

Perth, Australia
7 September 2012

RAMP-UP PROGRESS CONTINUES AT GALAXY'S JIANGSU PLANT

Highlights

- Galaxy's Jiangsu Plant produced 350 tonnes of lithium carbonate in August - ahead of ramp up schedule
- Sales for August totalled 268 tonnes, generating revenue in excess of A\$1.6 million (RMB10.5 million)
- Initial battery grade lithium carbonate sales commence
- Over 30 potential customers provided with battery grade samples for product qualification
- Product continues to meet all battery grade specifications on impurity profiles
- Plant achieving purity of 99.5% and above as required by battery cathode customers
- Company remains on track to achieve positive operational cash flow at Jiangsu in Q1 2013

Lithium producer Galaxy Resources Ltd (ASX: GXY) ("Galaxy" or "the Company") advises that lithium carbonate production from its wholly-owned Jiangsu Lithium Carbonate Plant ("Jiangsu" or "Jiangsu Plant") totalled 350 tonnes (25% of design output) in August, slightly ahead of the ramp-up schedule.

August sales totalled 268 tonnes generating revenue in excess of A\$1.6 million (RMB10.5 million) for the month. Galaxy commenced battery grade lithium carbonate sales with overall product acceptance. August sales were still based predominantly on technical grade product. Going forward, battery grade sales revenue is expected to increase as more customer product qualifications are completed.

Battery grade lithium carbonate samples were sent to over 30 potential customers in China during the month for product qualification. Product testing continues and feedback regarding product quality to date has been extremely positive.

Product quality at Jiangsu continues to achieve at least the 99.5% purity criteria required to class the lithium carbonate as battery grade, with the product meeting all of the prescribed tolerances for impurities required by Galaxy's cathode producing customers.

Sales volumes are expected to build up rapidly in the coming months as more customers qualify the product and fulfil regular offtake arrangements. The earlier-than-expected achievement of battery grade product has been an important milestone in the ramp-up of the Jiangsu Plant. Moreover, the consistent achievement of battery grade quality strongly supports the Company's strategy of becoming a dominant player in the lithium-ion battery input market.

Galaxy Managing Director, Iggy Tan, said the Company is very pleased with the Jiangsu Plant ramp-up so far: "The progress to date at Jiangsu is very much in line with our expectations. Jiangsu is a large chemical complex and we are pleased to have already successfully reached a number of key quality and production milestones. We are aiming to achieve further production targets in the coming months as we progress the 12 month ramp-up of the Plant, and as we move towards achieving positive operational cash flows in the first quarter of 2013."

This month, the Company will continue work on optimising the process and drive the ramp-up of the Plant to achieve design production as soon as practicable. A new pneumatic conveying system to replace the current drag chain conveyors is to be installed in the next week and is expected to improve both the quality performance and operability of the product end of the Plant.

Lithium carbonate demand remains strong in China and recent forecasts are for continued strong growth through to 2020. Recently announced prices for both battery and chemical grade lithium carbonate represent an increase of 17% over the levels recorded in the same period last year.

--ENDS--

For more information, please contact:

Corporate

Iggy Tan
Managing Director
Galaxy Resources Ltd
Tel (office): +61 (0)8 9215 1700
Email: ir@galaxylithium.com

Media Contact

Jane Grieve
FTI Consulting
Tel (office): +61 (0)8 9485 8888
Tel (mobile): + 61 (0)488 400 248
Email: jane.grieve@fticonsulting.com

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 where it mines lithium pegmatite ore and processes it on site to produce a spodumene concentrate and tantalum by-product. At full capacity, Galaxy will process 137,000 tpa of spodumene concentrate which will feed the Company's wholly-owned Jiangsu Lithium Carbonate Plant in China's Jiangsu province. 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.

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.

Not For Release in US

This announcement has been prepared for publication in Australia and may not be released in the U.S. This announcement does not constitute an offer of securities for sale in any jurisdiction, including the United States, and any securities described in this announcement may not be offered or sold in the United States absent registration or an exemption from registration under the United States Securities Act of 1933, as amended. Any public offering of securities to be made in the United States will be made by means of a prospectus that may be obtained from the issuer and that will contain detailed information about the company and management, as well as financial statements.