

14 May 2009

## CAPITAL RAISING AND LITHIUM PROJECT FUNDING STRATEGY

### Highlights

- Successfully raised \$6.65 million via a book build to sophisticated investors
- Funds raised to be applied to:
  - Definitive Feasibility Study on downstream lithium carbonate processing in China
  - Detailed engineering for Mt Cattlin project in preparation for long lead item procurement
  - Extension drilling at Mt Cattlin to establish scope of extension beyond 15 year mine life
- Strategy is to divest a minority direct interest in the lithium project as a way of generating Galaxy's equity contribution to the project finance
- Strategy will fund the project while allowing Galaxy to maintain control of the project, without relinquishing control of the company

Emerging lithium producer, **Galaxy Resources Limited (ASX: GXY)** is pleased to announce that it has raised \$6.65 million via a capital book build to sophisticated investors of State One Stockbroking.

The book build placement commenced last week when the share price was around 40-42 cents, and consists of the issue of 19 million shares at an issue price of 35 cents per share. 10 million shares will be issued and an Appendix 3B application for listing will be lodged once all subscription monies have cleared. The balance of the placement (9 million shares) will be issued once an EGM is held in the near future for shareholders to approve the placement.

Galaxy Managing Director Iggy Tan said the funds would be used to progress the next stages in the development of the mine and minerals plant at Ravensthorpe as well as the lithium conversion project in China. "We will soon commence detailed engineering for the Mt Cattlin project in preparation for long lead item procurement. We will also do further extension drilling of the Mt Cattlin resource to establish scope of extension beyond a 15 year mine life. The evidence suggests that there are significant further lithium deposits in the vicinity of the established reserves".

"Galaxy believes it now has sufficient cash on hand to fund the project and the company through to completion of lithium project funding".

In addition, during the recent RIU Round Up presentation in Sydney the company announced the project funding strategy.

Mr Tan said that Galaxy has opted to divest a minority direct interest in the project as a way of generating funds that will represent Galaxy's equity contribution to the project finance". It is proposed that Galaxy and the incoming joint venture partner will jointly develop and fund the project.

Mr Tan said that the proposed strategy will minimise further dilution of Galaxy shares, allowing full funding of the lithium project whilst allowing Galaxy to maintain control of the project and the company. "If this strategy is successful, it will be a very good outcome for our shareholders".

– ENDS –

For more information, please contact:

Iggy Tan  
Managing Director  
08 9215 1700  
0419 046 397

Katherine Knox  
FD Third Person  
(08) 9386 1233  
0421 186 129

**Caution Regarding Forward Looking Statements**

Statements regarding Galaxy's plans with respect to its mineral properties are forward-looking statements. There can be no assurance that Galaxy's plans for development of its mineral properties will proceed as currently expected. There can also be no assurance that Galaxy will be able to confirm the presence of additional mineral deposits, that any mineralization will prove to be economic or that a mine will successfully be developed on any of Galaxy's mineral properties. Circumstances or management's estimates or opinions could change. The reader is cautioned not to place undue reliance on forward-looking statements.

**About Galaxy (ASX: GXY)**

Galaxy is a specialty minerals company focusing on lithium and tantalum production. Galaxy has completed a definitive feasibility study (DFS) which suggests the Mt Cattlin Lithium / Tantalum project (Ravensthorpe, Western Australia) is commercially viable based on a processing rate of 1 million tonnes per annum over a 15 year mine life. The Company is planning to commence the development of the mine and the construction of the mineral processing plant in Q3 2009 with first concentrate production scheduled for Q3, 2010.

The company has also commenced a pre feasibility study into the value adding downstream production of lithium carbonate (Li<sub>2</sub>CO<sub>3</sub>). The company plans to establish a 17,000 tpa lithium carbonate plant in China due to lower associated capital and operating costs, as well as being close to the strategic growing battery markets in Asia.

Lithium concentrate and lithium carbonate raw materials are forecast to be in short supply and face high future demand growth due to advances in long life batteries and sophisticated electronics in hybrid and electric vehicles, mobile phones and computers.