

Galaxy Resources Limited: Quarterly Activities and Cashlow Report - March 2012

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Perth, Australia (ABN Newswire) - [Galaxy Resources Limited](#) (ASX:GXY) is pleased to provide its Quarterly Activity Report for the quarter ended 31 March 2012.

HIGHLIGHTS

- Merger offer made for Canada's Lithium One Inc
- Merger to Create Significant Global Lithium Company
- Successful A\$30 M Placement To Support Merger
- Jiangsu Lithium Carbonate Plant Officially Opened
- Jiangsu Hot Commissioning Progressed (completed subsequent to quarter)
- First Lithium Carbonate Produced at Jiangsu (subsequent to quarter)
- Lithium Hydroxide Expansion Study Commenced
- Mt Cattlin Exceeded Design Output
- Fourth Spodumene Shipment Due in Mid May 2012

CORPORATE DIVISION

Proposed Merger with Lithium One

The Company announced that it had entered into an agreement to effect a merger ('Proposed Merger') of Galaxy and Canadian lithium and potash exploration and development company [Lithium One Inc.](#) (CVE:LI). Lithium One owns the highly prospective Sal de Vida lithium and potash brine project in Argentina ('Sal de Vida'), for which a preliminary economic assessment ('PEA') completed in October 2011 estimated a net present value of US\$1.07 billion (at 8% discount). Lithium One also owns the James Bay lithium pegmatite project in Quebec ('James Bay'), in which Galaxy has an existing 20% stake under a farm-in arrangement.

The Proposed Merger with Lithium One represents an excellent opportunity for Galaxy to boost its global lithium resource base and become a major global lithium company. Galaxy has spent the last 18 months searching the world for a high quality, undeveloped lithium brine deposit and believes Sal de Vida fits that criterion. The Sal de Vida brine chemistry is highly favorable, with high levels of lithium and potash, and low levels of magnesium and sulphate impurities. Sal de Vida is located adjacent to FMC Lithium's El Fenix lithium operation in the Salar del Hombre Muerto, which has been in operation for the last 15 years.

Galaxy will require more lithium resources over the next few years, and Sal de Vida along with James Bay would significantly add to its existing Australian resource inventory and give it ample resources to continue to grow the lithium business and drive the long term value of the Company.

The Proposed Merger is not only a good strategic fit for Galaxy, it also represents an opportunity for Lithium One shareholders to become part of a lithium producing company with hard rock and brine assets around the world.

With Galaxy's expertise across project development and lithium mining, processing and marketing, the Company believes it would be able to fast track development of Sal de Vida as it did at the Mt Cattlin lithium mine and Jiangsu Lithium Carbonate Plant ('Jiangsu Plant').

In addition, Galaxy plans to retain Lithium One's current management team and incorporate it into Galaxy's successful business.

The Galaxy Board of Directors unanimously support the Proposed Merger and recommend that Galaxy shareholders vote in favour of it at the Annual General Meeting, which is intended to be held in May 2012.

The Proposed Merger is also unanimously supported by the Lithium One Board of Directors, which recommends that Lithium One shareholders vote in favour accordingly.

Lithium One Chairman, Martin Rowley, said this offer from Galaxy was attractive and represented an outstanding opportunity for Lithium One shareholders to realise the value of their investment.

To view the complete Galaxy Resources Quarterly Report, please refer to the following link below:
<http://media.abnnewswire.net/media/en/docs/ASX-GXY-587408.pdf>

About Galaxy Resources Limited:

Galaxy Resources Limited (ASX:GXY) is an Australian-based integrated lithium mining, chemicals and battery company listed on the Australian Securities Exchange and is a S&P/ASX 300 Index Company. 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 produce 137,000 tpa of spodumene concentrate and 56,000 lbs per annum of contained tantalum. The concentrated spodumene is shipped to Galaxy's wholly-owned Lithium Carbonate Plant in China's Jiangsu province. Once complete, the Jiangsu plant 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 for a lithium-ion battery plant, to produce 350,000 battery packs per annum for the electric bike (e-bike) market. The Company also has a farm in agreement with TSX-listed Lithium One Inc to acquire up to 70% of the James Bay 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.

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