GALAXY
meeting a lithium future

27 May 2009

RESOURCE UPGRADE SUPPORTS INCREASED GRADE FOR LITHIUM PROJECT

Highlights

- New total resource estimate shows an increase of 17% or 2.06 million tonnes from the previous resource statement
- Measured and indicated categories of the resource have increased by 24% or 1.82 million tonnes
- Overall lithium grades have increased by 8%
- Total Lithium oxide (Li_2O) contained tonnes increased by 26%

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 estimation was released in December 2007 and since then, additional drilling, modelling and evaluation conducted as part of the Mt Cattlin Definitive Feasibility Study (DFS) has increased the project's total contained lithium oxide resource by 26% to 155,000 tonnes.

Galaxy Managing Director Iggy Tan said the new resource statement underscored Galaxy's potential to be a long term lithium producer.

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

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 155,000 tonnes of lithium oxide (Li_2O) and 4.83 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 December 2007 are included in Table 2 for comparison.

Table 1 – 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

Table 2 – Dec 2007 Mt Cattlin Global Resource Estimate

Resource	Tonnes	Li_2O %	Ta_2O_5 ppm
Measured	1,090,000	1.07	177
Indicated	6,417,000	1.02	125
Inferred	4,798,000	0.96	140
TOTAL	12,305,000	1.00	135

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 2.06 million tonnes, with a 24% increase in indicated and measured resource tonnes compared to 2007. Lithium grades have increased by 8%, while tantalum pentoxide grade has increased by 13% compared to December 2007.

The 2009 resource estimate included an additional 110 RC holes (6425m) and 6 diamond holes (163m) compared to the 2007 estimate. Collar positions of drill holes completed after the 2007 resource estimate are shown in Figure 1. This drilling infilled some areas that were previously drilled at 80m x 80m to 40 x 40m hole spacing. Some extension drilling was also completed at the margins of the resource, particularly in the west and north.

The geological model has been significantly updated from the model used in 2007 and has incorporated more geological information, with additional dykes and faults modelled. The wireframes are more closely constrained to the pegmatite horizons and exclude significant waste material between pegmatite horizons that had been included in the 2007 model.

The increase in lithium and tantalum grades is mainly due to the exclusion of waste material, in addition to greater continuity of higher grade zones with increased drill density. Tonnage has increased mainly as a result of additional mineralisation intersected in extension drilling completed in 2008.

Galaxy is planning additional drilling to complete coverage in zones where historical drilling was not assayed for lithium, in addition to following up strike extensions of the orebody. Galaxy expects to commence this program in the second half of 2009.

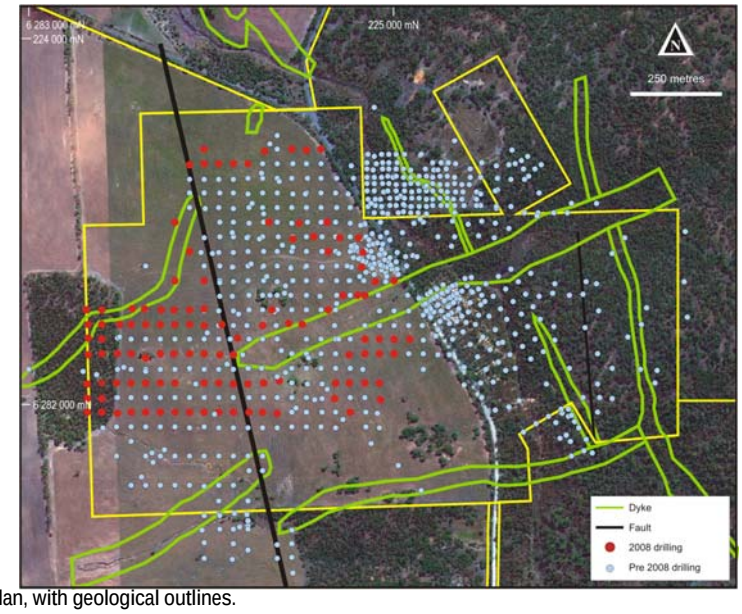

Figure 1. Mt Cattlin drill collar plan, with geological outlines.

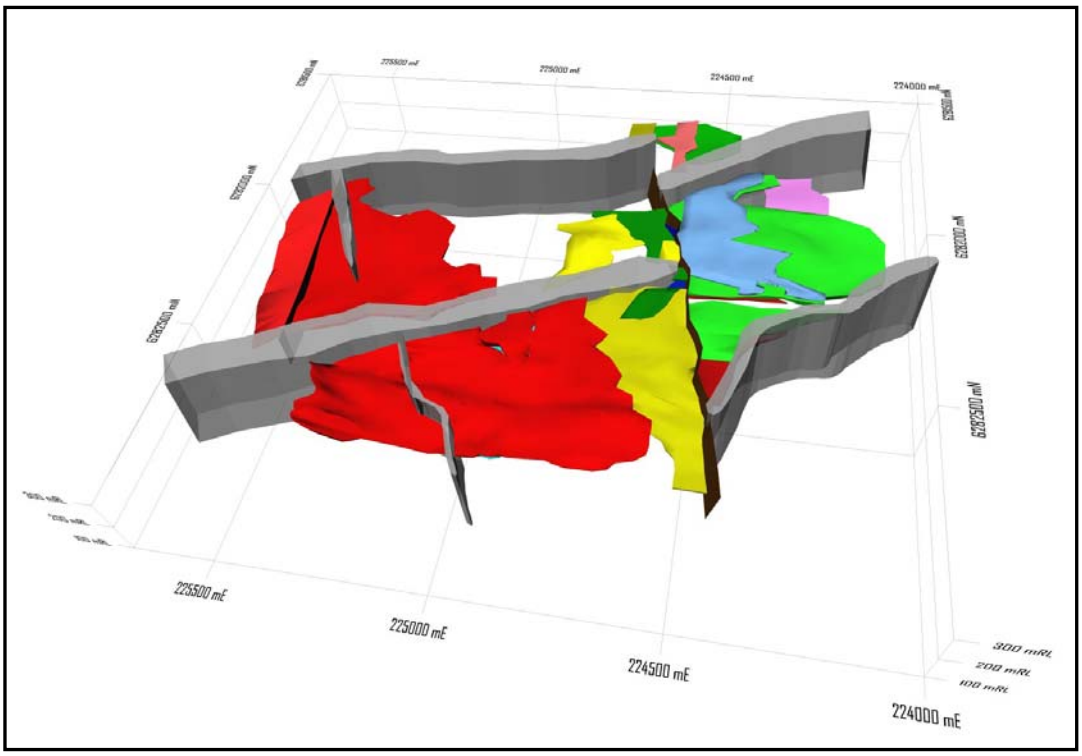

Figure 2. Geological model for 2009 resource estimate, showing pegmatite lodes (coloured) and dolerite dykes (grey). Isometric view looking southeast.

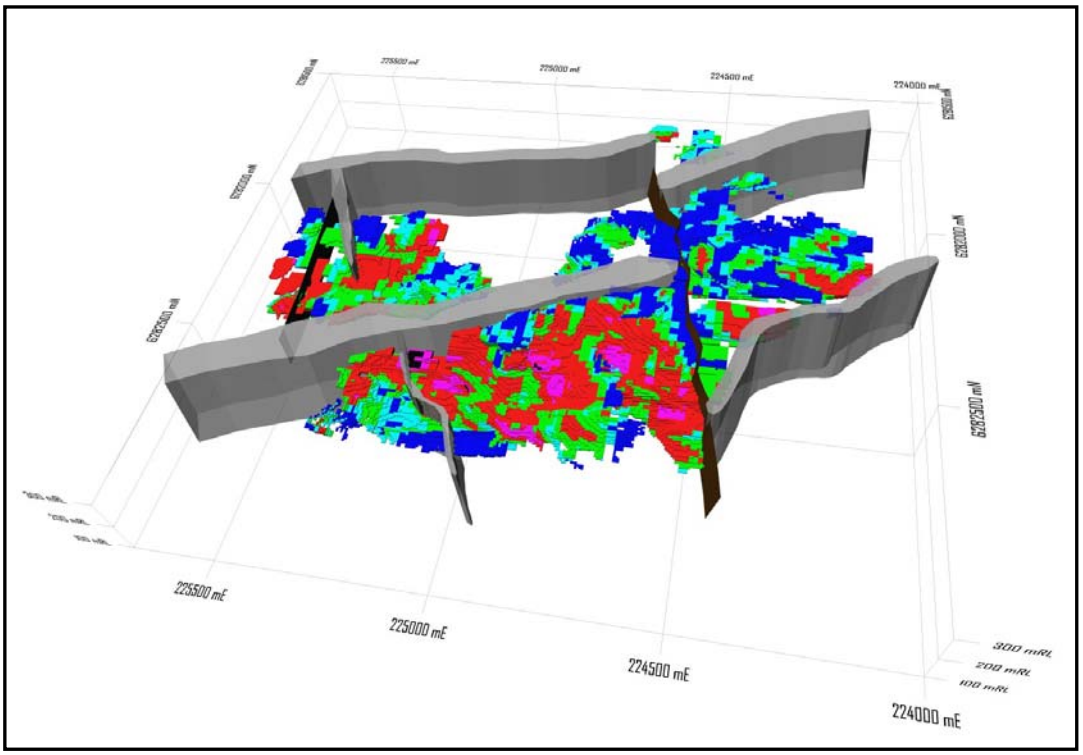

Figure 3. Resource model, 2009 resource estimate, showing blocks coloured by grade and dolerite dykes (grey). Isometric view looking southeast.

Resource Estimation Methodology

Galaxy recently completed a resource drilling program over the Mt Cattlin deposit during the first half of 2009. Drill testing over the area has been infilled predominantly to 40m x 40m pattern density. Some areas in the north have been drilled to 20m x 20m, although not all this drilling was assayed for lithium. Some areas in the southwest and southeast have been drilled to 80m x 40m and 80m x 80m hole spacings. The complete historical and recent resource development drilling data set for the Mt Cattlin project totals 712 collar records and 9,482 assay records. The data set contains 735 RC drillholes totalling 31,595m, 29 diamond drillholes totalling 870, 41 non-specific open hole drillholes totalling 647m and 23 RAB drill holes totalling 402m. Open hole and RAB drilling was excluded from the resource estimate. 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 Li2O) 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 multiple 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 for the first pass and 120mE by 120mN by 10mRL on a second extended search pass. 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.

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Competent Persons

The information in this report that relates to Mineral Resources and Ore Reserves 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 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.

About Galaxy (ASX: GXY)

Galaxy is a specialty minerals company focusing on lithium and tantalum production. Galaxy has completed a definitive feasibility study (DFS) which suggests the Mt Cattlin Lithium - Tantalum project (Ravensthorpe, Western Australia) is commercially viable based on a processing rate of 1 million tonnes per annum over a 15 year mine life. The Company is planning to commence the development of the mine and construction of the mineral processing plant in Q3 2009 with first concentrate production scheduled for Q3, 2010.

The company has also commenced a pre feasibility study (PFS) into the value adding downstream production of lithium carbonate (Li2CO3). The company plans to establish a 17,000 tpa lithium carbonate plant in China due to lower associated capital and operating costs, as well as being close to the strategic growing battery markets in Asia.

Lithium concentrate and lithium carbonate raw materials are forecast to be in short supply and face high future demand growth due to advances in long life batteries and sophisticated electronics in hybrid and electric vehicles, mobile phones and computers.