

8 November 2010

GALAXY FINALISES CAPITAL RAISING OF A\$91.5 MILLION

Highlights

- Convertible bond issue expanded to raise up to A\$61.5 million
- Equity placement to raise A\$30 million
- Key strategic investors include the Fengli Group and the private investment company of Mr Li Shu Fu – the founder and major shareholder of Geely Automobile Holdings
- Proceeds will strengthen capital base to complete construction of Jiangsu, fund ramp-up of both projects and help fund the potential acquisition of other lithium-related projects
- Convertible bond terms including a conversion price of \$1.56, representing a 33.8% premium over the 20 day VWAP prior to the pricing date
- Equity placement market price of \$1.39, equivalent to the 5 day VWAP prior to the pricing date

Emerging lithium producer, **Galaxy Resources Limited** (ASX:GXY) (**Galaxy** or the **Company**) is pleased to announce it has finalised a capital raising of A\$91.5 million to several investors, including the private investment company of the founder and major shareholder of Geely Automobile Holdings Co. Limited (**Geely**) and Fengli Group (Hong Kong) Co. Limited (**Fengli**). The capital raising consists of up to A\$61.5 million in unlisted convertible bonds (increased from A\$30 million) and a A\$30 million equity placement. Both the convertible bond and equity documentation have been finalised and executed by all parties.

Galaxy has elected to increase the amount issued to investors from its initial A\$30 million target following strong interest and to meet its funding requirements for the ramp up of production at Mt Cattlin, the continuing construction of Jiangsu and to provide additional working capital.

Galaxy Resources Managing Director, Mr Iggy Tan, said that both the convertible bond issue and equity placement will strengthen the Company's capital base as it enters the final stages of development of its projects and moves closer to generating revenue through the first shipment of spodumene concentrate from Mt Cattlin, which is planned for the end of Q4 2010. The raising will also provide the Company with funds for the potential acquisition of additional lithium-related projects.

"In an excellent endorsement for Galaxy's business model and projects, it is very pleasing to see two high quality, strategic investors support the Company on its growth plans" Mr Tan said.

These terms include a conversion price on the convertible bonds of A\$1.56, representing a premium of 33.8% over the 20 day VWAP of Galaxy shares prior to the pricing date of 28 September 2010, and an equity raising market price of A\$1.39, equivalent to the 5 day VWAP of Galaxy shares prior to the pricing date of 21 October 2010."

The capital raising will be done in two tranches, and will be allocated as follows:

| Investor | Investment Type | Total Investment |
|-----------------------|------------------|------------------|
| Strong Target Int Ltd | Convertible Bond | A\$25m |
| Fengli | Convertible Bond | A\$30m |
| Other Investors | Convertible Bond | A\$6.5m |
| Fengli | Equity Placement | A\$30m |
| Total | | A\$91.5m |

The first tranche will be for convertible bonds to the value of A\$32m. The second tranche will be for convertible bonds to the value of A\$29.5m and shares to the value of A\$30m.

Both tranches of the convertible bond issue are subject to the final approval of Galaxy's senior lenders, RZB and CDB. Tranche 2 (both convertible bonds and equity placement) is subject to the approval of Galaxy's shareholders in an extraordinary general meeting. The Directors intend to recommend that shareholders vote in favour, and Galaxy's major shareholder Creat Resources Holdings Limited, has also indicated it intends to vote in favour, of the transaction. A portion of the equity investment by Fengli will also be subject to Foreign Investment Review Board (FIRB) approval.

Details of Strategic Investors

Strong Target International Ltd is a private company of Mr Li Shu Fu, who is the founder, Chairman and controlling shareholder (50.47%) of Geely. Geely is a Hong Kong listed company principally engaged in the manufacture and sales of automobiles in China. Geely has a market capitalisation of US\$3.5 billion and reported turnover of approximately US\$2 billion in 2009.

Fengli is a large, privately owned company based in Zhangjiagang city, Jiangsu Province, China. The Company is headed by President and major shareholder, Mr Wu Yue Ming. Fengli employs a total of 3,000 staff with turnover of RMB 30 billion (US\$4.4 billion). Fengli's main businesses are in mineral resource development, the manufacture and trade of steel, transportation and logistics, and foreign investment. It is the largest used metal processor and distributor in China, and is one of the top 500 enterprises in China. Fengli is also a top ten shareholder of Fortescue Metals Group in Australia and one of the major shareholders in Jiangsu Bank.

Key Terms of the Convertible Notes

| Item | Details |
|-----------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Quantum | A\$61.5 million |
| Status | Unsecured and subordinated |
| Term | 5 years |
| Conversion Price | A\$1.56, representing a 33.8% premium over the Reference Share Price. The Conversion Price is subject to the Conversion Price Reset and adjustment for certain future dilutive events |
| Reference Share Price | A\$1.166 (being the 20 day VWAP of the Shares ending on 28 September 2010) |
| Coupon | 8.00% per annum |

| | |
|------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Investor Put Option | End of year 3 |
| Redemption/Put Price | 100.00% of the principal amount |
| Issuer Call | After year 3, Galaxy can call the bonds if the price of its shares exceeds the Conversion Price by 30% for a specified period |
| Conversion Price Reset | The Conversion Price may be reset downwards to the market price 12 months after the settlement date, subject to a floor price equal to 80% of the Conversion Price (currently A\$1.25) |

Key Terms of the Equity Placement

| Item | Details |
|----------------------|-----------------------------------------------------------------------------------------|
| Amount | A\$30 million |
| Issue price | A\$1.39 (being the 5 day VWAP prior to 21 October 2010, when pricing terms were agreed) |
| Board representation | Fengli will be entitled to nominate one Director to the Board |

Use of Proceeds

Galaxy intends to use the proceeds of the capital raising to fund the completion of construction and ramp-up of its Mt Cattlin and Jiangsu projects, as well as for working capital and the potential acquisition of other lithium-related projects. Part of the capital raised will replace the US\$50 million that has been deposited in a cash reserve account for servicing future interest and principal repayments under the terms of Galaxy's project loan facility with CDB and RZB.

Mr Tan said that the Company looked forward to welcoming two strategic investors that will support the Company's plans to establish a vertically integrated lithium resource, chemical and battery manufacturing company.

Expected Timetable

The expected timetable for the capital raising is as follows:

| Item | Expected Timing |
|---------------------------------------------------------------------------------------------------------------|------------------------------|
| Senior lender consent for Tranche 1 | 19 November 2010 |
| Issue of Tranche 1 convertible bonds | 19 November 2010 |
| Notice of meeting for EGM dispatched | The week of 22 November 2010 |
| FIRB approval of Tranche 2 equity to Fengli | By 22 December 2010 |
| Senior lender consent for Tranche 2 | By 22 December 2010 |
| EGM for shareholder approval of Tranche 2 | 22 December 2010 |
| Last date for the satisfaction of conditions precedent to the issue of Tranche 2 convertible bonds and equity | 15 January 2011 |

Morgan Stanley and BNP Paribas have been appointed as placement agents for the convertible bond issue, and Azure Capital is financial adviser to the Company in relation to both the convertible bond issue and the equity placement.

– ENDS –

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About Galaxy (ASX: GXY)

Galaxy Resources is a Western Australian S&P / ASX 300 Index company which plans to become one of the world's leading producers of lithium compounds – the essential component for powering the world's fast expanding fleet of hybrid and electric cars.

By 2011, Galaxy's Mt Cattlin mine will be the world's second largest producer of lithium mineral concentrate globally, and through the development of its 17,000 tpa lithium carbonate plant in Jiangsu province, the Company expects to be one of the largest and lowest cost lithium compound producers in China.

Lithium compounds such as lithium carbonate 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 also by downstream processing to supply lithium carbonate to the expanding Asian market.