

13 August 2009

## DIRECTOR PERFORMANCE OPTIONS ALIGNING WITH LITHIUM CARBONATE STRATEGY

Galaxy Resources Limited (ASX:GXY) today announced plans to introduce a new performance-based options plan to align the incentives of the directors and management with the objectives of the Company's new strategy to develop the Jiangsu Lithium Carbonate processing facility in China.

The Company has achieved significant progress in advancing the development of the Lithium Carbonate project. Since the start of the 2009 calendar year, the fully diluted market capitalisation of Galaxy has grown significantly to approximately \$146 million. The Company wishes to further incentivise directors and management to continue the growth performance in line with the overseas Lithium Carbonate strategy.

Given the current uncertainty surrounding the taxation implications of share options, the Directors intend to seek shareholder approval for two tranches of incentive based options to all of the current Directors. In respect of these replacement options, the resolutions will not be put forward to shareholders, nor the options issued, until such time as the performance hurdles are met.

The exercise price had been agreed with directors at the time when the share price was around \$0.60 but the announcement was delayed due to the Federal Government changes in share scheme taxation implications. The options would be issued to directors in two tranches, in accordance with the following table:

Director	Class G Options	Hurdle Prior to Issue	Class H Options	Hurdle Prior to Issue
Iggy Tan	2,000,000 Options exercisable at \$0.60, expiring 5 years from issue date and vesting immediately	On completion of the Company securing all necessary <b>debt and equity funding</b> for the development of the <b>Jiangsu Lithium Carbonate Plant</b>	2,000,000 Options exercisable at \$0.60, expiring 5 years from issue date and vesting immediately	On achievement of commercial production of lithium carbonate at the <b>nameplate capacity</b> specified in the final plant design at the Company's <b>Jiangsu Lithium Carbonate Plant</b> for 3 consecutive months
Craig Readhead	500,000 Options exercisable at \$0.60, expiring 5 years from issue date and vesting immediately	On completion of the Company securing all necessary <b>debt and equity funding</b> for the development of the <b>Jiangsu Lithium Carbonate Plant</b>	500,000 Options exercisable at \$0.60, expiring 5 years from issue date and vesting immediately	On achievement of commercial production of lithium carbonate at the <b>nameplate capacity</b> specified in the final plant design at the Company's <b>Jiangsu Lithium Carbonate Plant</b> for 3 consecutive months
Bob Wanless	500,000 Options exercisable at \$0.60, expiring 5 years from issue date and vesting immediately	On completion of the Company securing all necessary <b>debt and equity funding</b> for the development of the <b>Jiangsu Lithium Carbonate Plant</b>	500,000 Options exercisable at \$0.60, expiring 5 years from issue date and vesting immediately	On achievement of commercial production of lithium carbonate at the <b>nameplate capacity</b> specified in the final plant design at the Company's <b>Jiangsu Lithium Carbonate Plant</b> for 3 consecutive months

It is the intention of the Board to issue options to key executives, under similar terms as above (except for exercise price), subsequent to the performance hurdles being met. The exercise price of the executive options will be set at 80% of the average closing sale price of the GXY Shares on the ASX over the 5 trading days immediately preceding the date of the announcement of the issue of the Options by the Board.

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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<sub>2</sub>CO<sub>3</sub>). 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.