

15 April 2011

CHAIRMAN'S LETTER TO SHAREHOLDERS

Galaxy Resources Limited (ASX: GXY, Galaxy) advises that a copy of the attached letter to Shareholders in respect of the Capital Raising announcement dated 14 April 2011 has been dispatched today.

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For more information, please contact:

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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.

Not for release in the United States

This announcement has been prepared for publication in Australia and may not be released in the U.S. This announcement does not constitute an offer of securities for sale in any jurisdiction, including the United States, and any securities described in this announcement may not be offered or sold in the United States absent registration or an exemption from registration under the United States Securities Act of 1933, as amended. Any public offering of securities to be made in the United States will be made by means of a prospectus that may be obtained from the issuer and that will contain detailed information about the company and management, as well as financial statements.

About Galaxy (ASX: GXY)

Galaxy Resources is an international 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.

Galaxy wholly-owns and operates the Mt. Cattlin mine, which is currently producing spodumene concentrate. Galaxy's Jiangsu lithium carbonate plant, once completed, will have a design capacity of 17,000 tpa of lithium carbonate, which Galaxy expects would make it one of the largest plants in China converting hard rock lithium mineral concentrates into lithium compounds and chemicals.

Lithium compounds such as lithium carbonate are forecast to be in 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.



15 April 2011

Dear Fellow Shareholder

CAPITAL RAISING

I am writing to provide you with some background to Galaxy's recent capital raising, which we believe will facilitate the Company executing on its strategy of becoming a leading vertically integrated lithium producer.

Following our decision to defer the planned Hong Kong listing, the Board explored the full range of options available to meet the working capital and ramp-up funding requirements for the Mt Cattlin mine and the Jiangsu lithium carbonate plant.

With the best interests of our shareholders uppermost in our minds, we made the decision to raise the capital by way of a placement to institutional investors, as this allowed us to secure funds quickly and efficiently, and at a firm price. Importantly, the placement process did not leave Galaxy subject to market volatility and share price pressure while waiting for the capital raising to be completed. The Board was also mindful that shareholder participation was low in the Company's previous share purchase plans.

The Company also identified an opportunity to attract a number of highly regarded Australian and international institutions to invest in Galaxy, thereby enhancing the quality and stability of our share register. Lastly, this raising delivered an efficient and effective way to provide funding for Galaxy's various projects and, importantly, has left the Company in a much better and stronger financial position.

The majority of the capital raised will be used for working capital and ramp up requirements at Mt Cattlin (\$49 million) and Jiangsu plant in China (\$35 million), both of which we believe will be significant value drivers for your Company. The balance of the funds raised will be applied in areas such as debt reduction and new acquisitions, as well as providing general working capital pending first positive cash flows in the first half of 2012.

As Chairman of Galaxy, I am very pleased with the outcome we have achieved in significantly improving the capital structure of the Company. I hope this puts into context the Board's decision on the raising and be assured your Board will always be driven by what we believe is in the best interests of our shareholders.

Yours sincerely

A handwritten signature in black ink, appearing to read "Craig Readhead". The signature is fluid and cursive.

Craig Readhead
Chairman