

27 October 2009

## GALAXY VENTURES INTO CENTRAL ASIA WITH LITHIUM ALLIANCE

### Highlights

- Strategic alliance to assess potential lithium exploration and mining projects in Mongolia and Kazakhstan
- Exposure to both pegmatite and brine lithium project potential
- Potential for value adding opportunities at proposed Jiangsu lithium carbonate facility

Emerging lithium producer, Galaxy Resources Limited (ASX: GXY), today announced the signing of a Strategic Lithium Alliance Agreement (Alliance) with General Mining Corporation Limited (GMM) for the exploration of lithium in Mongolia and Kazakhstan.

GMM holds tenements and interests that may be suitable for the exploration and ultimate mining of lithium and associated minerals (pegmatites and brines). The main projects of focus include the Uvs Basin project where GMM is targeting solid potash (KCl) and will also test for lithium and potassium brines.

Under the Agreement, both companies will co-operate on the identification, exploration, acquisition and development of these potential lithium projects.

Once the Alliance identifies and agrees on a lithium project, Galaxy will fund the further exploration and development of the project up to completion of a Bankable Feasibility Study (BFS), earning 80% of the legal and beneficial interest of the project. GMM will retain a free carried 20% interest after respective project identification costs in any Alliance Project up to the completion of a BFS.

If GMM elects not to contribute to the Joint Venture Agreement to develop the project, its interest will dilute to a free carried 2% net smelter royalty for that Alliance Project.

Galaxy's Managing Director, Mr Iggy Tan said that the Alliance will maximise the respective strengths of both companies.

"GMM has the exploration experience, networks and information on these potential projects, while Galaxy has the operational and development capabilities, as well as the marketing experience and funding capacity to help realise any project potential," Mr Tan said.

"Galaxy's proposed Jiangsu lithium carbonate production facility in China may also be a possible downstream processing option, adding value to any potential projects in Mongolia and Kazakhstan."

Mr Tan said that Mongolia and Kazakhstan represented a new frontier in lithium exploration with the close proximity of burgeoning lithium ion battery markets in China, Japan and Korea making the exploration potential very attractive for Galaxy.

"The Alliance will help Galaxy pursue some new lithium based exploration projects without diverting its current focus of rapidly advancing the Mt Cattlin Mine and Jiangsu Lithium Carbonate project towards production," he said.

GMM has today lodged a prospectus ("Prospectus") with the Australian Securities and Investments Commission to raise up to \$8m under an initial public offer ("IPO"). In accordance with the Strategic Alliance, GMM has agreed to set aside 40% of the Shares to be issued under the IPO to Galaxy shareholders as at 5:00pm WST on 26 October 2009 with a registered address in Australia (Priority Offer). Shares will be allocated under the Priority Offer at the discretion of GMM's directors.

Applications for GMM shares under the IPO or Priority Offer can only be made on the application form that accompanies the Prospectus.

If you are a Galaxy shareholder eligible to participate in the Priority Offer you will receive a letter from Galaxy advising you of the Priority Offer and your Holder Identification Number (HIN) or Shareholder Reference Number (SRN). Eligible Galaxy shareholders must provide their HIN or SRN on the application form where indicated.

## Uvs Basin Potash-Lithium Project

GMM is targeting potassium rich evaporite beds which have been confirmed to host high grades of near surface potash on exposed evaporite beds on the Russian side of the basin. GMM will also test for groundwater brines and brines in contact with the marine evaporate beds for lithium. GMM hold licences covering over 2000km<sup>2</sup> within the Uvs Basin in Mongolia.

Whilst no significant lithium has been found in surface water bodies, the Basin contains or may have at some point contained the essential ingredients for the formation of lithium brines. The following geological features are considered essential for the development of lithium brines:

- *Source of lithium* - from surrounding volcanic, granitic rocks;
- *Transport of lithium* - hot geothermal waters to dissolve and transport the lithium; and
- *Concentration* - an enclosed basin with high evaporation rates.

In addition lithium brines can form in various oil or gas field waters and potash deposit end-liquors.

Uvs Basin is an enclosed basin with high evaporation rates and is surrounded by extensive volcanic and granitic rocks. Whilst there are no active hot springs, a large number of cold springs are present and because the Uvs Basin lies within an active tectonic region, with major faults and open geothermal systems, the conditions may have existed at some point for the formation of lithium brines. Such brines may exist at depth within the basin and will be tested for by GMM when conducting its exploration for potash.

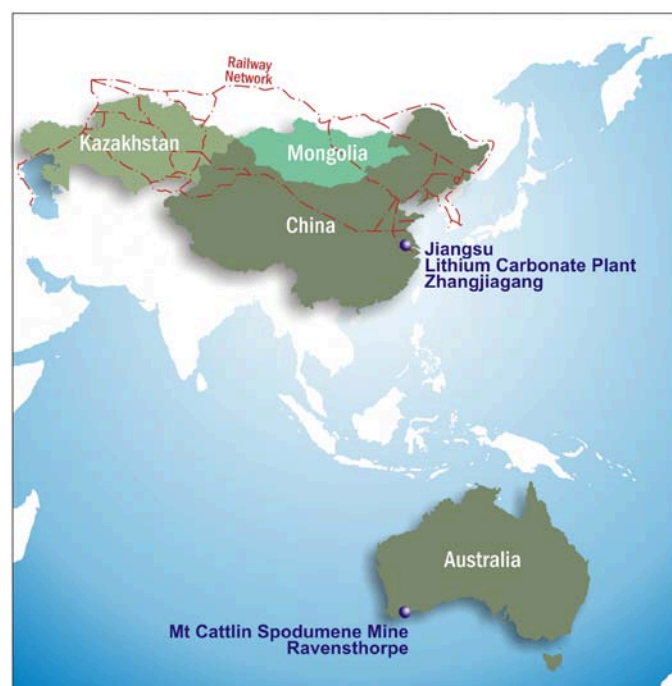
## About Mongolia and Kazakhstan

Mongolia and Kazakhstan are both mineral rich countries bordering China and Russia. Both countries came under the influence of the Soviet Union and subsequently the majority of early exploration and geological data was generated by Soviet geologists. Whilst Kazakhstan has enjoyed a long period of growth from the 1990's based on the development of its rich mineral resources, Mongolia's mineral riches remain virtually untouched. The recent agreement between the Mongolian Government and Rio Tinto and Ivanhoe, on the \$4b Oyu Tolgoi project is anticipated to lead to a rush of investment in Mongolia.

GMM has built a large database of geological data on the region and in addition to its strong networks the Company is confident that it can identify suitable projects for the Alliance with potential for economic deposits of lithium pegmatites and lithium brines.

## About GMM

GMM is an Australian registered Company with projects in Western Australia and Mongolia. GMM recently entered into an



agreement to acquire 50% of Galaxy's Shoemaker Project with a joint venture agreement to increase their interest to 80% by spending \$1m within 3 years. GMM has established a subsidiary in Mongolia that holds a number of licences covering over 3800km<sup>2</sup> including the Uvs Basin project which is prospective for solid potash and other evaporite deposits including lithium and potassium brines and soda ash.

GMM has recently entered into an agreement to appoint Dr Boris Matveev to the position of Managing Director of the Company, commencing January 1, 2010 following the completion of the Initial Public Offer and ASX listing. Dr Matveev has extensive experience in Central Asia and Russia.

Further information on GMM and a copy of the Prospectus can be downloaded from [www.generalmining.com](http://www.generalmining.com)

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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 Resources is a Western Australian company which is soon to become one of the world's leading producers of lithium – the essential component for powering the world's fast expanding fleet of hybrid and electric cars.

By 2010, GXY's Mt Cattlin mine will be the world's second largest hard rock producer of lithium and, through the development of its value adding lithium carbonate plant (17,000 tpa), the Company will be the largest and lowest cost lithium producer in China.

Lithium concentrate and lithium carbonate materials are forecast to be in short supply against high future demand due to advances in long life batteries and sophisticated electronics including mobile phones and computers.

Galaxy Resources has positioned itself to meet this lithium future by not only mining the lithium but by downstream processing to supply lithium carbonate to the lucrative Asian market.