

Perth, Australia
15 January 2013

GALAXY JIANGSU UPDATE

Galaxy Resources Ltd (ASX: GXY) ("Galaxy" or "the Company") confirms that following an incident at its Jiangsu Lithium Carbonate Plant ("Jiangsu" or "the Plant") in China on 22 November, an investigation by the Company into the cause of the incident has concluded.

The investigation concluded that on shutdown of the Plant, an abnormal and unexpected blockage in the vertical crystallizer section held up a mass of sodium sulphate liquid, the force of which, on subsequent unforeseen release, caused the fiber glass pipe work at the U bend section to rupture on impact. Due to the highly abnormal nature of the incident, the risk of this type of incident was not identified by the Plant designers in their design documentation or safety studies.

China's Suzhou Safety Bureau (Safety Bureau) has also conducted an independent investigation and concurs with the root cause analysis of the incident described above. The Safety Bureau has agreed with the Company's proposal to replace the ruptured U bend section with stainless steel (2507) material with additional load support in light of the impact and consequences of the incident.

The Company reports that the stainless steel replacement materials have been ordered and the repair of the U bend will be completed by early February 2013 ready for Plant recommencement, subject to final sign off by authorities.

Galaxy is saddened to report that a second employee passed away as a result of infection from injuries sustained in the incident. Employees and contractors affected by the incident continue to recover, and the Company continues to support them and their families. The Company has business, commercial and welfare insurance policies in China that covers the business interruption and the affected employees.

The Company has also used the time available as a result of the Plant shutdown following the incident to make further modifications to the Plant, which will improve the operability and throughput rate upon re-commencement of production. A complete Hazard and Operability (HAZOP) review has been conducted on the entire operation to ensure complete and ongoing safety of the Plant before re-commencement of operations. Safety continues to be a paramount priority at Jiangsu. Galaxy achieved a record of 2 million man hours without a Lost Time Injury (LTI) during the Jiangsu construction, commissioning and operation of the Plant before the incident.

The other shutdown activities at Jiangsu are proceeding on schedule. The Company expects to begin the kiln dry out process at the end of January and be ready for Plant recommencement by early February 2013.

In December 2012, the Company sold 213 tonnes of product and recorded revenue of 8.6 million RMB (inclusive of VAT) (A\$1.3 million). Further remaining inventory of around 70 tonnes will be sold in January 2013.

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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 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 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.

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