

Perth, Australia
12 August 2013

VOLUNTARY SUSPENSION UPDATE

Galaxy Resources Limited (GXY) ("**Galaxy**" or "**Company**") refers to its request for a trading halt on 26 April 2013 and subsequent requests on 30 April, 6 May and 20 May 2013 for trading in its securities to remain in suspension.

As advised in the Company's announcement of 20 May 2013, the event that the Company expects will end the voluntary suspension is an announcement by Galaxy relating to the finalisation of the current non-renounceable rights issue ("**Rights Issue**"), which includes subscriptions from shareholders for entitlements and the shortfall placement and aspects of balance sheet re-structuring.

As announced to ASX throughout the past two months, Galaxy has managed to partially progress the overall balance sheet re-structure having achieved some positive milestones including:

1. securing a bridging loan facility of \$5 million with Deutsche Bank;
2. restructuring convertible bonds for Galaxy to pre-pay bonds on the basis of half cash/half shares plus options, on the same basis as the Rights Issue;
3. securing a \$5 million subordinated short term loan facility and major shareholder commitments to participate in the Rights Issue shortfall; and
4. closing the Rights Issue with subscriptions from shareholders for entitlements representing approximately \$14.68 million.

As announced on 9 August 2013, the Company has now allotted the new shares and attaching options pursuant to valid applications under the Rights Issue; however it is still actively completing the shortfall placement component of the equity raising.

As set out in the Company's prospectus dated 27 May 2013, the Rights Issue is one aspect of the Company's balance sheet restructuring and to further assist the Company with the balance sheet restructuring of its short to medium term obligations, the Company is continuing material initiatives to raise capital such as:

- Galaxy is finalising a number of guarantee commitments from Galaxy shareholders which have previously advised will be taken up in the shortfall placement. Major shareholder commitments include Deutsche Bank AG Sydney Branch's subscription for its circa 7.8% share of the entitlement offer and shortfall placement to maintain its percentage interest in Galaxy.
- In addition the majority a A\$5m subordinated short term loan facility (previously announced) with a lending consortium of existing Galaxy shareholders is still expected to be converted to equity as part of the shortfall.

The Company believes it remains appropriate for its securities to remain in voluntary suspension as the Company considers its circumstances to be exceptional circumstances (within the meaning of ASX Guidance Note 16) and the reinstatement of trading in Galaxy's securities before the completion of this process could impact the success of Galaxy's broader balance sheet restructuring.

The Company has resolved to extend the current voluntary suspension from the Company's securities in place, while it seeks to successfully complete the balance sheet re-structuring.

In accordance with ASX Listing Rule 17.1, the Company advises that:

- it expects to remain in voluntary suspension pending the progress of the balance sheet re-structuring process;

- the event the Company expects will end the voluntary suspension is a further announcement by Galaxy relating to the balance sheet re-structuring process, which the Company anticipates it will be able to make no later than pre-open of trading on 27 August 2013;
- it is not aware of any reason why the request for the extension of the voluntary suspension should not be granted; and
- it is not aware of any other information necessary to inform the market about the suspension.

--ENDS--

For more information, please contact:

Corporate

Andrew Meloncelli
Company Secretary
Galaxy Resources Ltd
Tel (office): +61 (0)8 9215 1700
Email: ir@galaxylithium.com

Media Contact

Jane Munday
FTI Consulting
Tel (office): +61 (0)8 9485 8888
Tel (mobile): + 61 (0)488 400 248
Email: jane.munday@fticonsulting.com

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 has built an advanced and fully-automated Lithium Carbonate production facility in Jiangsu Province, China ("Jiangsu Plant"). The Jiangsu Plant has a name-plate capacity of 17,000 tpa, is primarily focused on producing battery grade lithium carbonate, and is aiming to become the largest producer in the Asia Pacific region and the fourth largest in the world.

Galaxy is currently advancing plans to develop the Sal de Vida Lithium and Potash Brine Project ("Sal de Vida") in Argentina, which is situated in the Lithium Triangle, a region where Chile, Argentina and Bolivia meet, and presently accounts for 60% of global lithium production. Sal de Vida has excellent promise as a future low cost production facility.

The Company also owns the Mt Cattlin Spodumene Mine near Ravensthorpe in Western Australia and the James Bay Lithium Pegmatite Project in Quebec, Canada.

Lithium compounds are used in the manufacture of ceramics, glass, electronics and are an essential ingredient in producing battery materials such as cathode and electrolyte, in the manufacture of long life lithium-ion batteries, which are used in consumer electronics, power tools, electric bikes, hybrid and electric vehicles. Anticipating the growing demand in coming years, Galaxy is positioning itself to become a major producer of lithium products.

Caution Regarding Forward Looking Information.

This document contains forward looking statements concerning Galaxy.

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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