

25 August 2009

PROJECT FINANCE AND STRATEGIC INVESTOR SECURED

Highlights

- Secures long term financing arrangements for lithium project through binding Agreement with Creat Group
- Creat to invest at least A\$26 million through a strategic placement of 19.9% of Galaxy's expanded capital
- Creat to provide debt finance facility of approximately A\$130 million at commercial market rates and terms
- Galaxy to raise further equity to complement the project finance strategy
- Lithium Project to proceed subject to final shareholder approval

Emerging lithium producer, **Galaxy Resources Limited** (ASX: GXY) is pleased to announce that it has signed a binding Share Subscription and Debt Facility Agreement ("Agreement") for financing of its lithium project with Creat Group Co Ltd (Creat), a private sector investment company based in Beijing, Peoples Republic of China.

Under the terms of the Agreement, Creat will subscribe for 19.9% of Galaxy's expanded capital, at a 30 day volume weighted average market price (VWAP) on the date of initial non-binding MOU execution (10 August 2009, being A\$0.88 per share). This placement will result in a raising of at least A\$26 million for the Company. The Placement is conditional on Galaxy shareholder approval. An Extraordinary General Meeting will be held early October 2009.

In addition, Creat will provide Galaxy with 100% debt finance of approximately A\$130 million for the purpose of developing both the Mt Cattlin Spodumene and Jiangsu Lithium Carbonate Projects. Creat will provide the loan over a period of 7 years at very attractive interest rates for Galaxy.

Under the Agreement, Creat has a "standstill" commitment as well as been granted one Non Executive Board member representation on the Galaxy Board.

Galaxy also intends to raise further equity by way of a placement to sophisticated and institutional investors to supplement the project debt finance. Whilst initially the Company has the excellent opportunity to use the Creat full debt facility to finance the project, the extra equity will be used to reduce debt to more conservative levels when the project meets steady state operations. Prior to this, the cash will act as a buffer for debt service, and to meet possible delays and overruns during construction, commissioning and start up of the project. Full details of the capital raising will be announced in the coming weeks.

One of the advantages of this deal is that no off take product is required by Creat itself and Galaxy is free to market its own product and thereby take advantage of the expected upward pressure on Lithium Carbonate prices.

Managing Director, Iggy Tan said the Agreement signed with Creat was a very positive development for Galaxy and its lithium project.

"We are thrilled to have attracted the interest of Creat as a strategic investor and to provide long term financing arrangements for our lithium project," said Mr Tan.

"The Company made a commitment to finalise the finance for the Project by the end of Quarter 3 (end Sept) and we are proud to have met this commitment, well ahead of schedule".

"This deal provides us with a bedrock Chinese shareholder and enables us to move ahead with the development of both the Mt Cattlin Spodumene and Jiangsu Lithium Carbonate Projects."

Mr Tan said that by raising additional equity through a placement Galaxy will minimise the risks during the most vulnerable phase of the project development.

"On achieving steady state positive cash flow of the project, the final target debt to equity ratio will be around 50-60% which is a very conservative risk profile," he said.

Chairman of Creat Group, Dr Yuewen Zheng said that Creat is very happy to invest in and be associated with a company that is close to production and will be a strategic world player in lithium supply.

"We look forward to mutually beneficial relationship with an obviously progressive company"

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About Creat Group

Creat Group was founded in 1992 as a private enterprise and is based in Beijing, Peoples Republic of China. Its business interests include mineral resources, electronics, pharmaceuticals, food, real estate and finance (including three banks).

Creat Group's investments in the mineral resources industry include a zinc-lead mine, a molybdenum-tungsten mine and a gold mine in China as well as a lead and zinc mine in Tasmania, Australia. Now, the company is seeking to develop an international portfolio by investing in overseas resource based companies.

Creat Group is a leading member of ACFIC (All China Federation of Industry and Commerce) which acts as a facilitator for the management of the private sector of the Chinese economy.

The share capital and reserves of Creat Group are approximately USD 800 million and net profits last year were nearly USD 100 million. Creat Group has interests in agriculture, biotechnology, electrical switchgear manufacturing and minority interests in banking and property development.

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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 (Li₂CO₃). 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.