15 February 2011

GALAXY FINALISES JAMES BAY FARM-IN AGREEMENT

Highlights

- Galaxy finalises farm-in and joint venture agreement with Lithium One
- Initial payment subject to minor conditions
- Galaxy's Canadian subsidiary established, recruitment process commences

Galaxy Resources Limited (ASX: GXY, "Galaxy") is pleased to announce that the parties have signed the formal farm-in and joint venture agreement ("Agreement") with Lithium One Inc. (TSX-V: LI) of Canada to acquire up to 70% of the James Bay Lithium Pegmatite Project in Quebec.

Under the terms of the agreement, Galaxy will acquired an initial 20% equity interest in the James Bay Project for C$3 million. Galaxy will have the potential to increase its stake to 70% through the completion of a definitive feasibility study within a 24 month period. Whilst the formal agreement has been executed, the initial payment of C$3 million is subject to minor conditions involving transfer of some minor tenements from one option holder to Lithium One. Galaxy expects the conditions to be satisfied within the next month.

The James Bay Project is an extensive high-grade spodumene pegmatite, near-surface deposit, with a NI 43-101 compliant resource and close proximity to key infrastructure.

Galaxy Resources Managing Director, Iggy Tan, said "James Bay's location geology and low cost of entry make it a good fit with Galaxy's strategy of growing its lithium resource footprint. It will also create a source of lithium supply for the emerging lithium battery sector in North America."

"We have established a Canadian subsidiary, and the recruitment for an in-country project manager has commenced. Galaxy expects to be able to fast track the development of this project by constructing plants with similar design and capacity to those at the Mt Cattlin mine in Australia and Jiangsu lithium carbonate plant in China."

Lithium One and Galaxy Representatives on the James Bay pegmatite ore body

Examining drill core samples

Pegmatite ore body at surface

Trenching sample area conducted by Lithium One

Ore body is easy accessible

For more information, please contact:

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The mineral resources are reported in accordance with National Instrument 43-101 and have been estimated in conformity with generally accepted CIM "Estimation of Mineral Resource and Mineral Reserves Best Practices" guidelines. Resource evaluation work was completed by Mr. Sébastien Bernier, P.Geo (OGQ#1034, APGO#1847) an independent Qualified Person as defined by NI 43-101.

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About Galaxy (ASX: GXY)

Galaxy Resources is an international 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.

Galaxy wholly-owns and operates the Mt. Cattlin mine, which is currently producing spodumene concentrate. Galaxy's Jiangsu lithium carbonate plant, once completed, will have a design capacity of 17,000 tpa of lithium carbonate, which Galaxy expects would make it one of the largest plants in China converting hard rock lithium mineral concentrates into lithium compounds and chemicals.

Lithium compounds such as lithium carbonate are forecast to be in 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.