

7 October 2009

## SUCCESSFUL COMPLETION OF A\$65M INSTITUTIONAL CAPITAL RAISING

### Highlights

- Successfully completes institutional capital raising of A\$65 million.
- Significant worldwide support for Galaxy with the raising almost three times oversubscribed.
- Complements the A\$160 million debt and equity funding package recently agreed with Creat.
- Raisings all subject to shareholder approval on 14 October 2009.
- The funds will act as cash buffer during commissioning and start up and will reduce project debt to conservative levels (60%) as the project moves to full production.

Emerging lithium producer, Galaxy Resources Limited (ASX: GXY), today announced the successful completion of an institutional capital raising of A\$65 million as part of the funding process for the Mt Cattlin mine at Ravensthorpe and the Jiangsu Lithium Carbonate Project in China.

The Company will place 51 million Shares to sophisticated and institutional investors at a fixed issue price of \$1.28, which is approximately the 30 day average trading price on ASX immediately prior to launching the capital raising roadshow on 11 September 2009. The placement is subject to shareholder approval, at an Extraordinary General Meeting on 14 October 2009.

The joint lead managers of the raising were State One Stockbroking Ltd and Helmsec Global Capital Ltd.

Galaxy Managing Director, Mr Iggy Tan, said there was strong Australian and International institutional investor support for the Company and the capital raising, which was almost three (3) times oversubscribed,

"We are delighted with the response which reflects a strong endorsement for the lithium market and the Company's strategies to fast track development of our Ravensthorpe mine and China production facilities," Mr Tan said.

"The capital raising will complement the \$160 million Creat equity and debt funding package for the development of all our projects".

The Company's intention is for the funds to reduce the project debt, available through the recently announced Creat full debt facility of A\$130 million, to a conservative level of around 60% as the project meets expected cash flows.

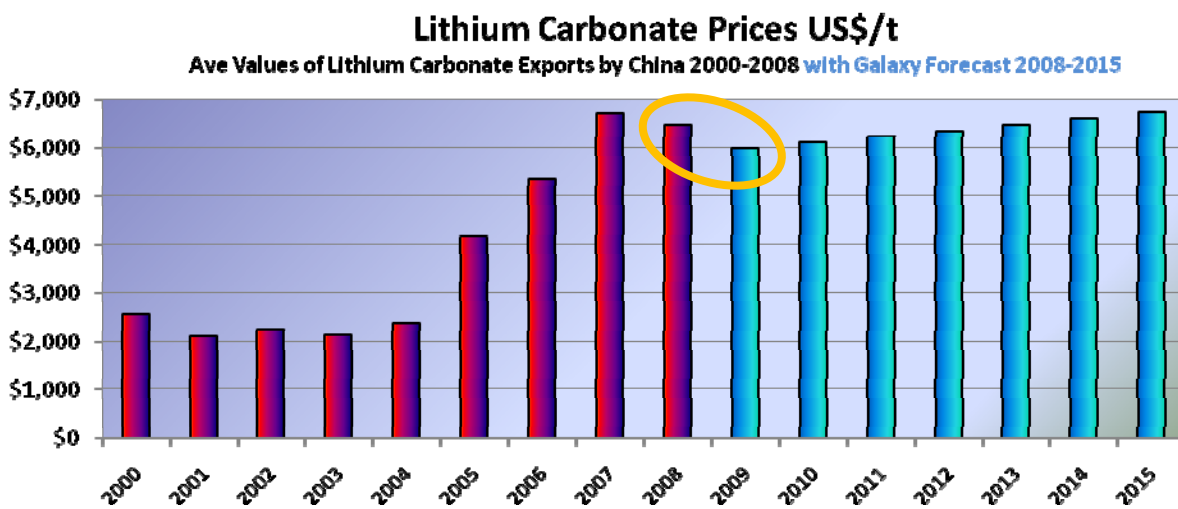
### Lithium Market Update

Mr Tan said the recent encouraging announcement by Sociedad Química y Minera de Chile S.A. (SQM) to reduce its lithium price levels, with the purpose of accelerating demand growth, to create incentives for research of new lithium uses leading to sustainable long-term development of the lithium market, was a positive.

"We are pleased that SQM has taken decisive steps to allay consumers concerns about the future availability of lithium to meet the expected surge in demand, as a large number of proposed new electric vehicle models are made ready for market over the coming five years", Mr Tan said.

Galaxy notes that SQM's production profile is predominantly technical grade product of 99.0%  $\text{Li}_2\text{CO}_3$  which is used in the chemical, glass and ceramic industries. Technical grade product has softened as a result of a change in market demand over the past 12 months.

Mr Tan said Galaxy believes that the rechargeable battery sector in countries like China, Galaxy's target market - has been more resilient and is expected to sustain strong growth. Galaxy has already factored in the reduction of demand and pricing in its financial modeling for the project, assuming a reduction in lithium carbonate pricing as shown below.



Galaxy will be producing 100% battery grade product (grade > 99.5%  $\text{Li}_2\text{CO}_3$ ), which currently attracts a price premium of around 10-15% over the technical grade. The Company's project model assumes conservative technical grade pricing with modest growth of 2% p.a. over life of project. Upside for premium product (battery grade) has not been included in Galaxy's calculated project Net Present Value. The demand for battery grade product is expected to be growing strongly by the time Galaxy commences production in Q4 2010.

SQM and other South American brine producers have less than 20% market share in China, which is predominantly supplied by lithium carbonate produced from local hard rock deposits as well as Australian-sourced spodumene.

Following on the Letters of Intent received from new customers/market entrants in the battery grade lithium carbonate sector, Galaxy is currently in discussion to secure off-take agreements with selected parties in China, Europe and Japan.

- ENDS -

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**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 Resources is a Western Australian company which is soon to become one of the world's leading producers of lithium – the essential component for powering the world's fast expanding fleet of hybrid and electric cars.

By 2010, GXY's Mt Cattlin mine will be the world's second largest hard rock producer of lithium and, through the development of its value adding lithium carbonate plant (17,000 tpa), the Company will be the largest and lowest cost lithium producer in China.

Lithium concentrate and lithium carbonate materials are forecast to be in short supply against high future demand due to advances in long life batteries and sophisticated electronics including mobile phones and computers.

Galaxy Resources has positioned itself to meet this lithium future by not only mining the lithium but by downstream processing to supply lithium carbonate to the lucrative Asian market.