

19 June 2012

## LITHIUM ONE AND GALAXY SHAREHOLDERS OVERWHELMINGLY APPROVE MERGER

On 30 March 2012 Galaxy Resources Limited (ASX: GXY, "Galaxy") and Lithium One Inc (TSX-V: LI, "Lithium One") announced their intention to merge ("Merger") via a plan of arrangement, to be implemented in accordance with Canadian Corporate and Securities law.

The Directors of Galaxy are pleased to advise that a General Meeting of Shareholders of Lithium One have overwhelmingly approved all resolutions required to be passed in order for the Merger to proceed. The full announcement made by Lithium One is attached.

This follows the announcement to the ASX yesterday that Galaxy shareholders have also overwhelmingly approved all resolutions for the Merger at the General Meeting held on 18 June 2012.

A final court hearing to approve the Merger is scheduled to be held before the Ontario Superior Court of Justice on 26 June 2012. Subject to the Ontario Superior Court of Justice granting the final order, the Merger is expected to be implemented on 3 July 2012.

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For more information, please contact:

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### About Galaxy (ASX: GXY)

Galaxy Resources Ltd ("Galaxy") 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 pegmatite ore and processes it on site to produce a spodumene concentrate and tantalum by-product. At full capacity, Galaxy will process 137,000 tpa of spodumene concentrate and 56,000 lbs per annum of contained tantalum. The concentrated spodumene is shipped to Galaxy's wholly-owned Lithium Carbonate Plant in China's Jiangsu province. Once complete, the Jiangsu plant will produce 17,000 tpa of battery grade lithium carbonate, the largest producer 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 TSX-listed 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 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.

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.



Vancouver, Canada June 18<sup>th</sup>, 2012

NEWS RELEASE: 12-10

## LITHIUM ONE SECURITYHOLDERS AND GALAXY SHAREHOLDERS APPROVE PLAN OF ARRANGEMENT

**Lithium One Inc.** (the “**Company**” or “**Lithium One**”) (TSX-V: LI) is pleased to announce that the plan of arrangement (the “**Arrangement**”) with Galaxy Resources Limited (“**Galaxy**”) announced on 30 March 2012, whereby Galaxy would acquire all of the outstanding securities of Lithium One, has been approved by the Securityholders of Lithium One and the Shareholders of Galaxy.

Under the terms of the Arrangement, holders of common shares (“**Shareholders**”) of Lithium One (the “**Common Shares**”) will be entitled to receive 1.96 common shares of Galaxy (“**Galaxy Shares**”), in exchange for each issued and outstanding Common Share. Certain eligible Shareholders may elect to receive all or a part of their consideration in the form of Exchangeable Shares in lieu of the Galaxy Shares, to allow such Shareholders to potentially benefit from a deferral of capital gains tax consequences. Holders of options to acquire Common Shares (“**Options**”), shall receive that number of Galaxy Shares per Option equal to the product determined by multiplying 1.96 by the quotient of (a) the positive difference between \$1.55 and the exercise price of such Option divided by (b) \$1.55, and holders of convertible notes of the Company (“**Notes**”) would receive a convertible note of Galaxy in exchange for each issued and outstanding Note as well as all interest accrued on such Notes.

At the special meeting of the Securityholders held today, the Arrangement was approved by (a) Shareholders holding 99.45% of the common shares voted in person or by proxy; (b) Shareholders and Optionholders holding 99.51% of the common shares and Options voted together in person or by proxy; (c) Noteholders holding 100% of the principal amount of the Notes represented at the meeting, in person or by proxy; and (d) 99.34% of the minority Shareholders in accordance with National Instrument 61-101 – *Protection of Minority Security Holders in Special Transactions*.

The Arrangement was also approved overwhelmingly by Galaxy shareholders voting in person or by proxy at the Galaxy general meeting held today.

The completion of the Arrangement remains subject to a number of closing conditions, including final approval by the Ontario Superior Court of Justice and approval of the TSX Venture Exchange (the “**TSX-V**”). The Company will be making its application for final approval to the court on June 26<sup>th</sup>, 2012. Lithium One and Galaxy expect completion of the Arrangement to be implemented on July 3, 2012. Pursuant to the terms of the Arrangement, the shares of Lithium One will then be de-listed from the TSX-V.

Full details regarding the terms of the Arrangement are set out in Lithium One’s management information circular dated May 11<sup>th</sup>, 2012, which is available at [www.sedar.com](http://www.sedar.com).

Lithium One’s Chairman, Martin Rowley, commented that “*Approval of this merger now provides Lithium One securityholders with the opportunity to become a shareholder in a fully integrated lithium mining and development, chemicals and battery company. Merging the Company’s Sal de Vida and James Bay projects with Galaxy’s producing spodumene mine in Ravensthorpe, Western Australia and its lithium carbonate production facilities in Jiangsu province in China is an excellent structure to enable the merged entity to be one of the world’s leading and cost efficient producers of lithium carbonate to meet the anticipated strong global demand outlook. Our employees can also benefit from the chance to gain exposure to all steps in the*



*lithium supply chain and to work with the Galaxy technical team for the mutual benefit of the merged entity.”*

### **About Lithium One**

Lithium One’s principal asset is the Sal de Vida lithium and potash brine project in Argentina. The November 18, 2011 preliminary economic assessment by ARA Worley Parsons for the Sal de Vida project outlined an operation producing 25,000 tonnes pa lithium carbonate and 107,000 tonnes pa potash, with a 28% internal rate of return (“IRR”) and a US\$1.066 billion net present value (“NPV”) at an 8% discount rate (further to a press release dated October 5, 2011). The preliminary economic assessment is available under Lithium One’s profile at [www.sedar.com](http://www.sedar.com). End-user partners are earning a maximum of 30% project equity in Sal de Vida by funding a minimum of US\$15M towards feasibility, by providing an off-take agreement for up to 50% of the lithium production and providing a completion guarantee for the debt component of the capital development costs.

The Company also owns the James Bay bulk tonnage spodumene project in Quebec, Canada. Galaxy is earning a maximum 70% project equity in the James Bay project through an earn-in agreement that includes delivery of a feasibility study by early 2013.

### **About Galaxy**

Galaxy is an Australian-based integrated lithium mining, chemicals and battery company listed on the Australian Securities Exchange (Code: ASX: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 pegmatite ore and processes it on site to produce a spodumene concentrate and tantalum by-product. At full capacity, Galaxy expects to be able to process 137,000 tpa of spodumene concentrate and 56,000 lbs per annum of contained tantalum. The concentrated spodumene is shipped to 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 that basis and current global production, would make Galaxy the largest producer in the Asia Pacific region and the fourth largest in the world. The Jiangsu plant is in the final stages of commissioning with first production of lithium carbonate from processing Mt Cattlin spodumene produced and sold during May 2012. Galaxy has successfully completed offtake or distribution agreements for what it anticipates will be 100% of the production from Jiangsu with Mitsubishi Corporation of Japan and 13 major Chinese cathode producers. 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.

More information on Galaxy can be viewed at [www.galaxylithium.com](http://www.galaxylithium.com).

### **Qualified/Competent Persons**

The technical information in this news release related to Lithium One has been prepared in accordance with Canadian regulatory requirements set out in National Instrument 43-101 and has been reviewed and approved by Mr. Roger Kelley, an independent consultant. Mr. Kelley is a metallurgical engineer with more than 40 years experience, a fellow of the South African Institute of Mining and Metallurgy (SAIMM), and a qualified person as defined by NI 43-101.

The technical information in this report release that relates to Galaxy and its mineral resources and exploration results is based on information compiled by Mr. Robert Spiers who is a full time employee of Hellman and Schofield Pty Ltd. and Dr. Mike Grigson who is a full time employee of Arc Minerals. Mr. Spiers and Dr.



Grigson have sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity they are undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr. Spiers and Dr. Grigson consent to the inclusion in the report release of the matters based on their information in the form and context in which it appears.

The information in this report release that relates to Galaxy and its mineral ore resources is based on information compiled by Mr. Roselt Croeser who is a full time employee of Croeser Pty Ltd. Mr. Croeser has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity they are undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr. Croeser consents to the inclusion in the report of the matters based on their information in the form and context in which it appears.

ON BEHALF OF THE BOARD OF DIRECTORS,  
Martin Rowley Chairman

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*Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.*

### ***Forward-Looking Statements***

*This document may contain "forward-looking information" within the meaning of Canadian securities legislation (hereinafter referred to as "forward-looking statements"). All statements, other than statements of historical fact, included herein including, without limitation statements relating to; the satisfaction of the conditions to the Agreement, the timing and amount of estimated future production and other matters related to the exploration and development of the Company's projects, are forward-looking statements.*

*Assumptions upon which such forward-looking statements are based include that Lithium One and Galaxy will be able to satisfy the conditions in the Agreement,, that all third party regulatory and governmental approvals to the Transaction will be obtained and all other conditions to completion of the Transaction will be satisfied or waived. Many of these assumptions are based on factors and events that are not within the control of Lithium One or Galaxy and there is no assurance they will prove to be correct.*

*These forward-looking statements are made as of the date of this document and the Company does not intend,*



*and does not assume any obligation, to update these forward-looking statements other than as required by applicable law. Forward-looking statements relate to future events or future performance and reflect management's expectations or beliefs regarding future events. By their very nature forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include unsuccessful exploration results, changes in metals prices, changes in the availability of funding for mineral exploration, costs of production, unanticipated changes in key management personnel and general economic conditions, title disputes as well as those factors detailed from time to time in the Company's annual information form, interim and annual financial statements and management's discussion and analysis of those statements, all of which are filed and available for review on SEDAR at [www.sedar.com](http://www.sedar.com). In certain cases, forward-looking statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur" or "be achieved" or the negative of these terms or comparable terminology. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward looking statements.*

**Not For Release in US:** *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.*