

15 July 2011

## GALAXY JIANGSU LITHIUM CARBONATE PROJECT UPDATE

### Highlights

- Jiangsu project completion and commissioning staged over next five months
- Overall project is 76% complete
- Construction labour deficiency in China has contributed to revised schedule
- Back half of Jiangsu plant to complete with commissioning to commence during Q3 2011
- Front half of the plant to complete with commissioning to commence during Q4 2011
- Capital budget increased by 36% in A\$ terms to A\$99.8m (RMB 689 million)
- No requirement to raise further funds

Galaxy Resources Limited (ASX: GXY, Galaxy) wishes to advise that construction and fabrication labour shortages in China's Jiangsu region have contributed to a revised commissioning schedule of the Jiangsu Lithium Carbonate Project (the Project or Jiangsu), to be staged over the next five months.

The Project's EPCM contractor, Hatch Engineering (Hatch) has now provided Galaxy with a revised schedule and budget plan for Jiangsu, which indicates the Project is 76% complete.

The new schedule indicates that the back half of the Jiangsu plant – which includes purification, drying, micronising and bagging will be completed with commissioning to commence during Q3 2011. The front half of the plant – which includes calcination, sulphation, leaching and precipitation – is expected to be completed with commissioning to commence during Q4 2011.

The Project schedule has been pressured by a significant tightening of the skilled labour market in China's Jiangsu region, which has resulted in delays to construction and equipment delivery. As highlighted in Galaxy's March 2011 quarterly report, economic advancement in China's western provinces this year has resulted in a sharp reduction in skilled labour returning to east coast projects like Jiangsu post-Chinese New Year.

Labour shortages have also adversely impacted equipment and plant suppliers and their ability to deliver to the Jiangsu Project on time. In addition to labour constraints, some late changes to the plant design from the local approval process, an increase in plant power capacity and alterations to equipment delivery timeframes added pressure to the Jiangsu schedule and budget.

### Project Review

The Company has been waiting for the Project's EPCM contractor, Hatch Engineering (Hatch), to complete a thorough review of the Project schedule and budget during the last few months.

Hatch's revised schedule and budget plan indicates that the back half of the Jiangsu plant will be completed with commissioning to commence during Q3 2011. Once operational, the back half of the plant (including purification) will produce some battery-grade and higher-grade lithium carbonate product for the market. Galaxy will purchase industrial grade lithium carbonate for feedstock until the remainder of the plant is commissioned.

As per the revised schedule, the remainder of the Jiangsu plant - including calcination, sulphation, leaching and precipitation - will be completed with commissioning to commence during Q4 2011.

### Project Capital Forecast

The revised capital budget has been adjusted to A\$99.8 million\* (RMB 689 million) from the previous estimate A\$72.5m, representing a 36% increase in Australian dollar terms.

Most of the increase relates to a rise in material requirements (such as concrete, steel and process equipment) which have emerged as design details were finalised. The balance relates to the higher cost of materials and labour, as well as inflationary pressures and scope changes to the Project.

### Comments

Mr Tan said the previous estimation of material quantities and design changes was the result of the Company's strategic decision to build the Jiangsu plant on an accelerated basis, paralleling both the design and construction process. In addition, the market demand for higher purity lithium (>99.5%) persuaded the company to add a secondary purification circuit to the original design.

Mr Tan said no further capital raising will be required to complete the construction and start up of Jiangsu as a contingency was incorporated in the previous A\$120 million raising last quarter.

The Company has limited debt, having discharged the CDB/RZB senior loan facility and replaced it with a commercial fixed asset credit line with the local China Construction Bank. Loan drawings from this facility will fund the completion of the Jiangsu project.

We are on a clear path to completion and Galaxy will continue to work hard to ensure the Jiangsu project is completed within the revised timeframe and budget," said Mr Tan.

### Pictorial Update



Admin Building



Product Thickener

\*Exchange Rate 14 July 11- RMB:AUD 6.9 : 1



High Voltage Room



Product Dryer Area



Microniser Building



Bagging Facility



Precipitation Building



Laboratory Building



Spodumene Conveyor to Wharf



Product Baghouses

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## 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.