GALAXY
meeting a lithium future

Perth, Australia
12 July 2012

GALAXY PROJECT UPDATE

Highlights

- Mt Cattlin operations to be temporarily halted to allow for re-balance of internal spodumene stockpiles
- Twelve months of spodumene feedstock stockpiled for Jiangsu operations
- Revenue flows from Jiangsu ramp-up will not be affected
- Temporary halt to reduce cash outlay by A$4 million per month
- All Galaxy employees at Mt Cattlin to be retained, ready for recommencement
- Mining contractor and fleet being demobilised until operations recommence
- Mt Cattlin almost at design rate production, record output in May 2012
- Jiangsu ramp up progressing well – instantaneous feed rate at 60% of design and increasing
- Company cash position A$21 million (unaudited) at end-May 2012

Lithium producer **Galaxy Resources Ltd** (ASX: GXY) (**"Galaxy" or "the Company"**) advises it is to temporarily halt operations at its Mt Cattlin project in Western Australia due to high internal inventory levels of spodumene ahead of the Jiangsu Lithium Carbonate Plant (**"Jiangsu" or "the Jiangsu Plant"**).

Recently improved spodumene production rates at the Mt Cattlin mine and processing plant, coupled with the Jiangsu Plant being in ramp-up phase, has resulted in a build-up of internal spodumene inventory levels to approximately 12 months' supply of feedstock for the Jiangsu Plant.

The temporary halt to operations at Mt Cattlin will allow for reduction of spodumene stocks to more manageable levels. In addition, the temporary halt, commencing end-July, will result in a reduction in group cash outlays of A$4 million per month. Ramp-up revenues at Jiangsu will not be affected by the pause in operations at Mt Cattlin.

The Jiangsu Plant ramp-up is progressing to schedule, with the spodumene feed rate at the front end of the plant (calcination) at around 60% of the design instantaneous feed rate and increasing. As previously announced, the ramp-up of operations at Jiangsu is expected to take 12 months. Galaxy has continued to sell lithium carbonate production from Jiangsu to technical grade customers at improved pricing.

All Galaxy's Mt Cattlin employees will be retained and will concentrate on process upgrade projects and maintenance activities to enable re-start of the operation once spodumene inventory levels are re-balanced. Galaxy's onsite mining contractor will be demobilised until mining operations are ready to re-commence. Galaxy is working with the mining contractor to provide support and assistance packages to contract personnel.

Galaxy Managing Director, Iggy Tan, said: "The Mt Cattlin Project was brought online ahead of schedule and has recorded strong production rates. The Jiangsu Lithium Carbonate Plant is three months into a 12 month ramp-up; resulting in an internal inventory imbalance. A pause in operations at Mt Cattlin is the best, and most financially prudent way to address this imbalance and difference in start-up profiles of these operations.

"The temporary halting of mining and processing at Mt Cattlin will reduce cash outlays at Mt Cattlin by at least A$4 million per month without adversely impacting on the growing revenue stream from the Jiangsu Plant," Mr Tan said.

Mt Cattlin achieved record production of 10,784 tonnes of spodumene during May 2012, which was just under the design output rate for the plant. Mining ore performance in May was also close to the design rate of 1 million tonnes per annum.

The Company added that it will not sell any more of its spodumene concentrate to third party competitors, preferring to command a price premium by converting all its spodumene to lithium carbonate at Jiangsu and to maintain Mt Cattlin production as a fully-integrated feedstock for Jiangsu, as per the Company's strategy.

With the ramp-up of sales of the final lithium carbonate product and the temporary halt in Mt Cattlin production, surplus cash flows will be brought forward much quicker. Due to the substantial 12 months of inventory ahead of Jiangsu, the halting of production at Mt Cattlin will not negatively impact the potential revenue flows to Galaxy as Jiangsu continues to ramp up. The Company had a cash position of A$21 million (unaudited) at the end of May 2012.

Galaxy said the lithium market outlook remained strong, with tight supply and sustained growth resulting in higher lithium carbonate prices in the key Chinese market. This follows a 22% price increase on lithium products announced by major producers Rockwood Lithium and FMC Lithium.

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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 where it mines lithium pegmatite ore and processes it on site to produce a spodumene concentrate and tantalum by-product. At full capacity, Galaxy will process 137,000 tpa of spodumene concentrate which will feed the Company's wholly-owned Jiangsu Lithium Carbonate Plant in China's Jiangsu province. The Jiangsu Plant has commenced production and will produce 17,000 tpa of battery grade lithium carbonate, 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 completed a feasibility study for a proposed lithium-ion battery plant, to produce 620,000 battery packs per annum for the electric bike (e-bike) market. The Company also owns 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 achieve its goal of being involved in every step of the lithium supply chain.

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This document contains forward looking statements concerning Galaxy and Lithium One.

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 (and Lithium One) 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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