

14 January 2009

DECISION TO PROCEED WITH MT CATTLIN LITHIUM PROJECT AND \$0.65M RAISING

Highlights

- Galaxy Board agrees to proceed with Mt Cattlin project
- Planning commences to finalise off-take partner and project financing
- Galaxy commences "Value Engineering and Optimisation" phase in preparation for EPCM contractor tender
- Company raises \$0.65M to fund the next stage
- Mining and production to commence during Q3 2010

Emerging lithium producer, **Galaxy Resources Limited (ASX: GXY)** announced this week the final results of a Definitive Feasibility Study (DFS) for its Mt Cattlin Lithium Tantalum project. In view of the positive outcome of the DFS, the Board of Galaxy Resources Limited ("Galaxy") has now resolved to **proceed with the development of the lithium project**.

Managing Director, Iggy Tan said that the Company will proceed to the "Value Engineering" phase where further optimisation of the project will be undertaken before tender and selection of an EPCM contractor. We have identified further refinements to the project that could potentially reduce both our capital and operating costs. The Company intends to finalise these opportunities before we proceed to the appointment of an EPCM contractor and subsequent "detailed engineering".

The impetus to proceed with development is driven by a desire to take advantage of the anticipated increase in demand for lithium-ion batteries to power electric and hybrid cars. The Company will now proceed to select an off-take partner for the project, said Mr Tan.

Mr Tan said the project is planning to ship spodumene concentrate during Q3 2010. As announced this week with the release of the DFS, 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 for the lithium carbonate producers.

Further to the announcement dated 15 December 2008 in regards to a capital raising, the Company has successfully raised an additional \$0.2M over the announced \$1.0M amount. Subject to ratification of this issue by shareholders at a general meeting to be called shortly, the Company has finalised another \$0.45M raising via a capital book build to sophisticated investors, resulting in a total of \$0.65M to help fund the next phase of the project. The book build placement consists of an issue price of 35 cents per share, together with free attaching, unlisted 1 year option exercisable at 35 cents each. .

Galaxy will continue discussions with large international commodity marketing groups with respect to partnering, off take arrangements and project financing for the project. Subject to the necessary regulatory approvals Galaxy plans to commence mining and production activities during Q3, 2010.

- ENDS -

For more information, please contact:

Iggy Tan
Managing Director
08 9215 1700
0419 046 397

Katherine Knox
FD Third Person
(08) 9386 1233
0421 186 129

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.