

Perth, Australia  
5 November 2012

## GALAXY CAPITAL RAISING

### Highlights

- Galaxy to raise A\$81 million (before costs) via equity placement to M&G Investments and China's ECE
- Placement of 162.4 million fully paid ordinary shares at A\$0.50 per share, at a 2% premium to the 5 day VWAP (\$0.49) up to and including trading on 31 October 2012
- Proceeds to be used to reduce debt, including maturing Lithium One convertible notes, provide additional working capital and drive Sal de Vida development
- Sal de Vida equity component can be funded from these proceeds - assuming a positive DFS and investment decision
- Galaxy welcomes continued support from an existing shareholder and a new cornerstone investor
- Tranche 1 (A\$15m) to M&G, unconditional and effective 9 November 2012
- Tranche 2 (A\$66.2m) to ECE, subject to due diligence, PRC, FIRB and Galaxy shareholder approvals

Galaxy Resources Ltd (ASX: GXY) ("Galaxy" or "the Company") is pleased to announce that it is to raise A\$81 million (before costs) via a Placement ("Placement") to cornerstone investors M&G Investments ("M&G") and the East China Mineral Exploration & Development Bureau ("ECE").

Under a two-tranche raising, Galaxy will issue 162.4 million fully paid ordinary shares at a price of A\$0.50 per share, at a 2% premium to the 5 day VWAP (\$0.49) up to and including trading on 31 October 2012, the day prior to the Company requesting a trading halt of its shares.

For the Tranche 1, M&G will subscribe for 30 million Galaxy shares, for gross proceeds of A\$15 million, increasing its interest in the Company to 19.3%. Tranche 1 will be completed under the Company's 15% capital issuance facility; will not require shareholder approval or be conditional on due diligence or upon the completion of the ECE placement. The settlement and issue of Tranche 1 shares is expected to be completed by 9 November 2012.

Pursuant to an executed Non Binding Indicative Offer ("NBIO"), Tranche 2 comprises the subscription for 132.4 million Galaxy shares by ECE, for gross proceeds of A\$66.2 million. Completion of Tranche 2 will give ECE an initial 19.8% interest and reduce M&G's interest to 16.4%. The success of the Tranche 2 placement is subject to due diligence by ECE, approval from the Jiangsu Provincial Development and Reform Commission and Jiangsu Provincial Department of Commerce, registration with China National Development and Reform Commission and PRC Ministry of Commerce, approval from the China State Administration of Foreign Exchange Jiangsu Branch, Australia's Foreign Investment Review Board (FIRB) and Galaxy ordinary shareholders. Once the condition precedents have been satisfied the settlement and issue of Tranche 2 shares is expected to be completed during first quarter 2013. ECE will be offered one non-executive Board position following completion of Tranche 2.

The proceeds from the Placement will be used to reduce debt, including the maturing Lithium One convertible notes, complete the Definitive Feasibility Study ("DFS") and forthcoming pilot plant work at the Company's Sal de Vida Lithium Brine and Potash Project ("Sal de Vida") in Argentina; and to provide additional working capital.

Based on a positive DFS, the Company is targeting to fund the Sal de Vida project through a project debt finance facility of around 70% of the project capital cost. On completion of the Placement the Company's cash flow management strategy will be to limit the need for any further unnecessary dilution for ordinary shareholders. Accordingly, until the expected Sal de Vida development decision is made in Q1, 2013, the Company will limit the amount of funds from the Placement applied towards permanent debt reduction in order to have available proceeds from the Placement for its equity share ( Galaxy 70%, Korean Consortium 30% ) of the development cost of Sal de Vida, if necessary.

M&G is an existing substantial shareholder in Galaxy and this further investment reflects its support for Galaxy's long term strategy and outlook, including the development of Sal de Vida.

ECE, which will become a new cornerstone investor in Galaxy, is a long standing state-owned mining exploration and development group, which seeks strategic resource investments in China and globally. ECE already has investments in a number of ASX-listed companies and is subordinate to the Jiangsu provincial government where Galaxy's lithium carbonate plant is located. ECE does not require any off take arrangements as condition of its investment as its focus is as a financial investor supporting Galaxy as it develops into a fully integrated global lithium company.

The Galaxy Board has taken this investment opportunity to ensure that the Company is well funded amid global credit tightening and an uncertain economic environment.

Galaxy Managing Director Iggy Tan said: "We have an opportunity not only to raise a substantial amount of money and strengthen our balance sheet considerably, but to bring in a new strategic, long term cornerstone investor. The fact that two strategic investors were prepared to invest at a slight premium to market is a solid indication of the future of our business, and validates our forecasts of a significant increase in demand for lithium products in the near term."

"In light of the current market outlook, we've taken the opportunity to raise money now to give us sufficient and certain funding to carry out our development plans. This financing will underpin the DFS and the accelerated development of Sal de Vida and give us the opportunity to significantly reduce our debt levels," Mr Tan said.

Galaxy expects that the Tranche 1 and 2 Placements will be the last major capital raising by the Company because, as mentioned above, the Company has an option to direct these placement funds towards Galaxy's equity component required for the development of Sal de Vida after a development decision is made. The balance of the development funds will likely come from Galaxy's joint venture partner and debt funding.

#### Use of Funds:

Use of Funds	Amount
Sal de Vida DFS & land purchase payments	A\$15m
Re-pay expiring L1 convertible notes	A\$5m
Debt Reduction	A\$31m
Corporate Working Capital	A\$15m
Jiangsu Working Capital Buffer	A\$15m
<b>Total</b>	<b>A\$81m</b>

### Expected Timetable

The expected timetable for the Placement is as follows:

Item	Expected Timing
Issue of Tranche 1 shares	9 November 2012
Notice of Meeting for EGM dispatched	13 November 2012
Shareholder approval at EGM of Tranche 2	12 December 2012
Issue of Tranche 2 shares	Early January 2013

--ENDS--

### **About M&G Investments**

M&G Investment Management Ltd. is a wholly owned subsidiary of Prudential PLC. M&G Investment Management Ltd. is one of the largest fund managers in the United Kingdom. M&G is an existing substantial shareholder in Galaxy Resources Ltd.

### **About ECE**

ECE, which was established in 1955, is a major Chinese mineral exploration, development and mining group, based in Nanjing. It has over 5,000 employees and is one of the few organisations authorised by the Chinese Government to carry out geological exploration and scientific research in major State classified projects. ECE has discovered more than 160 ore deposits in China with a potential value in excess of \$10 billion. ECE also holds a significant interest in Australian rare earths company, Arafura Resources (ASX: ARU), Australian Niobium company, Globe Metals (ASX: GBE), Australian Vanadium company, TNG Limited (ASX:TNG) and AIM listed China Africa Resources.

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**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 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.

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