

19 April 2012

GALAXY'S LITHIUM ONE MERGER ADVANCES TO NEXT STAGE

Highlights

- Lithium One's Board of Directors maintains its recommendation to vote in favour of the proposed merger with Galaxy following the receipt of an updated opinion from BMO Capital Markets (financial advisors to Lithium One)
- Following Galaxy's capital raising, BMO Capital Markets has delivered to Lithium One an updated opinion that the consideration to be received by the Lithium One shareholders is fair, from a financial point of view, to such shareholders
- Galaxy's Placement of A\$30 million will settle on 23 April 2012

Galaxy Resources Ltd (ASX: GXY, "Galaxy" or the "Company") is pleased to announce that in respect of its proposed merger ("Proposed Merger") with Lithium One Inc (TSX-V: LI, "Lithium One") and following the announcement of Galaxy's capital raising, Lithium One's Board of Directors has maintained its recommendation to the holders of Lithium One securities that they vote in favour of the Proposed Merger. Lithium One has received an updated opinion from BMO Capital Markets (financial advisors to Lithium One), that, as of the date of such opinion and subject to the assumptions, limitations and qualifications stated in such opinion, the consideration to be received by the Lithium One shareholders pursuant to the terms of Proposed Merger is fair, from a financial point of view, to such shareholders.

Galaxy announced on 12 April 2012 that it had successfully raised A\$30 million (before costs) via a placement ("Placement") to institutional and sophisticated investors. The Placement will now settle on 23 April 2012.¹ In addition, Galaxy is seeking to raise a maximum of A\$3 million via a Share Purchase Plan, which is open to existing shareholders of the Company.

The Proposed Merger, which is unanimously recommended by both the Galaxy and Lithium One Boards, and enjoys the support of key shareholders of both companies, requires Lithium One shareholder approval² at a shareholder meeting. The date of this meeting is expected to be in late May 2012. Lithium One shareholders / option holders holding approximately 13% of the fully diluted capital of Lithium One have executed binding commitments to support the Proposed Merger, in the absence of a superior proposal.

Galaxy shareholders will also be asked to vote on certain resolutions relating to the Proposed Merger at the Galaxy AGM and / or an EGM, which is presently intended to be held before the Lithium One shareholder meeting in early June 2012. Galaxy shareholders holding approximately 16% of the undiluted issued capital of Galaxy have confirmed their intention to vote in favour of the Proposed Merger.

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¹ Other than the subscription by Galaxy's Chairman for \$0.5 million and conversion of corporate advisory fees to Galaxy shares (in the event the Proposed Merger is successful) of \$0.6 million, which both remain subject to Galaxy shareholder approval.

² For the Proposed Merger to proceed, it requires the following voting thresholds to be met:

- 66.67% of votes cast at the Plan meeting by Lithium One shareholders to be cast in favour of it;
- 66.67% of votes cast at the Plan meeting by Lithium One shareholders and option holders, voting as a single class, to be cast in favour of it;
- 66.67% of the principal amount of the Lithium One convertible notes represented in person or by proxy at the Plan meeting; and
- 50.01% of the votes cast by minority shareholders of Lithium One in accordance with minority approval requirements of M1 61-101

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About Galaxy (ASX: GXY)

Galaxy Resources Ltd is an Australian-based integrated lithium mining, chemicals and battery company listed on the Australian Securities Exchange (Code: GXY) and is a S&P/ASX 300 Index Company. Galaxy wholly owns the Mt Cattlin project near Ravensthorpe in Western Australia where it mines lithium-bearing pegmatite ore and processes it on site to produce a spodumene (lithium mineral) concentrate and tantalum by-product. At full capacity, Galaxy will be able to process 137,000 tpa of spodumene concentrate and 56,000 lbs per annum of contained tantalum. The spodumene concentrate is shipped as feedstock for Galaxy's wholly-owned Lithium Carbonate Plant in China's Jiangsu province. Once complete, the Jiangsu Plant is expected to produce 17,000 tpa of battery grade lithium carbonate, which, on current global production, would make Galaxy the largest producer of lithium compounds in the Asia Pacific region and the fourth largest in the world.

Galaxy is also advancing plans for a lithium-ion battery plant, to produce 620,000 battery packs per annum for the electric bike (e-bike) market. The Company also has a farm in agreement with Lithium One Inc to acquire up to 70% of the James Bay lithium pegmatite project in Quebec, Canada.

Lithium compounds are used in the manufacture of ceramics, glass, electronics and are an essential cathode material for long life lithium-ion batteries used to power e-bikes and hybrid and electric vehicles. Galaxy is bullish about the current global lithium demand outlook and is positioning itself to achieve its goal of being involved in every step of the lithium supply chain.

Caution Regarding Forward Looking Information.

This document contains forward looking statements concerning Galaxy and Lithium One.

Forward-looking statements are not statements of historical fact and actual events and results may differ materially from those described in the forward looking statements as a result of a variety of risks, uncertainties and other factors. Forward-looking statements are inherently subject to business, economic, competitive, political and social uncertainties and contingencies. Many factors could cause the Company's actual results to differ materially from those expressed or implied in any forward-looking information provided by the Company, or on behalf of, the Company. Such factors include, among other things, risks relating to additional funding requirements, metal prices, exploration, development and operating risks, competition, production risks, regulatory restrictions, including environmental regulation and liability and potential title disputes.

Forward looking statements in this document are based on Galaxy's beliefs, opinions and estimates of Galaxy (and Lithium One) as of the dates the forward looking statements are made, and no obligation is assumed to update forward looking statements if these beliefs, opinions and estimates should change or to reflect other future developments.

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