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GALAXY NOT AFFECTED BY RESOURCES SUPER PROFIT TAX

Highlights

- Resources Super Profits Tax will not have any material impact on Galaxy
- China based Jiangsu Lithium Carbonate Project is owned by an entity not subject to Australian taxation legislation
- Mt Cattlin Spodumene Project in Ravensthorpe sells spodumene concentrate to the downstream Chinese entity at 'arm's length' market prices
- As the majority of profits are generated in the downstream value adding process, the Mt Cattlin Project will not be subject to the RSPT proposed by the Australian Government

Emerging lithium producer, Galaxy Resources Limited (ASX: **GXY**), is pleased to announce that based on current modeling, the proposed implementation of a Resources Super Profit Tax (RSPT) will not have any material impact on Galaxy's key projects.

On 2 May 2010, the Commonwealth Government released the Henry Review into the Australian tax and transfer system. One of the key reforms announced by the Government was the introduction of a RSPT levied at 40 percent of profits from 1 July 2012. The proposed RSPT applies to all Australian non-renewable, natural resources projects not already subject to Petroleum Resource Rent Tax.

Galaxy's downstream processing facility, the Jiangsu Lithium Carbonate Project, is located in China and is owned by an entity that is not subject to Australian taxation legislation. Accordingly, profits from Galaxy's wholly owned Chinese entity will not be subject to the RSPT. Profits will return from the Chinese entity to the Australian parent entity via repatriation of dividends.

Galaxy's Mt Cattlin Spodumene Project in Ravensthorpe sells spodumene ore to the downstream Chinese entity at 'arm's length' market prices. As most of the profits generated are from the downstream value adding aspect of the project, the Mt Cattlin operation will not be subject to the proposed RSPT.

In addition to the RSPT, the Henry Review recommended a number of other changes to the Australian taxation system. A preliminary assessment of the reforms announced to date, indicates that they are not expected to have a significant impact on the Galaxy group in its current form.

The Commonwealth Government has indicated that it will make further announcements in the coming months in response to the Henry Review and Galaxy will continue to monitor the Government's implementation of the Henry Review and inform the market of any material impact of those changes on the Galaxy group.

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About Galaxy (ASX: GXY)

Galaxy Resources is a Western Australian S&P / ASX 300 Index 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 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.