

Perth, Australia
6 August 2012

GALAXY NOTES LITHIUM CARBONATE PRICE RISES IN CHINA

Highlights

- Prices rise on tight demand and supply fundamentals
- Spot prices in China of up to US\$7,000/tonne for battery grade product
- Battery and technical grade prices in China have risen around 17% in the last 12 months
- Follows two consecutive lithium product price hikes by major producers
- Jiangsu ramp-up timing ideal to take advantage of continuing strong lithium market and prices

Lithium producer **Galaxy Resources Ltd (ASX: GXY)** (“Galaxy” or “the Company”) says prices for both technical and battery grade lithium carbonate in its key market, China, have risen significantly on the back of tight demand and supply fundamentals, with current prices up almost 17% on the same time last year.

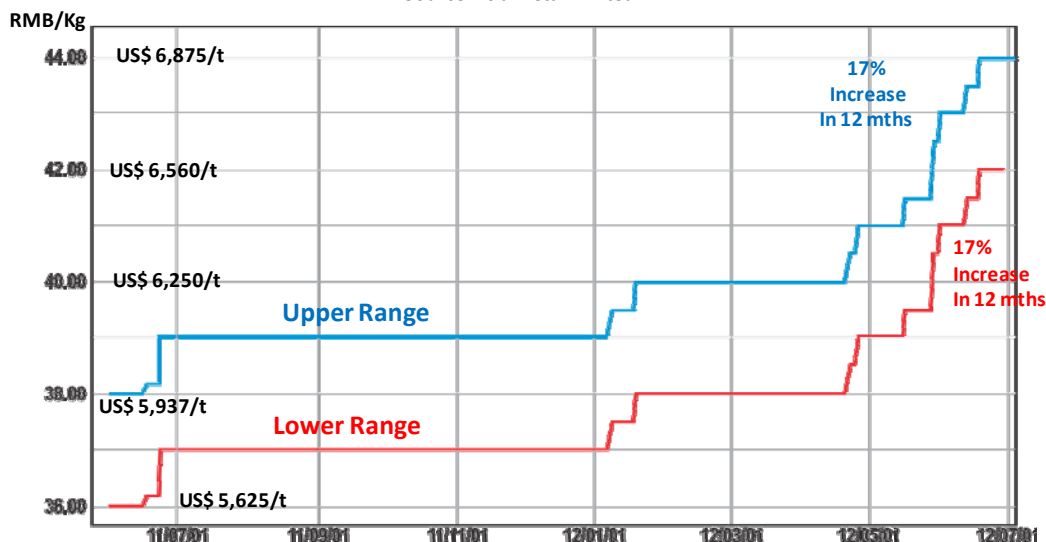
Chinese lithium carbonate producers have lifted domestic lithium carbonate prices, and the uncontracted spot price for battery grade lithium carbonate in China has hit levels of up to RMB 45,000/tonne, or approximately US\$7,000/tonne, in recent months. The Company also reports that technical grade lithium carbonate prices have followed the same trend with uncontracted spot prices up to RMB 40,000/tonne or approximately US\$6,250/tonne.

Lithium market watcher, Asia Metal Pty Ltd, said in a recent note that the, “mainstream price of battery grade lithium carbonate rose to about RMB 42,000-44,000/tonne (US\$6,650-6,960/tonne) and for small orders, many suppliers have sold at prices as high as RMB 45,000/tonne (US\$7,120/tonne).”

The following graph shows battery grade lithium carbonate prices in China tracked by Asian Metal Ltd in the last 12 months, demonstrating a 17% increase in prices on the same time last year.

China Battery Grade Lithium Carbonate

Source: Asia Metal Limited



The price increases in China follow the increases in global lithium product prices, including lithium carbonate, announced by major producers Rockwood Lithium and FMC Lithium this year.

- Rockwood Lithium announced in early May 2012 to lift global lithium salts prices by 22% or US\$1,000 per metric tonne, effective 1 July 2012.
- FMC Lithium announced a price increase of 20% on 23 June 2011 and then another increase of US\$1,000/tonne on 18 June 2012.
- Talison Lithium (spodumene supplier) announced a spodumene price increase of 15% in December 2011 and a further 10% increase on 12 July 2012.

Galaxy Managing Director Iggy Tan said: "It is pleasing to see such buoyant battery grade lithium carbonate prices in China, which will ultimately translate into higher revenues from our Jiangsu operations. With Jiangsu to reach full capacity in 2013, Galaxy is well placed to take advantage of the strong lithium market outlook."

In a recent note, Jonathan Lee from Byron Capital said: "The outlook for lithium is very strong in light of some of the uncertainty of other metals such as copper and many of the industrial metals. Lithium has grown roughly at 10 to 15 percent over the past two years on a per-annum basis. We're having another strong year this year."

The Company recently announced that its Jiangsu Lithium Carbonate Plant had successfully achieved battery grade quality across all specifications, meeting the Plant's design. This means that as well as adhering to the 99.5% purity criteria, the product now meets the prescribed tolerances for impurities required by its battery cathode producing customers.

--ENDS--

For more information, please contact:

Corporate

Iggy Tan
Managing Director
Galaxy Resources Ltd
Tel (office): +61 (0)8 9215 1700
Email: ir@galaxylithium.com

Media Contact

Jane Grieve
FTI Consulting
Tel (office): +61 (0)8 9485 8888
Tel (mobile): + 61 (0)488 400 248
Email: jane.grieve@fticonsulting.com

About Galaxy (ASX: GXY)

Galaxy Resources Ltd ("Galaxy") is an Australian-based global lithium company with lithium production facilities, hard rock mines and brine assets in Australia, China, Canada and Argentina. The Company is an integrated lithium mining, chemicals and battery company listed on the Australian Securities Exchange (Code: GXY) and is a member of the S&P/ASX 300 Index.

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 which will feed the Company's wholly-owned Jiangsu Lithium Carbonate Plant in China's Jiangsu province. The Jiangsu Plant has commenced production and 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 to develop the Sal de Vida (70%) lithium and potash brine project in Argentina situated in the lithium triangle (where Chile, Argentina and Bolivia meet) which is currently the source of 60% of global lithium production. Sal de Vida has excellent promise as a future low cost brine mine and lithium carbonate processing facility.

The Company completed a feasibility study for a proposed lithium-ion battery plant, to produce 620,000 battery packs per annum for the electric bike (e-bike) market. The Company also owns the James Bay (100%) 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.

This document contains forward looking statements concerning Galaxy.

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 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.