

Perth, Australia
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GALAXY SECURES SPODUMENE SUPPLY AGREEMENT

Highlights

- Spodumene supply agreement signed with Talison to feed Jiangsu Plant
- High Australian dollar has impacted Galaxy's local operating costs
- Current external spodumene supply more economical than reinstating Mt Cattlin
- Mt Cattlin operations will remain suspended until further notice
- Small workforce to remain on site to maintain mine and processing plant
- Mt Cattlin is a valuable asset for Galaxy and will be able to quickly recommence operations when required

Lithium producer Galaxy Resources Ltd (**ASX: GXY**) ("**Galaxy**" or "**the Company**") advises it has signed a three year spodumene feedstock contract with Talison Lithium ("**Talison**") to supply the Company's wholly-owned Jiangsu Lithium Carbonate Plant ("**Jiangsu**" or "**the Jiangsu Plant**") in China.

Galaxy will purchase the Talison feedstock in US dollars, which will represent additional cost benefits to Galaxy. Mt Cattlin was developed as an integrated feedstock provider for Jiangsu. Since then, exchange rate deterioration of over 40% over a sustained term has pressured the cost of local production.

The contract will deliver spodumene from Talison's Greenbushes mine in Western Australia to Jiangsu at a better rate compared to the costs of a full reinstatement of Galaxy's Mt Cattlin operation in Ravensthorpe. Mt Cattlin was placed in temporary suspension in July 2012 due to high inventory levels of spodumene at Jiangsu.

Talison's recently-expanded capacity and threefold head grade at its Greenbushes operations has resulted in the first significant external supply of spodumene becoming available on the international market. The supply contract is expected to commence in July 2013, after existing stockpiles at Jiangsu have depleted.

Galaxy's Mt Cattlin operations will remain suspended until further notice, but will remain operationally ready to restart in the event Galaxy needs to resume its own internal production, and for Galaxy to retain security of supply.

Galaxy Managing Director Iggy Tan said: "Given the current exchange rate and the adverse impact on local operating costs, it is financially a better option to purchase external spodumene today instead of resuming operations at Mt Cattlin."

"The Talison Greenbushes mine has the benefit of a threefold head grade and greater capacity compared to Mt Cattlin, and can better weather the impact of the high Australian dollar."

Mr Tan said Mt Cattlin remains a crucial internal source of feedstock to ensure stable and secure supply to the Jiangsu Plant to produce high-value lithium carbonate.

"Mt Cattlin has produced many thousands of tonnes of spodumene and is a strong and stable operation that can easily be brought back online when required. The operation reached 95% of design output in May 2012 just before it was placed in

suspension due to inventory build-up. Unfortunately, the current high Australian currency has put a lot of pressure on Australian producers and exporters.

"Galaxy believes Mt Cattlin is a valuable strategic asset for the Company and purchasing external spodumene maintains Mt Cattlin's resource base without further depletion. Mt Cattlin remains an important security of feedstock supply for the Company," he said.

Galaxy's Mt Cattlin team will regrettably be reduced to a small workforce to maintain the mine and processing plant. As a result, the positions of 37 local Galaxy staff will become redundant. Galaxy will be providing support and assistance packages for affected staff.

"I'd especially like to thank the Galaxy team at Mt Cattlin for their hard work and dedication to this project to date and to the Ravensthorpe Community for its ongoing support. I am proud with what our team has achieved at Ravensthorpe," Mr Tan said.

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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. 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.

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This document contains forward looking statements concerning Galaxy.

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