

31 August 2011

GALAXY RECEIVES DEBT FUNDING INTEREST FOR BATTERY PROJECT

Highlights

- Galaxy approached by five major Chinese banks over Battery Project debt funding
- Discussed indicative debt funding levels of up to US\$100 million for fixed assets and US\$45 million in working capital
- Galaxy to continue funding talks with Chinese banks
- Battery Project investment still subject to Galaxy Board approval

Galaxy Resources Limited (ASX: GXY, "Galaxy") is pleased to advise that the Company has received approaches by five major Chinese banks regarding funding of the Company's proposed Lithium-Ion Battery Project (**Battery Project**) in China's Jiangsu Province.

Galaxy said certain Chinese Banks have registered interest in providing the Company with indicative funding of up to US\$100 million as a fixed asset loan facility and up to US\$45 million in working capital. The required level of funding would be determined by the final project investment level, which was still being established.

The Chinese Government's recently-endorsed 12th Five Year Plan (2011-2015) targeted renewable energy usage and a significant boost to electric vehicle ownership. The consequence of this plan will be a significant rise in lithium-ion battery demand. Galaxy's Battery Project falls into a strategic mandate area for China and therefore is considered an "encouraged" industry for the country.

Galaxy Resources Managing Director Iggy Tan said: "The level of interest from local Chinese funding institutions was very encouraging. The Company will continue to progress the debt funding discussions with these particular Chinese funding institutions."

"The completion and commissioning of our Jiangsu Lithium Carbonate Plant remains our priority, nonetheless, investigating funding options for the Battery Project is important preparation and continues the focus on our project pipeline. The Company will **not consider making this decision until the Jiangsu Lithium Carbonate plant is completed.**" Mr Tan said.

Galaxy announced on 27 July 2011, it had secured a technology license with US-based lithium-ion battery producer K2 Energy Solutions Inc. Under the agreement, K2 Energy will provide Galaxy with battery technology expertise, licensing and commercial support during the construction and operation of the proposed Battery Project.

Battery Project Feasibility Study

Galaxy completed a feasibility study for the Battery Project in Q4 2010. The study found that production of 350,000 e-bike batteries per annum would generate expected annual revenue of A\$68 million and average pre-tax net cash of A\$30 million per annum. The non geared, net present value (NPV) of the project at a discount rate of 10% was estimated at A\$187 million, with a project capital cost of around A\$134 million. The internal rate of return (IRR) would be around 29%.

The battery project EPCM contractor, M+W Group (Germany) is currently finalising the detailed design and an Environmental Impact Assessment (EIA) Report for submission the Environmental Protection Board, Jiangsu Province. The

factory lay-out and master plan has also been finalized, which will be included in the Safety Impact Assessment (SIA) and Project Approval (PA) processes.

Company Cash Position

Galaxy said it had re-paid and refinanced its previous CDB/RZB loan into various fixed assets and working capital credit lines with China Construction Bank of at least US\$60 million. The credit facilities are in various stages of final approval by CCB, with US\$37 million already approved. The capital requirements for the completion of the Jiangsu Lithium Carbonate Plant - including start up costs - will be drawn from the various credit facilities. The benefit of these new loan facilities is that interest is only charged on outstanding draw downs and no facility security is required.

The Company's current cash position is A\$54 million which will be used to fund Mt Cattlin operations, Jiangsu operations and corporate expenses during the ramp-up phase.

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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.