11 January 2011

GALAXY COMPLETES REVIEW OF PONTON RARE EARTHS PROJECT

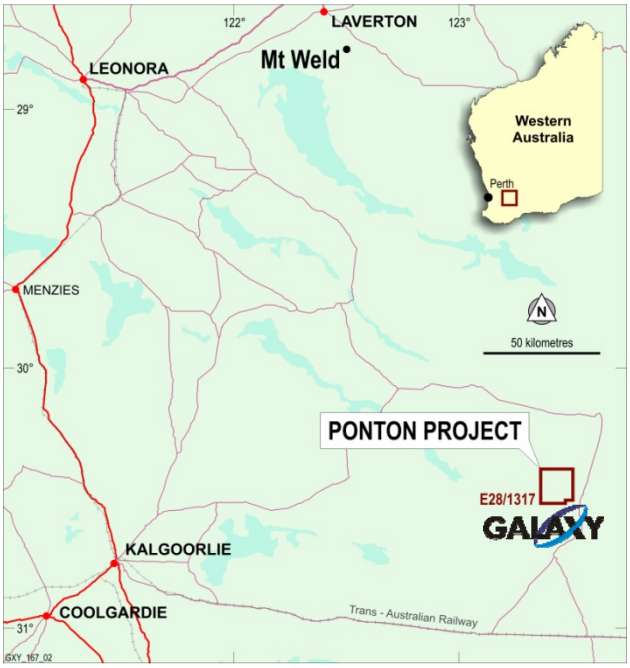
Highlights

- Review of the Company's Ponton Rare Earths Project completed
- Analysis of previous drill data shows intersections of up to 16m @ 14.48% rare earth oxides (REO) and 28m @ 10.50% REO (including 6m @ 20.57% REO)
- Significant rare earth element (REE) intersections occur over strike length of more than 300m
- Ponton Project Exploration Licence Application (ELA) is on a Class A nature reserve
- Company has commenced discussions with WA Government for grant of tenement application

Galaxy Resources Limited (ASX: GXY, "Galaxy") is pleased to announce positive results from a review of the Company's 100% owned Ponton Rare Earths Project ("Ponton Project"), which has been held by Galaxy since 2003.

The Ponton Project is located 200km east of Kalgoorlie in the eastern Goldfields region of Western Australia, 70km north of the Trans-Australian railway line. It comprises a single Exploration Licence Application (E28/1317) covering 206 km^2 (See Figure 1).

Figure 1. Ponton Project Location Map



During the review, Galaxy analysed historical rare earth element (REE) exploration and drill data completed by Herald Resources Limited in 1994. Detailed aerial and ground magnetic and radiometric surveys were completed, which outlined a strong radiometric anomaly in the east of the tenement, in addition to several magnetic anomalies.

Previous surface sampling over the radiometric anomaly also produced strongly anomalous REE results. A further historical aircore drilling program, completed to blade refusal, returned significant intersections of REE mineralisation.

The best historical drill results show intersections including 16m @ 14.48% rare earth oxides (REO), 28m @ 10.50% REO (including 6m @ 20.57% REO) and 26m @ 6.99% REO from surface (including 8m @ 13.12% REO). As a comparison, Lynas Corporation Mt Weld's Central Lanthanide deposit has an average resource grade of 10.7% REO + Y. (footnote [1])

Galaxy's Managing Director, Iggy Tan, said while development of Galaxy's lithium assets has been a priority, market demand for rare earths presents opportunities in developing the Company's long held Ponton Rare Earth Project.

"In light of interest in future global rare earths supply, Galaxy has decided to review and evaluate the potential viability of the Ponton Rare Earths Project.

"Based on analysis of historical drill results, this project potentially has rare earth oxide grades comparable with some of Australia's more developed rare earths projects.

1. Source: Lynas Corporation web site resource statement
2. Source: Arafura Resources web site resource statement

"The Ponton Project ELA lies on a Class A nature reserve and the Company is currently in discussions with the Western Australian Government to progress the grant of the tenement application.

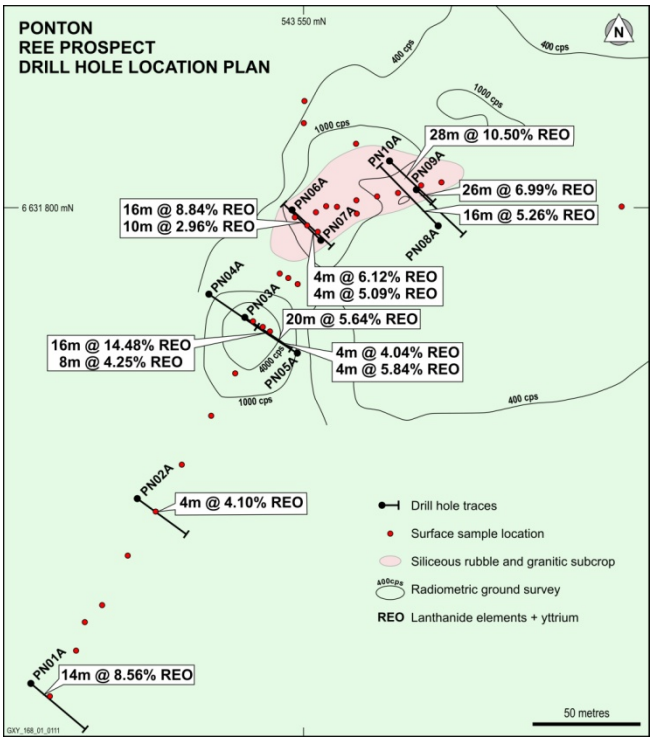
"Whilst we are strongly focused on lithium, we believe it is worth undertaking further exploration work at Ponton in order to realise the project's value. There is no guarantee, however, that the tenement application will be granted by the WA Government."

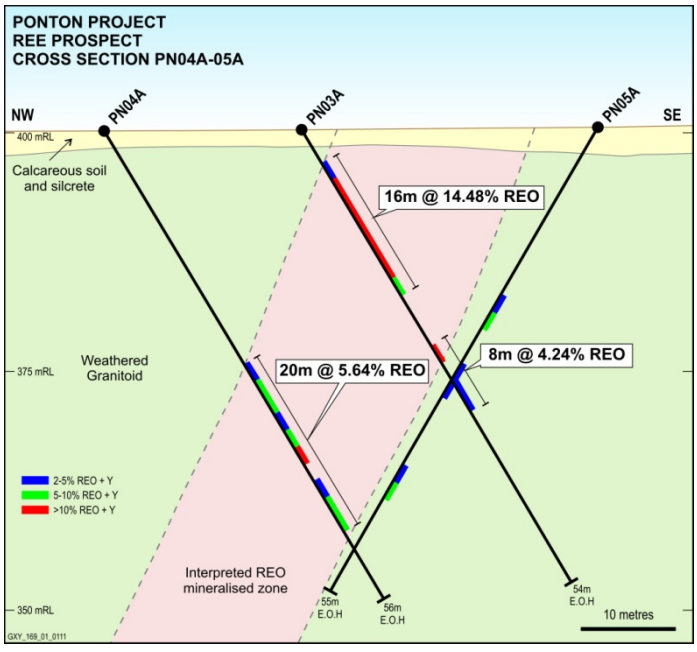
Best historical intersections are summarised in Table 1 below:

Table 1. Significant intersections, Herald Resources drilling, 1994

Hole No	East	North	Dip	Az (Mag)	From (m)	To (m)	Width (m)	REO%
PN01A	543422	6631576	-60	135	16	30	14	8.56
PN02A	543471	6631662	-60	135	20	24	4	4.10
PN03A	543522	6631748	-60	135	4	20	16	14.48
					26	34	8	4.25
					38	42	4	4.09
PN04A	543505	6631759	-60	135	28	48	20	5.64
PN05A	543546	6631932	-60	315	20	24	4	4.04
					40	44	4	5.84
PN06A	543544	6631798	-60	135	4	20	16	8.84
			Including		6	12	6	18.83
					26	36	10	2.96
PN07A	543558	6631766	-60	315	32	36	4	6.12
					42	46	4	5.09
PN08A	543614	6631791	-60	315	14	30	16	5.26
			Including		22	26	4	10.10
					38	42	4	4.14
PN09A	543603	6631801	-60	135	0	26	26	6.99
			Including		6	14	8	13.12
PN10A	543590	6631822	-60	135	4	32	28	10.50
			Including		16	22	6	20.57
					44	52	8	2.27

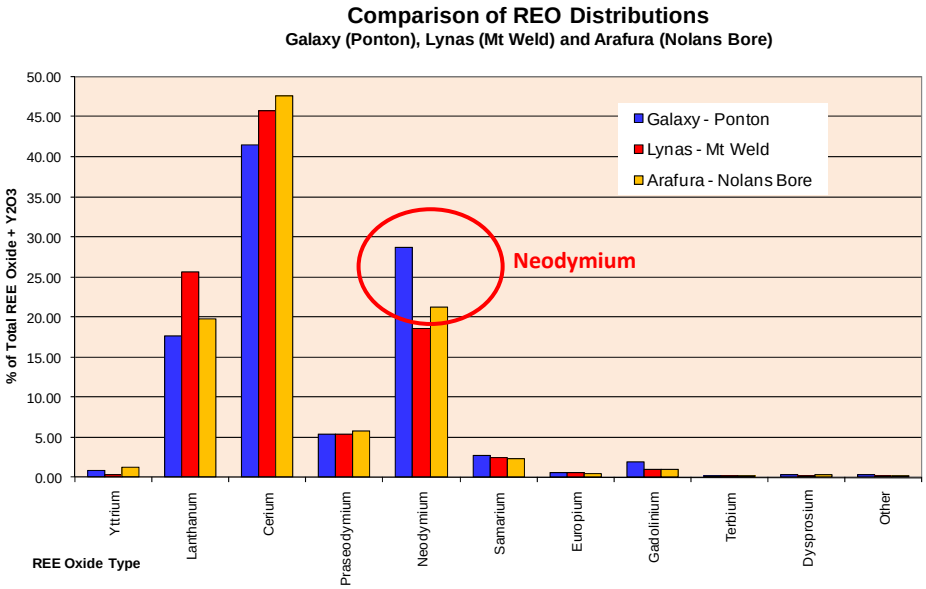
Note: AMG coordinates are approximate. Intercepts are weighted averages calculated using a lower cut of 2% REO. REO% includes all the lanthanide elements plus yttrium. Samples are 2m composite aircore cuttings. No top cut has been applied. Analysis by Genalysis Laboratory Services Pty Ltd Kalgoorlie and Perth. REE analysis by ICP-MS method after peroxide fusion digest.





Galaxy's review of the Ponton Project shows the grades and distribution of the various rare earth elements are comparable to those of the high grade Mt Weld deposit (Western Australia) being developed by Lynas Corporation[1] and the Nolans Bore deposit (Northern Territory) being developed by Arafura Resources Limited[2]. However, Ponton has a higher percentage of the element neodymium, which is projected to be in tight supply.

Figure 2.



Ponton Project Historical Exploration Programme

Exploration at the Ponton Project commenced in the 1970s targeting sandstone-hosted uranium mineralisation. During the 1990s, Herald Resources Limited carried out exploration targeting rare earth elements (REEs).

Petrographic studies carried out at the Ponton tenement indicate that the bulk of the rare earth mineralisation is contained in fine grained monazite. Mineralisation may be related to the Cundeelee Carbonatite Intrusion, 20km to the west of the Ponton tenement. A large magnetic anomaly in the northwest of the Ponton tenement has been interpreted to be a deep carbonatite intrusion. This is an additional target that Galaxy plans to follow up on tenement grant.

Upon tenement grant, Galaxy plans to commence an exploration program to update and confirm previous drilling results. Follow up targets include the northwest magnetic anomaly and further exploration work to define further REE and possible uranium targets.

Rare Earth Elements

Rare earth elements (REE)s include the fifteen lanthanides, in addition to scandium and yttrium (which have similar chemical properties and tend to occur in the same geological environment). While relatively common in the earth's crust, rare earth elements are difficult to find and process in economic quantities.

REEs have a wide range of uses in advanced technologies, including superconductors, magnets and catalysts. Their application in environmentally-friendly technologies including low-emission electric and hybrid vehicles has seen a rapid growth in demand.

China, which supplies over 90% of the world's REE market, has in recent years reduced REE export quotas. In late 2010, the Chinese Ministry of Commerce announced a 35% reduction in the export quota for the first half of 2011, compared to the corresponding period in 2010.

-ENDS-

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Competent Persons

The information in this report that relates to Exploration Results is based on information compiled by Mr Philip Tornatora who is a full time employee of the Company and who is a Member of the Australasian Institute of Mining and Metallurgy and the Australian Institute of Geoscientists. Mr. Tornatora 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 Tornatora consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

Caution Regarding Forward Looking Statements

Statements regarding Galaxy's plans with respect to its mineral properties are forward-looking statements. 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.

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About Galaxy (ASX: GXY)

Galaxy Resources is a Western Australian S&P / ASX 300 Index company which plans to become one of the world's leading producers of lithium compounds – the essential component for powering the world's fast expanding fleet of hybrid and electric cars.

By 2011, Galaxy's Mt Cattlin mine will be the world's second largest producer of lithium mineral concentrate globally, and through the development of its 17,000 tpa lithium carbonate plant in Jiangsu province, the Company expects to be one of the largest and lowest cost lithium compound producersin China.

Lithium compounds such as lithium carbonate are forecast to be in short supply against high future demand due to advances in long life batteries and sophisticated electronics including mobile phones and computers.

Galaxy Resources has positioned itself to meet this lithium future by not only mining the lithium, but also by downstream processing to supply lithium carbonate to the expanding Asian market.