

Perth, Australia
9 February 2015

Galaxy Resources Executes Agreement on Mt Cattlin

HIGHLIGHTS

- **General Mining is granted right to solely operate at the Mt Cattlin Project for 3 years with option to purchase 100% interest in Mt Cattlin for \$30,000,000 plus a 3% net smelter return, at any time during the 3 year period.**
- **Galaxy to receive a lease fee of AUD\$2,500,000 per annum, and a 10% production royalty.**
- **General Mining plans to commence Tantalum production at Mt Cattlin within approximately 6 months.**
- **After a decision to proceed with development, GMM will be responsible for all costs at Mt Cattlin.**

Galaxy Resources Ltd (ASX: GXY) ("Galaxy") ("the Company") is pleased to announce that it has signed a binding term sheet with General Mining Corporation Limited ("GMM") in respect of the Mt Cattlin Project ("Mt Cattlin"), located in Ravensthorpe, Western Australia which gives GMM the sole and exclusive right to operate Mt Cattlin for a period of 3 years together with the option to purchase Mt Cattlin from Galaxy at any time during the 3 year period.

Transaction Highlights

1. GMM will make a non-refundable payment to Galaxy of \$50,000 within 5 business days for the right to conduct sixty (60) days exclusive due diligence on Mt Cattlin.
2. GMM will then have for a further ninety (90) days the sole and exclusive right to determine whether GMM wishes to commence production at Mt Cattlin. GMM will be solely responsible for all Mt Cattlin care & maintenance costs and all tenement maintenance costs during this period.
3. If GMM elects to proceed with development at Mt Cattlin, it will have the sole and exclusive right to operate for a period of three (3) years from making such decision ("Operations Period").
4. During the Operations Period, GMM will:
 - (a) conduct its operations at Mt Cattlin at its sole discretion and cost;
 - (b) pay to Galaxy a lease fee of \$2,500,000 per annum (GST exclusive) in monthly instalments in advance and a 10% production royalty, payable quarterly to Galaxy, on the gross value of all minerals mined and sold by GMM (other than any spodumene produced, where revenues will be shared equally subject to the parties entering into a more detailed agreement);

- (c) receive 100% of all revenues from its high grade tantalum operations at Mt Cattlin, which General Mining plans to commence within 6 months; and
 - (d) have the option to purchase a 100% legal and beneficial interest in Mt Cattlin, at any time during the three (3) year Operations Period, upon payment to Galaxy of \$30,000,000 (GST exclusive) less all production payments made to Galaxy up to the date of exercise of the purchase option.
5. If GMM exercises the option to purchase Mt Cattlin, GMM will also pay to Galaxy a future 3% Net Smelter Return (NSR) royalty on the value of all minerals mined and sold by GMM from Mt Cattlin's existing resource base. Any new mineral resources delineated by GMM after acquisition of Mt Cattlin will be subject to a lower 1% NSR royalty.
6. The transactions contemplated are subject to all necessary shareholder and regulatory approvals.

The binding Term Sheet is to be replaced by a formal agreement based upon the principles described above.

Galaxy Chairman Martin Rowley commented, "Since the management and Board of Galaxy were restructured in 2013 the focus has been entirely on reducing the debt levels and realizing value for its assets. As well as the sale of the Jiangsu plant in China, management has been looking closely at ways of reducing fixed and overhead costs in order to preserve its cash resources and further strengthen Galaxy's financial situation. The proposed arrangement with General Mining at Mt Cattlin will result in these assets becoming a net cash generator instead of a loss to the Company.

The management team behind General Mining have extensive and appropriate technical experience to operate at Mt Cattlin and we believe strongly that they have the best team to unlock the most value from the Mt Cattlin assets. We continue to focus on transactions that will provide the best value recognition for the remaining assets of the Company, either through development, joint venture or divestment."

--ENDS--

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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 a lithium producer listed on the Australian Securities Exchange (Code: GXY)

Galaxy owns the Jiangsu Lithium Carbonate Plant (100%) in China’s Jiangsu province, Mt Cattlin (100%) spodumene project near Ravensthorpe in Western Australia and the James Bay (100%) lithium pegmatite project in Quebec, Canada.

Galaxy is also advancing plans to develop the Sal de Vida (96%) 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 potential as a future low cost brine mine and lithium carbonate processing facility.

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 aiming to become a major producer of lithium products.

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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