

Perth, Australia

2 February 2015

JIANGSU SALE UPDATE – TRANSACTION TERMS REVISED

HIGHLIGHTS

- Revised terms to binding Share Purchase Agreement (“SPA”) with Sichuan Tianqi Lithium Industries Inc. for the sale of 100% of the Jiangsu Lithium Carbonate plant in China agreed.
- Revised enterprise value of US\$173.2 million (approximately A\$223.0 million, versus A\$249 million as previously announced), comprising cash consideration of US\$71.7 million (approximately A\$92.3 million) and assumption of all Chinese debt.
- Tianqi to meet 50% of running costs of Jiangsu Plant from 1 February 2015 until Completion.
- On closing Galaxy to have pro forma cash after all adjustments including current pro forma cash on hand, of approximately A\$50 million.

Exchange Rate: 1 AUD: 0.7768 USD

Galaxy Resources Ltd (ASX: GXY) (“Galaxy” or the “Company”) advises of a change to the binding Share Purchase Agreement (“SPA”) with Sichuan Tianqi Lithium Industries Inc. (“Tianqi”) for the sale of 100% of the Jiangsu Lithium Carbonate Plant (“Jiangsu Plant”), as originally announced on 30 April 2014.

The agreement is to be effected by way of the sale of 100% of the shares in the Company’s wholly owned Hong Kong subsidiary Galaxy Lithium International Limited (“Galaxy International”) which is the registered holder of 100% of the shares of Galaxy Lithium (Jiangsu) Co., Ltd (“Galaxy Jiangsu”) the owner of the Jiangsu plant.

The consideration for the sale has changed from an enterprise value of US\$230 million to an enterprise value of US\$173.2 million for Galaxy Lithium, with the consideration comprising cash payable to Galaxy changing from US\$122 million to US\$71.7 million, together with the assumption by Tianqi of the current outstanding US\$101.5 million of Chinese bank debt (previously US\$108 million) at the Galaxy Jiangsu level.

The final enterprise value and therefore cash consideration is subject to an adjustment to account for Tianqi’s contribution to 50% of Jiangsu Plant costs from 1 February 2015 until completion of the sale.

Galaxy has previously received a deposit included within the cash consideration of US\$12.2 million (announced on 21 May 2014). Post-completion Galaxy will be required to repay the loan facility of US\$30 million made available by Tianqi Group Hong Kong Company Limited, a member of the Tianqi group (announced on 11 August 2014).

Shareholders previously approved the sale of the Jiangsu Plant, by a substantial majority, on 20 June 2014. The nature of the change to the transaction consideration requires Galaxy to seek re-approval from its shareholders.

BACKGROUND TO REVISED TRANSACTION TERMS

Due to the completion process being more protracted than anticipated, Tianqi indicated that its Board and shareholders would not approve the transaction under the terms of the original SPA of April 2014. In light of this, the Directors believed it was in the best interest of shareholders to re-negotiate the terms of the SPA to enable completion to be achieved with a higher degree of certainty. The Directors advise that Galaxy and Tianqi have been able to reach an agreement as to the revised terms and are working towards satisfaction of the outstanding conditions precedent, so as to now complete the transaction as soon as possible.

GALAXY POST TRANSACTION

Closing of the transaction will radically change the balance sheet of Galaxy from a material negative working capital balance to a pro forma cash balance of approximately A\$50 million.

Transaction Overview

- 100% sale of the Jiangsu Plant
- Enterprise value of US\$173.2 million
- Cash consideration of US\$71.7 million
- Tianqi to assume all debt at Galaxy Jiangsu
- Transaction subject to Galaxy/Tianqi shareholder and regulatory approvals

The transaction remains subject to Tianqi shareholder approvals and regulatory approvals in China for Tianqi, and a re-approval by Galaxy shareholders. Galaxy intends to issue a Notice of Meeting in early February to call for an Extraordinary General Meeting of shareholders to re-approve the sale in early March.

Some uncertainty remains with the transaction around the regulatory process in China. The Company continues to work closely with Tianqi in respect to the required regulatory approvals in China, including as to the process and expected timeframe that these approvals can be obtained. As the Company is not in a position to provide further information on this matter at this time, shares will remain in a trading halt on ASX until such time as a further announcement can be released.

--ENDS--

For more information, please contact:

Corporate

Nick Rowley
Director – Investor Relations
+61 (8) 9215 1700
nick.rowley@galaxylithium.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 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.

About Tianqi

Tianqi is a Chinese company listed on the Shenzhen Stock Exchange of China. It conducts operations mainly from China, but has customers, business partners and suppliers in various countries around the world, including Europe, Australia, the United States and Japan. It is a leading producer of lithium carbonate and other lithium products and is also the sole distributor of technical grade lithium concentrate for Talison in China.

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.