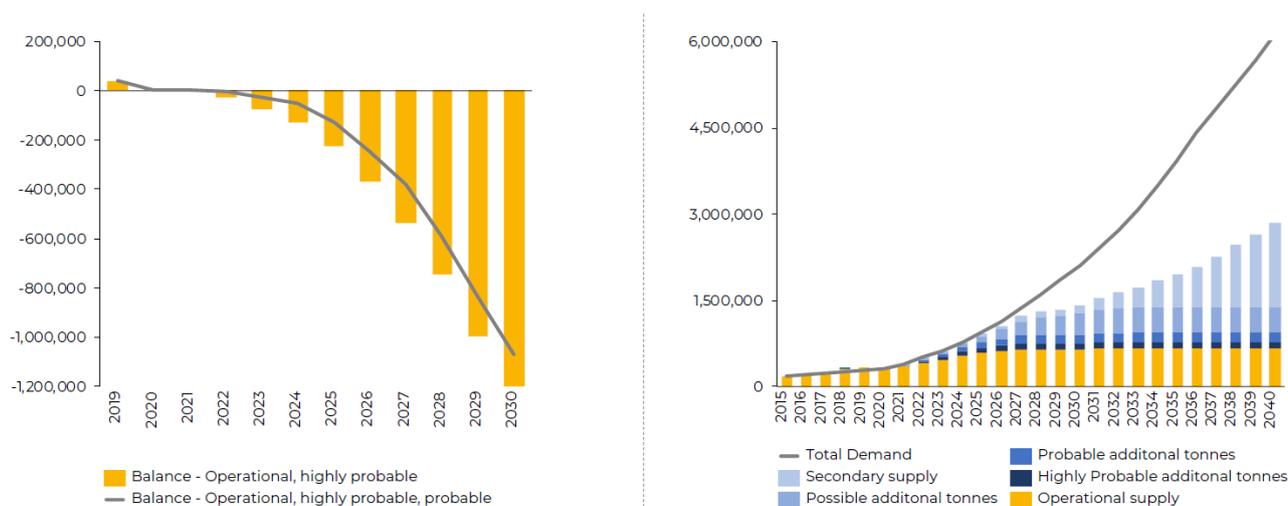


Figure 3: Forecast lithium market balance LHS and demand surge versus expected supply RHS (both in lithium carbonate equivalent t)

Source: Benchmark Minerals Intelligence, Lithium Forecast Q2 2020

The Sal de Vida project is a tier one deposit with 40+ year reserve at 1.1 Mt LCE<sup>1</sup>. Galaxy remains well positioned to develop Stage One of the project with the de-risked project strategy, a strong debt-free balance sheet and various additional financing options if necessary.

ENDS

This release was authorised by Mr. Simon Hay, Chief Executive Officer of Galaxy Resources Limited.

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<sup>1</sup> 181,000 tonnes proven and 958,000 tonnes probable

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### About Galaxy (ASX: GXY)

Galaxy Resources Limited (“Galaxy”) is an international 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.

Galaxy is advancing the development of the Sal de Vida lithium brine project in Argentina situated in the lithium triangle (where Chile, Argentina and Bolivia meet), which is currently the source of more than 40% of global lithium production. Sal de Vida has excellent potential as a low-cost brine-based lithium carbonate production facility.

Galaxy’s diversified project portfolio also consists of the wholly owned James Bay lithium pegmatite project in Quebec, Canada. James Bay will provide additional expansion capacity to capitalize on future lithium demand growth.

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.

### Competent Person Statement

Any information in this report that relates to Sal de Vida Project Mineral Resources is extracted from the report entitled “Sale of Northern Tenements at Sal de Vida to POSCO Completed” created on 26 November 2018 and the Sal de Vida Project Ore Reserves is extracted from the report entitled “Sal De Vida: Revised Definitive Feasibility Study Confirms Low Cost, Long Life and Economically Robust Operation” created on 22 August 2016 both of which are available to view on [www.gxy.com](http://www.gxy.com) and [www.asx.com.au](http://www.asx.com.au). The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements and that all material assumptions and technical parameters underpinning the Mineral Resources and Ore Reserves estimates in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person’s findings are presented have not been materially modified from the original market announcement.

### Caution Regarding Forward Looking Information

This document contains forward looking statements concerning Galaxy. Statements concerning mining reserves and resources may also be deemed to be forward looking statements in that they involve estimates based on specific assumptions.

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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. There can be no assurance that Galaxy’s plans for development of its mineral properties will proceed as currently expected. There can also be no assurance that Galaxy will be able to confirm the presence of additional mineral deposits, that any mineralization will prove to be economic or that a mine will successfully be developed on any of Galaxy’s mineral properties. Circumstances or management’s estimates or opinions could change. The reader is cautioned not to place undue reliance on forward-looking statements. Data and amounts shown in this document relating to capital costs, operating costs, potential or estimated cashflow and project timelines are internally generated best estimates only. All such information and data is currently under review as part of Galaxy’s ongoing operational, development and feasibility studies. Accordingly, Galaxy makes no representation as to the accuracy and/or completeness of the figures or data included in the document.

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