

12 January 2009

MT CATTLIN DFS INDICATES STRONG RETURNS FOR GALAXY

Highlights

- Results of Definitive Feasibility Study (DFS) support plans for a 1 million tpa mine and concentrator at Mt Cattlin Lithium-Tantalum project
- First stage involves the establishment of a mine and minerals plant to produce spodumene and tantalum concentrate
- Operation to produce 150,000 tpa of spodumene concentrate and 56,144 lbs of contained tantalum concentrate
- First stage project delivers a LOM average of **A\$26 million** pre tax net cash flow per annum (@ FX rate of 0.734)
- Net Present Value (NPV) of **A\$128 million** (before tax, discount rate of 8%)
- Capital cost estimate of A\$68 million at a DFS level of accuracy
- Cash operating costs estimate of LOM average of A\$41 / t ore compared with estimated revenue of A\$71 / t ore
- Galaxy to secure partners to toll treat concentrate into lithium carbonate
- Company has commenced the second stage, scoping study for production of lithium carbonate at Ravensthorpe

Emerging lithium producer, **Galaxy Resources Limited (ASX: GXY)** is pleased to announce the results of a Definitive Feasibility Study (DFS) completed for its Mt Cattlin Lithium-Tantalum project near Ravensthorpe.

The DFS has confirmed the economic and technical viability of the project which has a pre tax Net Present Value (NPV) of A\$128 million (8% discount rate), a life of mine (LOM) average pre tax cash flow of A\$26 million per annum and a capital cost of A\$68 million.

The DFS has identified a phased start up for the project, which includes the establishment of a mine and minerals plant first as part of a lower capital cost, lower technical and financial risk strategy that will bring earlier cash flow. From the minerals plant, the company can produce spodumene concentrate to sell to current lithium carbonate producers as a feed or establish toll treating partnerships. An important by-product of the proposed operation is production of a high quality tantalite concentrate.

Galaxy Managing Director Iggy Tan said the Company committed to the completion of the DFS at the end of 2008 and this was achieved on time. The DFS results indicated that Mt Cattlin is a robust project with the potential to begin production during Quarter 3, 2010.

"We are delighted with the outcome of the DFS, which supports plans for a 1 million tonne mine and concentrator at Mt Cattlin," said Mr Tan.

"Two key factors in the positive results were the favourable characteristics of Galaxy's flat lying pegmatite resource and the attractive economics of processing a simple concentrate for the lithium carbonate producers," he said.

Low Risk Strategy

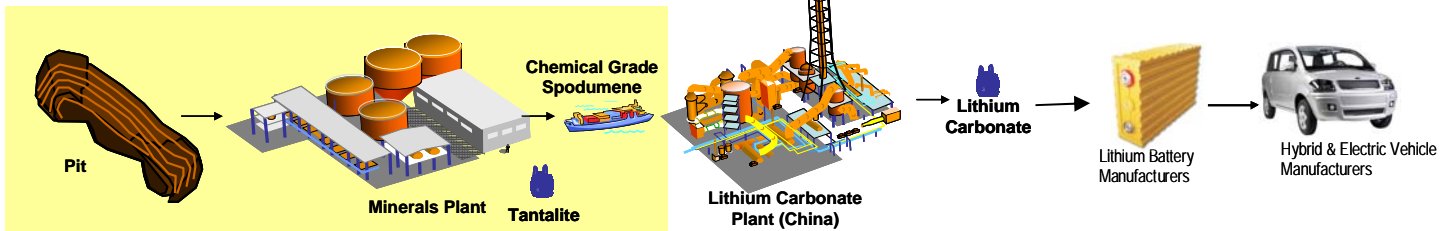
The establishment of the mine and minerals processing plant is a lower capital cost option with lower associated technical and financial risks. This option will allow the company to prove up the deposit and optimise mining and mineral processing without the added complication or risk associated with starting up a lithium carbonate chemical refinery at the same time. This strategy will also bring forward cash flow which is extremely important in the current financial market. The early cash flow from concentrate sales will be used to fund the development of the lithium carbonate chemical process. The Company's aim is to enter the market

as quickly as possible to meet the growing demand for lithium-ion batteries currently being fuelled by the rapidly expanding international hybrid and electric vehicle market.

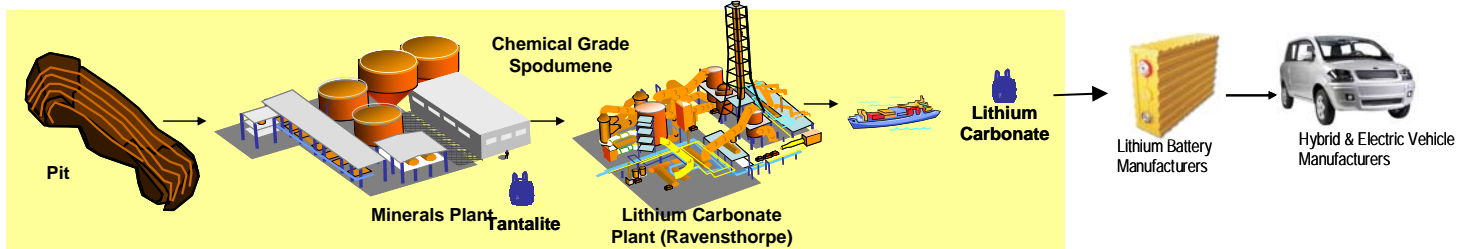
The company has recognised that the value of the Mt Cattlin project could be significantly enhanced by producing the lithium carbonate itself rather than just selling the spodumene concentrate. This option carries extra technical and financial risks due to the associated complexity of chemical processing and the extra time required to develop the project. The company commenced sighting testwork with international technology group Outotec Oyj. The results demonstrate excellent potential to produce technical and battery grade lithium carbonate product from the Mt Cattlin spodumene. The scoping study for the lithium carbonate chemical process is expected to be completed by mid 2009.

Since the minerals project is much more advanced in development than the lithium carbonate project Galaxy has opted for a phased start up. The company has decided to pursue the lower risk option of producing concentrate with downstream toll treating into lithium carbonate to be done by experienced third parties. The company intends to own and market the final lithium carbonate product thereby establishing itself as a lithium carbonate supplier.

Phased Start Up – First Stage (Toll Treatment)



Phased Start Up – Second Stage (Lithium Carbonate Plant at Ravensthorpe)

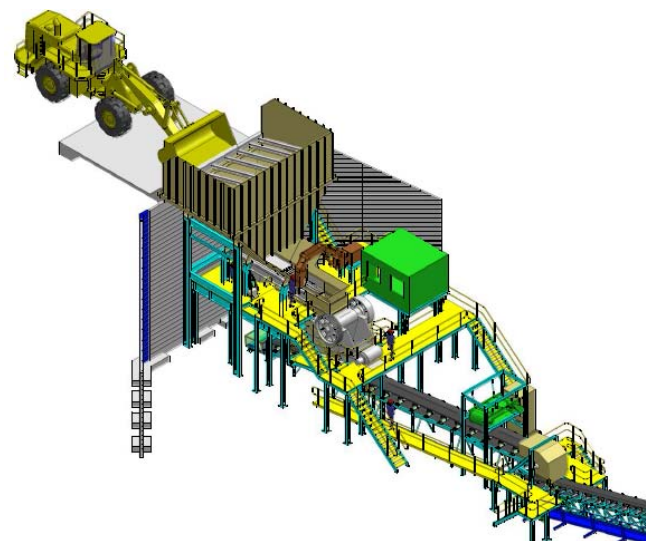


Chemical Grade Streamlined Production

Important changes to the DFS flow sheet of the Mt Cattlin lithium-tantalum project have resulted in a streamlined process dedicated to the production of chemical grade spodumene concentrate.

The operation will now not be producing any glass or ceramic grade spodumene but will be focussing purely on producing a chemical grade feed product which the Company believes is where the future growth in lithium demand lies. The proposed spodumene concentrate product is readily saleable to existing lithium carbonate producers.

More importantly, lithium carbonate is a key input of the expected increase in demand for lithium-ion batteries from the rapidly expanding hybrid and electric vehicle market.



- Dempers & Seymour Pty Ltd
 - Australian Tailings Consultants Pty Ltd
 - Rockwater Pty Ltd
 - Keith Lindbeck and Associates
 - Deep Woods Surveys Pty Ltd
 - Mining Resources Pty Ltd
 - IQe Pty Ltd
 - Nagrom & Company
 - Ammtec Pty Ltd
 - Ammtec & SGS Pt Ltd
 - MSP Engineering Pty Ltd
 - Snowden Risk Services
 - Industrial Minerals Company (IMCOA)
 - Worley Parsons
 - Curtin University
- Pit geotechnical design
 - Tailings storage design
 - Hydrology/Process water supply
 - Environmental Studies
 - Aboriginal Heritage Study
 - Mine Design
 - Mining Cost Estimation
 - Metallurgical test work concentrates
 - Metallurgical test work – rock mechanics
 - Metallurgical test work
 - Technical and Peer review
 - Risk Assessment & Monte Carlo Modelling
 - Market Review and Forecast
 - Energy Study
 - Socio Economic Study

Resources

The feasibility program being undertaken at Mt Cattlin has focused on M74/12 and included resource definition drilling, metallurgical test work, process/plant design, capital/processing cost estimation, geological modelling/resource estimation and mine planning. The DFS modeling is based on a 15 year mine life.

The results of an independent resource estimation of the Mt Cattlin Lithium/Tantalum deposit were released in December 2007. The geological model was prepared by Galaxy and the estimation was prepared by resource consultants Hellman and Schofield Pty Ltd (H&S). This initial estimate gives contained mineral resources for the Mt Cattlin Deposit of 2.03 million tonnes of spodumene and 6.62 million pounds of Ta₂O₅ reported below in accordance with the JORC Code and Guidelines. The classification of the Mt Cattlin mineral resource is shown below in Table 1.

Table 1 - Mt Cattlin global mineral resource estimate

Category	Tonnes	Ta ₂ O ₅ ppm	Li %	Li ₂ O ppm	Li ₂ O %	Spodumene %
Measured	2,028,715	182	0.29	6249	0.62	9.19
Indicated	10,141,524	114	0.32	6958	0.70	10.23
Inferred	12,602,066	113	0.20	4295	0.43	6.32
TOTAL	24,772,306	119	0.26	5545	0.55	8.15

Note: Li₂O cutoff grade >= 0% Li₂O and upper grade threshold modulation. Figures in the above table may not sum due to rounding

Within this global resource a higher grade contained resource of 1.81 million tonnes spodumene and 3.80 million lbs Ta₂O₅ has been delineated. The classification of this mineral resource is shown below in Table 2.

Table 2 - Mt Cattlin global resource estimate

Category	Tonnes	Ta ₂ O ₅ ppm	Li %	Li ₂ O ppm	Li ₂ O %	Spodumene %
Measured	1,090,066	177	0.50	10658	1.07	15.67
Indicated	6,417,133	125	0.47	10203	1.02	15.00
Inferred	4,797,911	140	0.45	9600	0.96	14.12
TOTAL	12,305,110	135	0.46	10008	1.00	14.72

Note: Li₂O cutoff grade >= 0.4% Li₂O and upper grade threshold modulation. Figures in the above table may not sum due to rounding

Additional infill and extension RC drilling was completed at Mt Cattlin during 2008, and the resource model for the Dowling pit area further refined. Drill hole spacing in this area is currently 40m x 40m. The 2008 RC drilling returned a number of significant intersections, which were reported in December last year. An updated resource estimate for the whole deposit, which incorporates new extension drilling is currently in progress.

Mining

Feed for the proposed processing facility is provided by the open pit mining of a flat-lying pegmatite sheet, containing spodumene, quartz, feldspar, mica and trace tantalite minerals using conventional mining methods. Contract mining has been assumed, with all necessary support services included in the quoted unit rates for ore and waste movement. Hourly rate quotes were received from 8 selected mining contractors.

The first mine area, Dowling Pit was optimised and pit design completed producing a mine schedule to provide the first five years of production at a strip ratio of 2.4 to 1. Mining, drill and blast and grade control costs were costed based on a 120 tonne excavator and 85 tonne dump trucks.

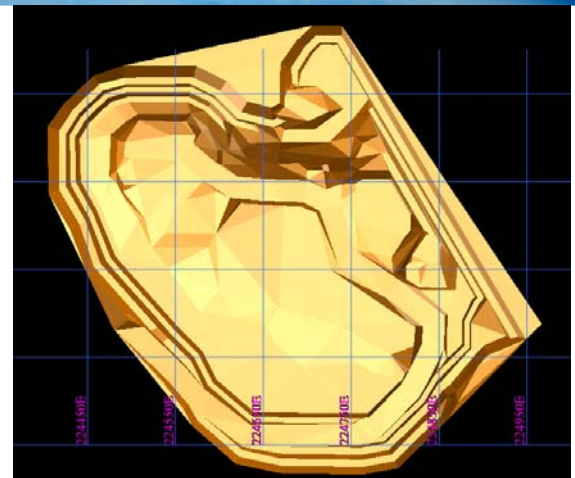


Figure 3 - Dowling Mine Pit Design

Processing

For the purpose of the study, a mining and processing rate of one million tonnes per annum of ore has been assumed. Conventional crushing, heavy media separation, grinding and classification circuits comprising the following key process steps have been proposed:

- Crushing and screening of ROM ore to -6mm
- Three stage heavy media separation (HMS) at SG 2.7, 2.9 and 3.6
- Gravity concentration (spirals and wet tables) of tantalite minerals less than 0.5mm
- Contract dressing and packaging of tantalite concentrates
- Production of spodumene concentrate at 5.0 % Li₂O
- Product size of +0.5mm to 6mm
- Storage of product both on site as well as Esperance
- Shipment of bulk concentrate through Esperance port

Operating Parameters	Quantity
Spodumene Concentrate Production	150,000
Spodumene Concentrate Grade	5.0 % Li ₂ O
Tantalite Concentrate Production	56,144 lb contained Ta ₂ O ₅
Tantalite Concentrate Grade	25% Ta ₂ O ₅

Capital Cost Estimate

Capital costs have been determined on the basis of new equipment for processing plant and infrastructure. Contractors have been used for mining and related activities. This data includes purchase pricing for plant and equipment based on quotes from several suppliers. Other ancillary equipment is based on database cost estimates from recent existing contracts.

Mining is assumed to be by contract, with only minimal capital expenditure required by the project principal for this activity. The capital cost estimate is presented in Australian dollars (A\$) current for the 4th quarter 2008 and considered to be within ± 15% order of magnitude.

The capital cost breakdown is as follows:

Capital Costs	Included Contingency	Capex
Process Plant & EPCM	15%	A\$ 53.7 million
Infrastructure, Utilities Construction & Earthworks	10%	A\$ 10.2 million
Vehicles, First Fill & Prestart Costs	10%	A\$ 4.1 million
Total Capital Costs		A\$ 68 million

Operating Cost Estimate

Operating costs include mining, processing, site administration and transport and shipping through the Esperance Port.

Operating Costs (LOM Ave)	A\$/t ore
Mining	A\$ 17.9 /t
Processing	A\$ 16.3 /t
Transport & Shipping	A\$ 5.4 /t
Overheads	A\$ 1.4 /t
Total *^	A\$ 41 /t

* Life of Mine Average

^ Excludes Royalties and Sustaining Capital

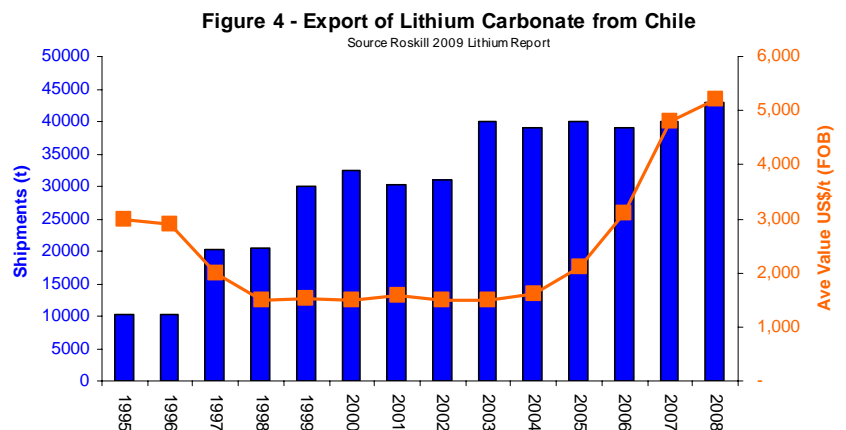
Marketing

Industrial Minerals Company of Australia Pty Ltd (IMCOA) has been appointed lithium and tantalum market consultant to the company. Principal, Mr Dudley Kingsnorth provided independent advice to the Company to finalise the lithium market analysis and forecast contained in the Mt Cattlin DFS. Mr Kingsnorth is an internationally recognised authority on the global markets for lithium, tantalum and rare earths, having conducted numerous analyses and assessments for various international companies.

IMCOA has provided a positive forecast for lithium carbonate demand in the medium and long term, as the product is the building block in the production of lithium-ion batteries in the rapidly expanding international hybrid and electric vehicle market. In the short term, in spite of the current global financial crisis, supply is expected to remain 'tight' as there is an ongoing move to purchase the more fuel efficient and environmentally friendly hybrid and electric vehicles, albeit at lower rates than forecast a year or so ago. The market has seen unprecedented growth this decade mainly driven by the primary and secondary lithium battery market. The attached Figure (Figure 4) shows the historical growth of production and typical prices of lithium carbonate product from Chile which is the largest world supplier of the material today.

The Company is forecasting demand to outstrip supply in the medium term which will result in sustained upward pricing pressures.

Galaxy will continue discussions with large international commodity marketing groups with respect to partnering in the marketing of spodumene concentrate and/or lithium carbonate.



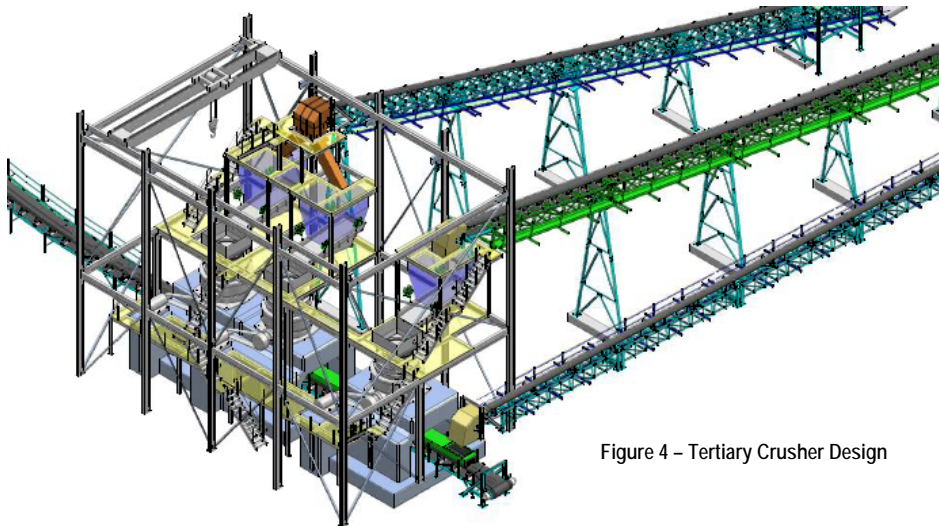


Figure 4 – Tertiary Crusher Design

Project Economics

The DFS results indicate that Mt Cattlin is a robust project with the potential to begin production in mid 2010. The two key factors in the positive results were the favourable characteristics of Galaxy’s flat lying pegmatite resource and the attractive economics of processing a simple concentrate into lithium carbonate.

The project will generate an LOM average of **A\$26 million net cash** per annum based on the sale of spodumene and tantalum concentrate. The project Net Present Value (NPV) (real and non-g geared, before tax) is estimated at **\$A128 million** using a discount rate of 8%. The LOM average cash operating cost is estimated at A\$41 per tonne of ore processed compared with estimated revenue of A\$71 / t ore.

Project Economics – Direct sales of Spodumene and Tantalum Concentrate

	<u>0.73 AUD/USD</u> <u>FX Rate</u>	<u>0.70 AUD/USD</u> <u>FX Rate</u>
Capital Costs	A\$ 68 million	A\$ 68 million
Revenue pa *	A\$ 69 million	A\$ 72 million
Net Cash (pre tax) pa *	A\$ 26 million	A\$ 29 million
Net Present Value NPV (non-g geared, real @8%)	A\$ 128 million	A\$ 154 million
Internal rate of Return IRR%	26%	29%
Mine Life	15 Years	15 Years
Cash Cost **^	A\$41 /t ore	A\$41 /t ore

* Life of Mine Average

^ Excludes Royalties and Sustaining Capital

The baseline project economics is based on the production and direct sales of a spodumene and tantalite concentrate to established downstream processors. The Company expects the project economics to improve significantly when one or more toll treating arrangement(s) can be concluded to convert the spodumene concentrate to lithium carbonate and the Company shares in the subsequent increase in the value of the product. The Company will announce the financial impact of these arrangements when these toll treatment arrangements have been concluded.

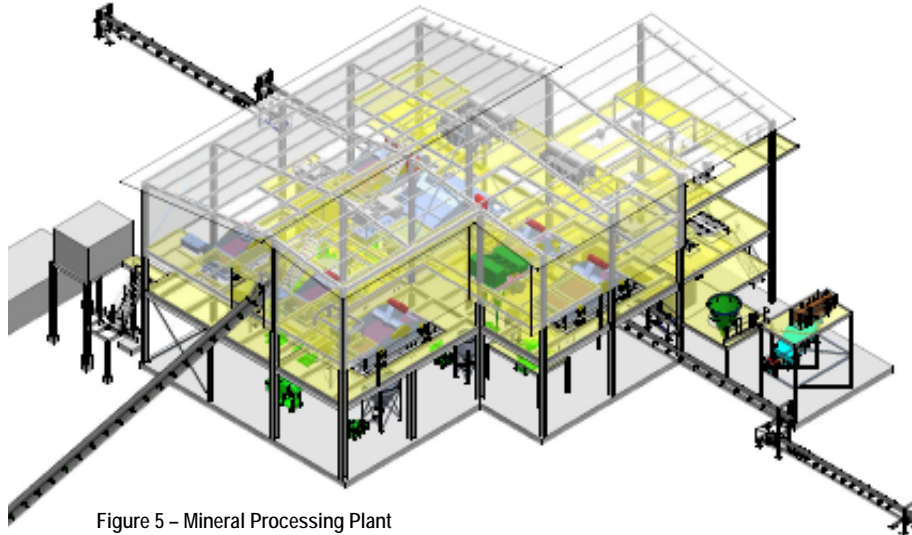


Figure 5 – Mineral Processing Plant

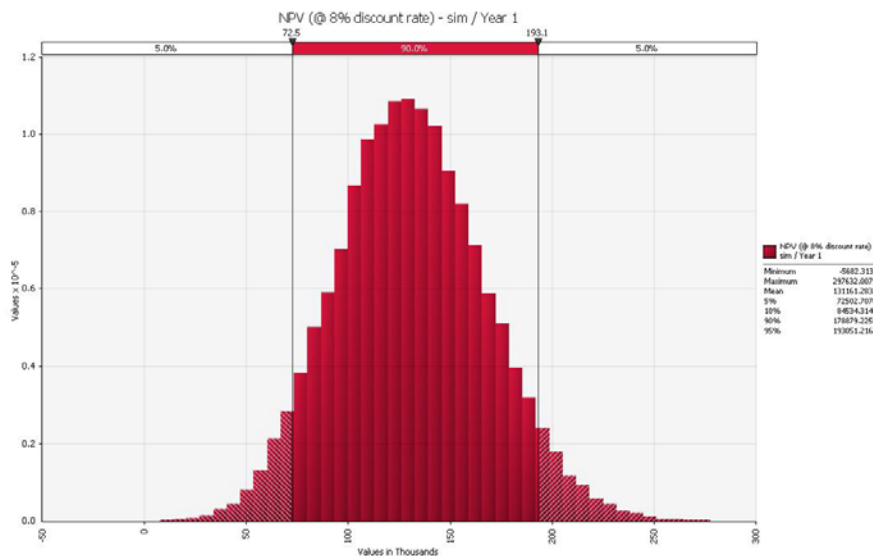
Risk Analysis

MSP Engineering Pty Ltd was commissioned to conduct a technical and peer review of the DFS flow sheet. The conclusion is that the flow sheet is sound for the intended objectives and there is a significant amount of robustness in the project design. All parties including Como Engineering have recognised that with further metallurgical testing there may be a possibility in further optimising the flow sheet which will see a reduction in capital cost. This will be conducted during the “Value Engineering and Optimising” phase of the project.

Snowden Risk Services conducted a risk analysis which identified the main feasibility study, construction and operational uncertainties and risks. A risk registry listing with prioritised risks and contingency plans to mitigate these risks has been included in the DFS.

Monte Carlo Simulation

In order to quantify the risks, a Monte Carlo simulation was conducted on the various project parameters.



As expected, the project is most sensitive to product price followed by operating cost. The Monte Carlo simulation demonstrates that the project has a 90% probability that the NPV is between \$73M and \$193M. In other words, the project has a **95% chance** that the NPV is better than \$73m.

Environmental & Approvals

The majority of the project is located on agricultural land to the north west of the Ravensthorpe township, over which the company has an option to purchase. As a result of this the environmental impact will be minimal, and as such the Environmental Protection Authority has advised that the project will not be formally assessed and will therefore only require the submission of an application for Works Approval and a Mining Proposal to be assessed by the WA Department of Industry and Resources.

In preparation for the Mining Proposal Document, the company has conducted a number of studies covering hydrology, flora and fauna, aboriginal heritage, socio-economic factors, energy requirements; tails dam design, mining and geotechnical parameters. Based upon the flora studies there have been no rare and endangered species identified and only a small number of priority species requiring management. Similarly there were no rare and endangered fauna species identified within the mining impact area.

During the conduct of the aboriginal heritage survey a number of sites of significance were located outside the area of mining impact. The initial hydrological studies have identified a number of potential water sources and two production bores have been established on some of these. Further bores will be established during the detailed design phase.

Project Timeframe

The project assumes the commencement of detailed engineering and procurement of long lead items at the start of quarter two 2009 and that the construction phase will commence during August 2009 with a construction period of 10 months allowing the plant to be commissioned during Quarter 3, 2010.

For more information, please contact:

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Competent Persons

The information in this report that relates to Mineral Resources and Ore Reserves is based on information compiled by Mr. Robert Spiers who is a full time employee of Hellman & Schofield Pty Ltd and who is a Member of the Australian Institute of Geoscientists. Mr. Spiers 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. Spiers consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

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.

About Galaxy (ASX: GXY)

Galaxy Resources Limited (Galaxy) is an industrial minerals company focusing on lithium and tantalum production. Galaxy has completed a definitive feasibility study (DFS) which suggests the Mt Cattlin lithium / tantalum project is commercially viable based on a processing rate of 1 million tonnes per annum over a 15 year mine life. The Company is planning to commence the development of the mine and the construction of the processing plant in mid 2009 with first concentrate production scheduled for Q3, 2010.

The company has also commenced a preliminary scoping study into the value adding downstream production of lithium carbonate (Li₂CO₃).

Lithium concentrate and lithium carbonate raw materials are currently in short supply and face high future demand growth due to advances in long life batteries and sophisticated electronics in hybrid and electric vehicles, mobile phones and computers.