

16 May 2012

GALAXY WELCOMES FURTHER LITHIUM PRODUCT PRICE INCREASES

Highlights

- Global lithium producer Rockwood lifts global lithium product prices
- Lithium carbonate and hydroxide, other salt products lifted by US\$1000/tonne
- US\$1000/tonne represents 22% increase in salt product prices - First Analysis Securities Corp
- Tight supply and demand fundamentals in global lithium industry

Galaxy Resources Ltd (ASX: GXY) ("Galaxy" or "the Company") welcomes the announcement by Rockwood Holdings Inc's. (NYSE: ROC) lithium division Rockwood Lithium ("Rockwood") regarding its decision to lift global lithium salts prices by US\$1,000 per metric tonne.

In a statement, Rockwood (formerly Chemetall Lithium) said all salt prices would be lifted, especially lithium carbonate and lithium hydroxide, effective 01 July 2012.

Analysts First Analysis Securities Corporation said it estimated US\$1000/tonne would equate to an approximate 22% increase in prices, based on a basket of lithium commodity products, and with some variations on each product.

"We believe this [price increase] suggests relatively tight supply and demand in the lithium industry, which is reasonable considering FMC remains in the midst of a slightly disruptive capacity expansion and SQM recently indicated its capacity utilization had improved. We expect FMC will follow with a price increase of its own; SQM may or may not announce an increase, but we would be surprised if it didn't play along, as it appears to have since the mid-2011 increases from ROC and FMC."

First Analysis Securities Corp – Research Note 14 May 2012

It is the second time Rockwood has hiked lithium salt product prices in as many years after announcing a 20% increase in prices in June 2011.

Rockwood is one of the world's largest manufacturers and suppliers of lithium-based compounds and a global price setter in the lithium market. Rockwood added the price increases would allow it to fund investment projects and expansion plans and cited the electric vehicle market as a future growth area for lithium products.

Galaxy Resources Managing Director, Iggy Tan, said it was an encouraging sign for the potential prices the Company will be able to receive for output from its wholly-owned Jiangsu Lithium Carbonate Plant (**Jiangsu Plant**) in China.

Galaxy commenced operations at the Jiangsu Plant in April 2012, which will produce 17,000 tonne per annum of battery (high purity) grade lithium carbonate at full capacity.

--ENDS--

For more information, please contact:

Corporate

Iggy Tan
Managing Director
Galaxy Resources Ltd
Tel (office): 08 9215 1700
Email: ir@galaxylithium.com

Australia Media Contact

Jane Grieve
FTI Consulting
Tel (office): 08 9386 1233
Tel (mobile): 0488 400 248
Email: jane.grieve@fticonsulting.com

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 an 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.

Not For Release in US

This announcement has been prepared for publication in Australia and may not be released in the U.S. This announcement does not constitute an offer of securities for sale in any jurisdiction, including the United States, and any securities described in this announcement may not be offered or sold in the United States absent registration or an exemption from registration under the United States Securities Act of 1933, as amended. Any public offering of securities to be made in the United States will be made by means of a prospectus that may be obtained from the issuer and that will contain detailed information about the company and management, as well as financial statements.