

Perth, Australia  
13 December 2012

## GALAXY FINANCE UPDATE

### Highlights

- Tranche 1 of capital raising with M&G completed and funds received
- Tranche 2 with ECE expected to complete late Q1 2013
- ECE completes financial and legal due diligence, as well as Mt Cattlin and Jiangsu Plant site visits
- Galaxy extends ECE due diligence on Sal de Vida to 31 Dec 2012 due to ECE visa application hold-ups
- Interim funding of A\$20 million (before costs) to be provided by Deutsche Bank via equity placement and call option transactions in two equal tranches of A\$10m
- Placement consists of the issue of 48.0 million new, fully paid shares at a price of 41.67c per share, representing nil discount to the 3 day VWAP up to and including trading on 12 December 2012
- Call option could provide Galaxy with an additional payment of up to approximately A\$20m to the extent its share price appreciates in three years' time, without requiring Galaxy to issue additional shares
- Proceeds to be used for working capital and corporate purposes

Galaxy Resources Ltd (ASX: GXY) ("Galaxy" or "the Company") advises it has extended the date within which cornerstone investor East China Mineral Exploration & Development Bureau ("ECE") has to complete due diligence on the Company, for the purposes of a capital raising, from 19 November 2012 to 31 December 2012.

Galaxy announced on 5 November 2012 it was to complete a capital raising of A\$81 million (before costs) via a placement to ECE and existing investor M&G Investments ("M&G"). Under the two-tranche raising, Galaxy is issuing 162.4 million fully paid ordinary shares at a price of A\$0.50 per share. Tranche 1 comprised the subscription of 30 million shares by M&G for gross proceeds of A\$15 million, increasing its interest in the Company to 19.3%. Tranche 1 has been completed and funds have been received by the Company.

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. 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.

ECE has completed financial and legal due diligence. In addition, technical site visits at Mt Cattlin and the Jiangsu Lithium Carbonate Plant ("Jiangsu Plant" or "Jiangsu") have been completed. However, ECE's site visit to Galaxy's Sal de Vida Lithium and Potash operation ("Sal de Vida") in Argentina has been held up due to business visa application process delays in Argentina and China. Consequently, Galaxy and ECE have executed an agreement to extend the due diligence to 31 December 2012.

Once the condition precedents have been satisfied, the settlement of Tranche 2 is expected to be completed during Q1 2013, although later in the Quarter than previously expected.

Due to the delay of ECE's cash injection and the impact of the Jiangsu incident on near term cash flow, Galaxy has agreed to a financing arrangement with Deutsche Bank for A\$20 million (before costs), comprising equity placement and call option transactions.

The placement consists of the issue of 48.0 million new, fully paid shares at a price of 41.67c per share, representing nil discount to the Galaxy 3 day VWAP up to and including trading on 12 December 2012. The A\$20 million (before costs) placement will be settled in two tranches of A\$10 million for each tranche. The first tranche ("**DB Tranche 1**") will settle on 17 December and the second tranche ("**DB Tranche 2**") will settle immediately following the re-commencement of Jiangsu operation, anticipated to be early February 2013.

In conjunction with the placement, Galaxy has purchased cash-settled call options from Deutsche Bank to potentially benefit from future appreciation in the Galaxy share price. Galaxy stands to receive an additional cash payment to the extent its share price has appreciated in three years' time, up to a maximum of approximately A\$10m per placement tranche (based on current share price levels). Any payoff under the call options is contingent on Galaxy's share price performance from trade date to maturity date in three years' time.

The net proceeds of the financing arrangement of A\$15 million (after placement, structuring fees and call option premium) will be used for working capital and corporate purposes.

Shares issued under the placement will rank equally with existing Galaxy shares. DB Tranche 1 of the placement is within Galaxy's available capacity to issue new shares under ASX Listing Rule 7.1 and is not subject to shareholder approval. DB Tranche 2 is subject to Galaxy refreshing its placement capacity under ASX Listing Rule 7.1, which it intends to do late January 2013, subject to shareholder approval.

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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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