

8 July 2009

SHOEMAKER SALE AND JOINT VENTURE

Highlights

- Sale and joint venture (SJV) agreement signed with General Mining Corporation Limited (GMC) for the exploration and development of the Shoemaker hematite iron ore project
- GMC to buy 50% of the project for A\$1.1 million
- GMC to earn a further 30% by expenditure of \$1 million on the Shoemaker project within 2 years of the date of completion
- Galaxy is free carried from all expenditure for the project to the completion of a Bankable Feasibility Study

Emerging lithium producer, **Galaxy Resources Limited** (ASX: GXY) today announced it has signed a sale and joint venture (SJV) agreement with General Mining Corporation Limited (GMC) for the exploration and development of the Shoemaker hematite iron ore project.

Managing Director, Iggy Tan said given that Galaxy's prime focus is the development of the Mt Cattlin lithium project, the proposed sale and joint venture of Shoemaker is an excellent way of developing the project and maintaining an upside.

"This is a great deal for Galaxy and allows us to maintain an interest in the project without diverting attention away from the development of Mt Cattlin which is our core focus," said Mr Tan.

"We believe the Shoemaker project has a good potential for an economic iron ore deposit."

The Shoemaker project is located about 100 km north of Wiluna, Western Australia. In August 2008, Galaxy announced the results of a gravity survey and rock chip sampling of hematite iron mineralisation. Assay results of the rock chip sampling confirmed the presence of high grade hematite iron mineralisation at the project.

GMC will acquire a 50% interest in the Shoemaker project by payment of the following consideration on the date of completion:

1. \$100,000 cash payment;
2. \$1 million of Ordinary Shares in GMC to Galaxy; and
3. One (1) Option for every two (2) Ordinary Shares issued to Galaxy under (2) above, with an exercise date of 3 years from the date of issue.

The agreement is subject to the successful listing of GMC on the Australian Securities Exchange or completion of corresponding capital raising of at least \$3 million.

The SJV also allows GMC to earn a further 30% by expenditure of \$1 million on the Shoemaker project within 2 years of the date of completion. Galaxy is free carried from all expenditure for the project to the completion of a Bankable Feasibility Study and has a right to appoint a nominee Director to the Board of GMC.

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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.

About Galaxy (ASX: GXY)

Galaxy is an Australian mining and chemical company focusing on lithium and tantalum production. Galaxy has completed a definitive feasibility study (DFS) which suggests the Mt Cattlin Lithium / Tantalum project (Ravensthorpe, Western Australia) 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 mineral processing plant in Q3 2009 with first concentrate production scheduled for Q3, 2010.

The company has also commenced a pre feasibility study into the value adding downstream production of lithium carbonate (Li_2CO_3). The company plans to establish a 17,000 tpa lithium carbonate plant in China due to lower associated capital and operating costs, as well as being close to the strategic growing battery markets in Asia.

Lithium concentrate and lithium carbonate raw materials are forecast to be 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.