GALAXY
meeting a lithium future

20 January 2010

GALAXY INCREASES MT CATTLIN RESOURCE & MINE LIFE

Highlights

- Total Lithium Oxide contained tonnes increased by 11%
- Total resource ore tonnes increased by 10%, or 1.51 million tonnes from the previous resource estimate
- Measured and indicated categories of the resource have increased by 32%, or 2.98 million tonnes
- New North West Zone has potential for several million tonnes of mineralisation, in addition to the current resource

Emerging lithium producer, Galaxy Resources Limited (ASX: GXY) is pleased to announce a new resource statement for the Mt Cattlin Lithium-Tantalum project near Ravensthorpe, Western Australia. The previous resource estimate was released in May 2009 and since then, additional drilling, modelling and evaluation has increased the project's total contained lithium oxide resource by 11% to 172,000 tonnes.

Galaxy Resources Managing Director, Mr Iggy Tan, said the resource increase at Mt Cattlin would extend the mine life of the spodumene project to 16 years.

"This new estimate, with a substantially increased resource, highlights the significant potential of the Mt Cattlin Lithium-Tantalum Project and our emergence as a major participant in the world lithium market," Mr Tan said.

"It is expected that much of this additional measured and indicated category material will be economically mineable by open pit technique and will translate into increased reserves. Pit optimisations and a reserve estimate are currently in progress.

"With the Company's recent tenement acquisitions and another drilling program scheduled to commence in the current quarter, the potential for further resource upgrades in the future is significant."

Resources

The geological model was prepared by Galaxy and the estimation was prepared by resource consultants Hellman and Schofield Pty Ltd (H&S). This new estimate gives contained mineral resources for the Mt Cattlin Deposit of 172,000 tonnes of lithium oxide (Li_2O) and 5.67 million pounds of tantalum pentoxide (Ta_2O_5) above a cut off grade of 0.4% lithium oxide, reported below in accordance with the JORC Code and Guidelines. The classification of the Mt Cattlin mineral resource is shown below in Table 1 and a summary of the estimation methodology used is included at the end of this announcement. Details of the previous resource estimate completed in May 2009 are included in Table 2 for comparison.

Table 1 – New Mt Cattlin Global Resource Estimate

Resource	Tonnes	Li_2O %	Ta_2O_5 ppm
Measured	2,672,000	1.17	150
Indicated	9,629,000	1.09.	171
Inferred	3,575,000	1.00.	145
TOTAL	15,875,000	1.08	161

Note: Li_2O cutoff grade >= 0.4% Li_2O. Figures in the above table may not sum due to rounding

Table 2 – May 2009 Mt Cattlin Global Resource Estimate

Resource	Tonnes	Li_2O %	Ta_2O_5 ppm
Measured	2,260,000	1.19	143
Indicated	7,064,000	1.10	156
Inferred	5,044,000	1.01	152
TOTAL	14,368,000	1.08	153

Note: Li_2O cutoff grade >= 0.4% Li_2O. Figures in the above table may not sum due to rounding

The new resource estimate has increased the total tonnes for all resource categories by 1.51 million tonnes. Lithium oxide grades have remained the same, while the tantalum pentoxide grade has increased by 5% compared to May 2009. Significantly, tonnes in the measured and indicated categories have increased by 2.98 million tonnes or 32% compared to 2009.

The January 2010 resource estimate includes an additional 156 RC holes (9261m) and assays for an additional 6 diamond holes (90 samples) compared to the May 2009 estimate. Collar positions of drill holes are shown in Figure 1, with those completed after the May 2009 resource estimate highlighted. The recent drilling infilled some zones, particularly in the Western Mining Costean and North Ravensthorpe areas (see Figure 1) that were previously lacking lithium assays in many holes. This has contributed substantially to the large increase in measured and indicated resources. Some extension drilling was also completed at the margins of the resource.

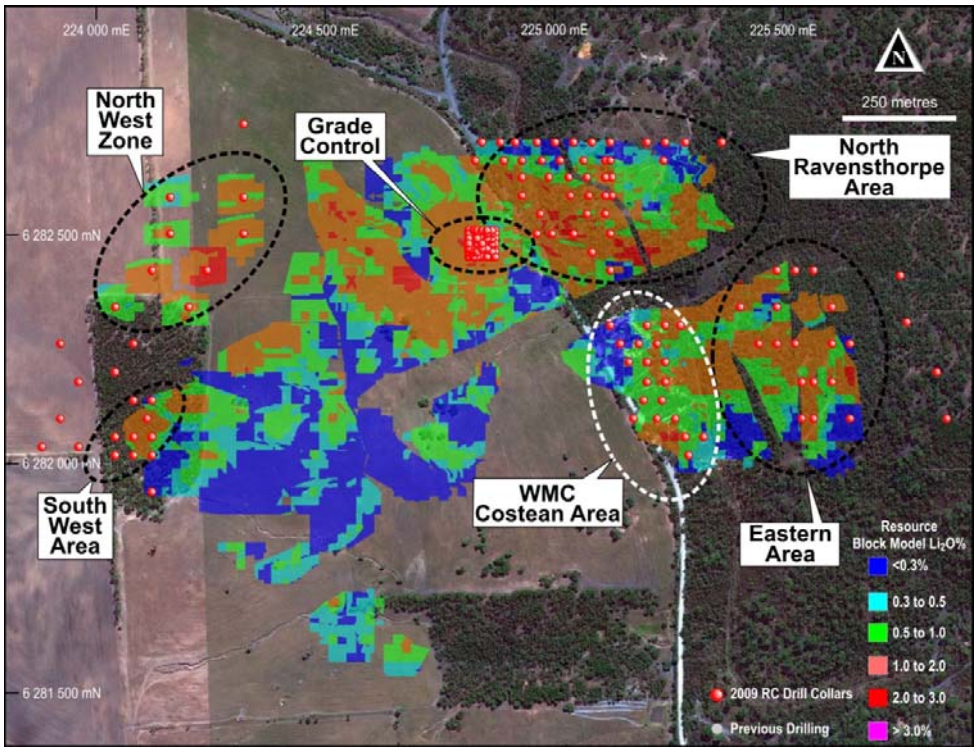

Figure 1. Mt Cattlin drill collar plan

North West Zone

During the 2009 drilling program, a new zone of mineralisation was intersected to the north west of the current resource. Drill holes in the area are currently very widely spaced, resulting in the resource blocks not fully populating the interpreted geological model (see Figure 1). However, all holes drilled to date in this zone have intersected mineralisation. Results were reported in an ASX release on 18/11/09 and include 16m @ 1.35%Li_2O in GX1054 and 9m @ 2.13%Li_2O in GX947.

Further drilling to infill the North West Zone to a more suitable spacing to estimate inferred resources is planned for the first quarter of 2010, and is expected to result in a further significant increase in resources.

Preliminary economic studies indicate that while part of the North West Zone has potential to be mined by open pit methods, it may be more profitable to mine using underground techniques.

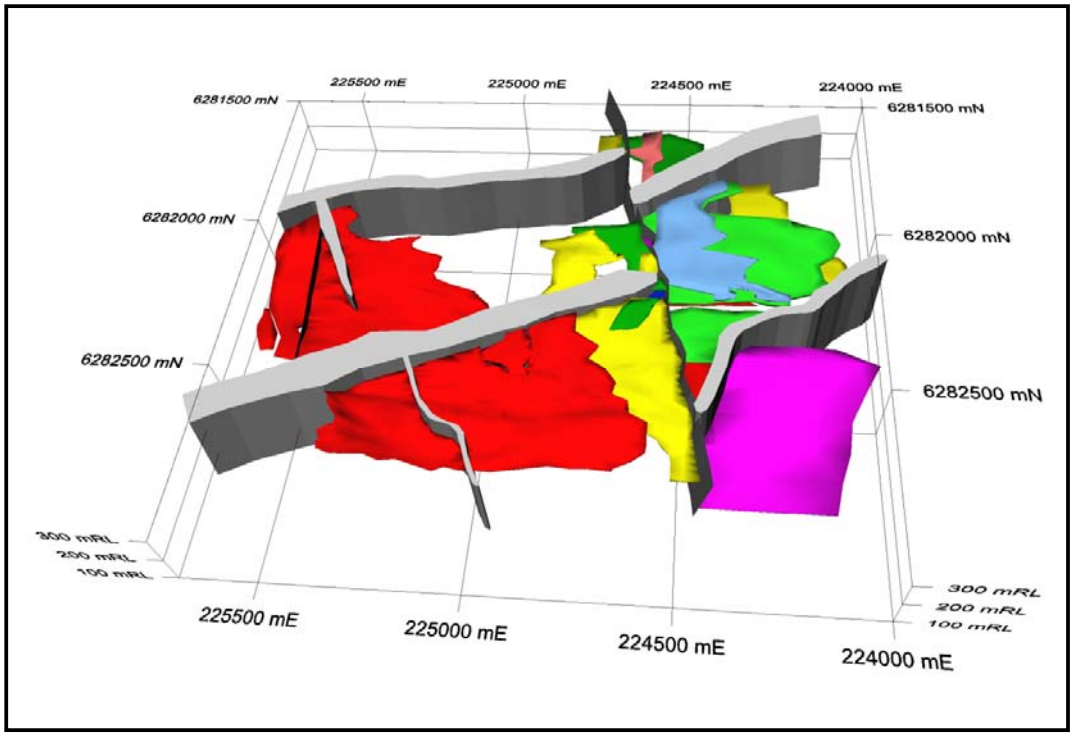

Figure 2. Geological model for January 2010 resource estimate, showing pegmatite lodes (coloured) and dolerite dykes (grey). Isometric view looking southeast

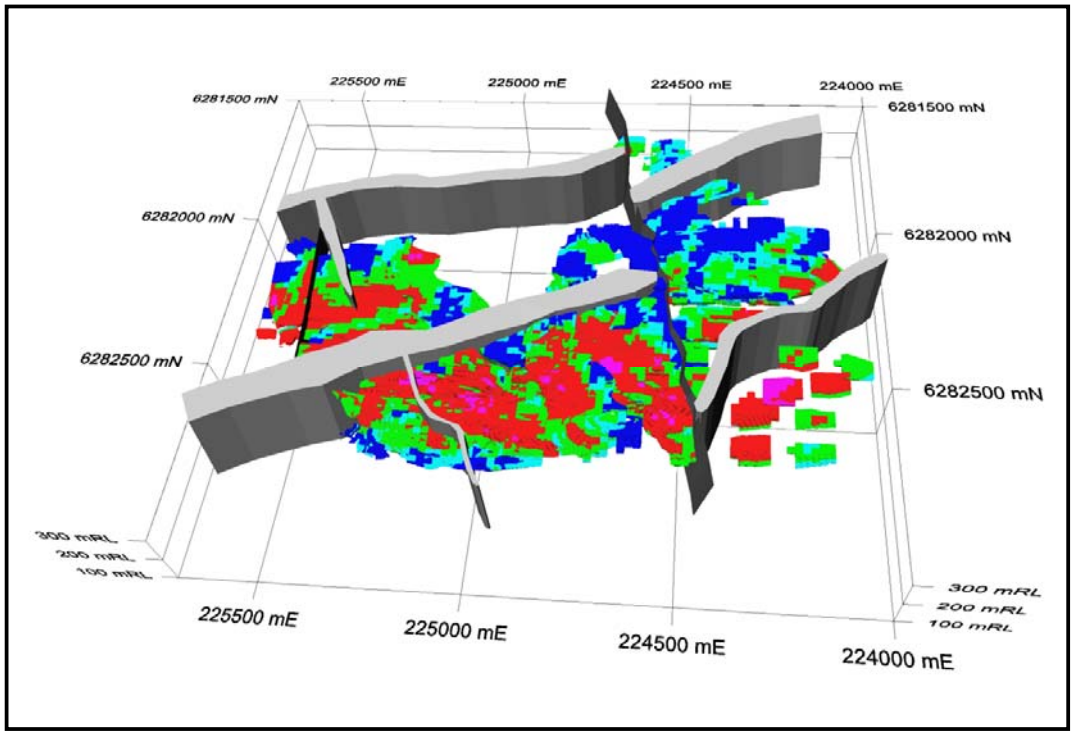

Figure 3. Resource model, January 2010 resource estimate, showing blocks coloured by Li_2O grade and dolerite dykes (grey). Isometric view looking southeast.

Resource Estimation Methodology

Galaxy recently completed a resource drilling program over the Mt Cattlin deposit during the second half of 2009. Drill testing over the area has been infilled predominantly to 40m x 40m pattern density. Some areas in the southwest and southeast have been drilled to 80m x 40m and 80m x 80m hole spacings. The resource data set contains 858 RC drillholes totalling 39,745m and 27 diamond drillholes totalling 951m. The majority of samples are 1 metre riffle split samples of RC percussion chips, with analysis by SGS Australia Pty Ltd using AAS for Li (converted to Li_2O) and XRF for Ta (converted to Ta_2O_5).

Geological interpretation was completed by Galaxy on drillhole cross sections and then wireframed utilising Micromine software to create a three dimensional geological model. The resource model was undertaken using a single pass, 3D ordinary kriging approach with the search aligned parallel to the strike and dip of the mineralisation. Hellman & Schofield's proprietary software, GS3 was used for estimation. This approach was validated against the original data on section and in plan. Variables modelled included Li_2O, Ta_2O_5, and Nb_2O_5 using Ordinary Kriging with search radii of 30mE by 30mN by 5mRL employed. Several iterations of the modelling process were undertaken to ensure that the most realistic outcome was obtained and that the model properly reflected the underlying data. The block grades from GS3 were then imported into a Micromine 3D model, trimmed to the existing geological model wireframe and regularised for later use in mine planning software. Estimates of mineral resources in this report are presented above a 0.4% Li_2O cutoff grade which is considered to represent the economic cutoff for the project area.

– ENDS –

Competent Persons

The information in this report that relates to Mineral Resources is based on information compiled by Mr. Robert Spiers who is a full time employee of Hellman & Schofield Pty Ltd and who is a Member of the Australian Institute of Geoscientists. Mr. Spiers has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr. Spiers consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to Exploration Results, including exploration data and geological interpretations is based on information compiled by Mr Philip Tornatora who is a full time employee of the Company and who is a Member of the Australasian Institute of Mining and Metallurgy and the Australian Institute of Geoscientists. Mr. Tornatora has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr. Tornatora consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

Caution Regarding Forward Looking Statements

Statements regarding Galaxy's plans with respect to its mineral properties are forward-looking statements. There can be no assurance that Galaxy's plans for development of its mineral properties will proceed as currently expected. There can also be no assurance that Galaxy will be able to confirm the presence of additional mineral deposits, that any mineralization will prove to be economic or that a mine will successfully be developed on any of Galaxy's mineral properties. Circumstances or management's estimates or opinions could change. The reader is cautioned not to place undue reliance on forward-looking statements.

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About Galaxy (ASX: GXY)

Galaxy Resources is a Western Australian company which is soon to become one of the world's leading producers of lithium – the essential component for powering the world's fast expanding fleet of hybrid and electric cars. By 2010, GXY's Mt Cattlin mine will be the world's second largest hard rock producer of lithium and, through the development of its value adding Jiangsu lithium carbonate plant (17,000 tpa), the Company will be the largest and lowest cost lithium producer in China.

Lithium concentrate and lithium carbonate materials are forecast to be in short supply against high future demand due to advances in long life batteries and sophisticated electronics including mobile phones and computers. Galaxy Resources has positioned itself to meet this lithium future by not only mining the lithium but by downstream processing to supply lithium carbonate to the lucrative Asian market.