

Perth, Australia
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SHORTFALL PLACEMENT BRINGS TOTAL CAPITAL RAISING TO \$37.5 MILLION

Highlights

- Galaxy successfully raises an additional \$20.3 million, following well received site visit from institutional investors, high net worth private investors and broker dealers
- This brings the total raise from the entitlement issue and shortfall placement to \$37.5 million which is over three times the minimum subscription of the Rights issue
- With this significant working capital position, Galaxy now has the capacity to pursue initial debt reduction initiatives
- Operations at Jiangsu continue to track positively

Galaxy Resources Ltd (ASX: GXY) ("Galaxy" or "the Company") is pleased to advise that a further amount of \$20.3 million has been raised as proceeds under the shortfall component of the pro-rata non-renounceable entitlement offer (Entitlement Offer).

Galaxy has now raised a total of \$37.5 million since 1 July 2013, which includes some funds raised from listed options expiring 31 December 2014 already being exercised. The additional \$37.5 million raised includes a \$3.5 million conversion of a short-term loan facility into equity and options.

During the course of the Entitlement Offer the Company has been and continues to engage with certain large Strategic investment institutions in respect of subscribing for a substantial equity position in the Company. As such the Company intends to set aside the entire remaining \$9.2 million shortfall block for these ongoing discussions.

The proceeds from the raisings to date will be used for partial debt pay down to Chinese lenders, working capital for the Jiangsu Lithium Carbonate Plant (Jiangsu) in China and the Sal de Vida Lithium Brine and Potash Project (Sal de Vida) in Argentina and to pay costs associated with the raisings.

Galaxy Interim Managing Director Anthony Tse said that the significant improvement in Galaxy's balance sheet and capital position since the launch of the Entitlement Offer was very pleasing.

"With over \$37.5 million raised, or over three times the minimum subscription level under the Entitlement Offer, we have been able to make significant improvements in the company's financial position. Importantly, as well as the receipt of additional capital we have been successful in negotiating significant improvements in the structure of both the Chinese bank debt and convertible bonds. This is an area we are continuing to work upon, and will make further progressive improvements, as we pursue debt reduction initiatives," Mr Tse said.

Now that in excess of \$35 million has been raised, we have the capacity to pursue additional debt reductions in line with the convertible bond restructuring plan previously agreed with the bond holders.

I was also very pleased to recently host a visit to Jiangsu from several institutional investors, interested private investors and Australian brokers from which we have received very positive feedback best evidenced by a number of them participating in this shortfall placement. Jiangsu is clearly the company's most significant producing asset, with a steadily improving production and operating profile. All visitors seem to always come away with a favourable impression.

"Alongside our shareholders who participated in the Entitlement Offer, I would like to welcome these new institutional investors investing with us and I look forward to their long and healthy association with Galaxy. We also note that our Chairman Mr. Craig Readhead, has committed to subscribe \$365,000 in shares, and a general meeting of shareholders to approve this issue will be convened as soon as practicable. The Company is focused on initiatives that will continue to strengthen our financial position, and drive growth in our business operations at Jiangsu, as well as enhancing value in our other principal assets such as Sal de Vida and Mt Cattlin – all with a view to creating and maintaining long term shareholder value," Mr Tse said.

The ramp-up of Jiangsu continues to progress with the focus on achieving full production capacity. A full update on operations will be contained in the regular September Quarter Activities and Production report (as per ASX Listing Rule 5.2). Production run rates continue to improve with current month production run rate in excess of 50% of nameplate capacity. The Company remains confident of reaching a cash flow break even status at the Jiangsu operation later this year.

The Jiangsu Plant has a nameplate production capacity of 17,000 tonnes per annum of lithium carbonate, which at full production has the potential to generate annualized revenues in excess of US\$100m. Galaxy is targeting reaching full production rates in the early part of 2014. At this level of production, Galaxy would become the largest capacity producer of battery grade lithium carbonate in the Asia Pacific region.

Galaxy has also now received the final approval document for Jiangsu from the Administration of Environmental Protection of Jiangsu province. The Company previously was awarded the approval for safety and occupational health from the Suzhou Municipal and Jiangsu Provincial Safety Bureaus. The entire project regulatory approval process has now been concluded.

Discussions remain ongoing with respect to project funding and development options for the company's core Sal de Vida project. The Company's focus with respect to Sal de Vida is ensuring the right development structures and partners are in place to successfully take the project from the study to construction phase.

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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 has built an advanced and fully-automated Lithium Carbonate production facility in Jiangsu Province, China ("Jiangsu Plant"). The Jiangsu Plant has a name-plate capacity of 17,000 tpa, is primarily focused on producing battery grade lithium carbonate, and is aiming to become the largest producer in the Asia Pacific region and the fourth largest in the world.

Galaxy is currently advancing plans to develop the Sal de Vida Lithium and Potash Brine Project ("Sal de Vida") in Argentina, which is situated in the Lithium Triangle, a region where Chile, Argentina and Bolivia meet, and presently accounts for 60% of global lithium production. Sal de Vida has excellent promise as a future low cost production facility.

The Company also owns the Mt Cattlin Spodumene Mine near Ravensthorpe in Western Australia and the James Bay Lithium Pegmatite Project in Quebec, Canada.

Lithium compounds are used in the manufacture of ceramics, glass, electronics and are an essential ingredient in producing battery materials such as cathode and electrolyte, in the manufacture of long life lithium-ion batteries, which are used in consumer electronics, power tools, electric bikes, hybrid and electric vehicles. Anticipating the growing demand in coming years, Galaxy is positioning itself 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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