

Dear Shareholders

2009 was a truly ground breaking year for Galaxy Resources with no event highlighting this more than the official Ground Breaking Ceremony held in Ravensthorpe at the beginning of November.

We were pleased to welcome the Premier of Western Australia, Hon Colin Barnett, to our site to mark the commencement of construction on the Mt Cattlin Spodumene Project.

The ceremony was the culmination of numerous milestones achieved during the year which reflect the enormous amount of progress made towards the development of both the Mt Cattlin mine and the Jiangsu Lithium Carbonate Project.

One of the defining moments was achieved in August when we secured finance for the entire project through an agreement with our Chinese cornerstone investor, Creat Group.

Our first drawdown was recently achieved leaving the Company in a robust financial position to accelerate the development of our projects towards production in the third quarter of 2010.

As you will read in this edition, construction is advancing rapidly at Mt Cattlin and following the positive outcome of the final definitive feasibility study, work is also progressing at Jiangsu in China.

On behalf of the Board, I would like to thank all of our employees for their hard work and commitment last year and acknowledge the support of our shareholders.

I trust everyone enjoyed a safe and happy holiday season with their families and are ready for what is going to be another fast paced and exciting year in 2010.



Iggy Tan
Managing
Director

Ground Breaking News

Construction Progresses At Mt Cattlin



Considerable progress made at Mt Cattlin during the final months of 2009 has ensured everything is on schedule for Galaxy's Spodumene Project.

Earthworks at Mt Cattlin, through Esperance based contractor Martin's Mining and Civil, commenced in November with approximately 80% of the total volume now removed and handover to the concrete contractor achieved.

Construction of the run of mine (ROM) stockpile is also well advanced using material from the plant site earthworks and will be completed to final design when pre-strip mining commences in early April 2010.

Mobilisation of concrete contractor S & N Constructions commenced on 4 December and the first major concrete pour, which was the base of the fine ore bin tunnel occurred on 19 December.

A number of other major contracts were awarded in late December including the mine and maintenance offices to local Ravensthorpe company R & L Constructions, the mine workshop to S & N Constructions and the power station supply contract to the Contract Power Group of Companies.

The Company most recently announced that the Mt Cattlin mining contract had been awarded to experienced Goldfields contractor Orionstone Pty Ltd with drill and blast services to be provided by Total Drilling Services.

Galaxy General Manager Australia Terry Stark said a key focus during the construction and procurement process has been the utilisation of contractors and services from the local regional community.

"With a four month pre strip mining period scheduled to commence in April 2010, it's all go on site as construction ramps up rapidly ahead of first production later this year," Mr Starks said.

Mt Cattlin Key Milestones

Ground Breaking	Nov 2009
Construction Commences	Dec 2009
Pre-strip	Apr 2010
Commissioning	Jul 2010
Ramp Up	Aug - Oct 2010
First Shipment	Oct 2010

Jiangsu Key Milestones

Ground Breaking	Feb 2010
Construction Commences	Feb 2010
Commissioning	Dec 2010
Ramp Up	Dec - Jan 2010
First Product Shipment	Jan 2011

Premier Breaking Ground with Galaxy

At the beginning of November, more than 100 guests descended upon Ravensthorpe to witness Western Australia's Premier Colin Barnett officially break the ground at Galaxy Resources' Mt Cattlin Project.

The Ground Breaking Ceremony marked a significant milestone in the development of Galaxy's Mt Cattlin Spodumene Project – with construction and earthworks on the site commencing shortly after the formalities.

Galaxy Resources Managing Director Iggy Tan said the Company was delighted to welcome the Premier to the Mt Cattlin site, along with representatives from its Chinese investment partner, Creat Group, as well as industry and the local community.

“The Mt Cattlin Spodumene Project is important for Western Australia and the Ravensthorpe Esperance region,” Mr Tan said.

“With the project fully funded through a strategic partnership with Creat Group, and all environmental and works approvals granted, Galaxy can now focus on rapidly advancing the construction of its mine and processing facility in order to meet the forecast increase in demand for lithium.

“The rapid development of the project to the construction stage is a testament to the commitment of our team and the strong relationship between Western Australia and China, as the cornerstone investment partners in the project,” Mr Tan said.

“The project will deliver significant benefits to the Ravensthorpe-Esperance region through its residential workforce and flow-on effects to local industry and businesses.

Premier Barnett echoed the sentiments of Galaxy's Managing Director saying the project would be a positive for the region.

“As the company is committed to a residential workforce, the new project will provide jobs for displaced mining workers in the region, employing up to 100 people during construction and 75 when operational,” the Premier said.



Premier Colin Barnett



Creat CEO Ren Xiaojian, Iggy Tan, Premier Colin Barnett and Craig Readhead turn the first sod

Exploration Resource Upside Potential Grows



A drilling program conducted at Mt Cattlin during August to October has significantly increased the potential for resource upside for the Mt Cattlin Spodumene Project.

Final results were received in November and show excellent intercepts of lithium in a range of different locations around the Mt Cattlin Resource.

Galaxy Exploration and Geology Manager Phil Tornatora said he was very pleased with the outcome of the program which was aimed at upgrading and extending resources for the project.

“A new zone of lithium-bearing pegmatite mineralisation was discovered to the north west of the current resource,” Mr Tornatora said.

“Importantly, additional drilling conducted on the Dowling Pit, where mining operations will commence in the next 12 months, confirmed the geological model and show that it is an ideal starting location.”

A new resource and reserve estimation is underway and is expected to show a significant increase in reserves.

Galaxy has acquired contiguous tenements extending the Mt Cattlin footprint and will continue its exploration program to potentially lengthen the mine life.

Lithium

Market Update

The unanimous message received from all the lithium cathode producers during several marketing trips last year to China was that Galaxy's project is:

At the RIGHT TIME
At the RIGHT PLACE
With the RIGHT PRODUCT

These potential customers indicated a strong interest in Galaxy's project as it provides security of supply for battery grade lithium carbonate to underpin their expansion plans. Almost all of the lithium cathode producers engaged are doubling capacities over the coming 12 to 24 months.

The demand for lithium batteries in electric vehicles (EVs) and in the energy storage segment is forecast to grow exponentially in the next two years as the Chinese Government implements policies aimed at reducing greenhouse gas emissions.

To meet this demand, there are more than 100 companies in the value adding chain that produce lithium cathode, anode and electrolyte materials, battery assemblers and power management systems. Additionally, several Chinese car manufacturers have announced the release of EVs in the next one to two years.

EVs are listed as one of the major projects of national importance. In total, the planned investment in policies to reduce pollution and promote energy conservation is expected to reach US\$1.6 billion. In addition, local provincial governments have developed regulations to support the development of EVs.



China's State Grid has commenced pilot operations in Beijing, Shanghai, Tianjin, Shandong, Zhejiang, Hubei, Hunan and other Provinces to replace current fleet vehicles with approximately 2,000 EVs as well as building a recharging network.

A year ago, the Chinese Department of Science & Technology and Ministry of Finance jointly launched a program to have 1,000 new-energy cars on the roads in each of the nominated 10 cities across China.

China is now the largest market for automobiles and potentially of EVs in the future. The Government aims to increase ownership of EVs to 50% in 2030, the equivalent of between 10 million and 19.5 million annually. It could reach this target earlier if the battery cost reduces and the recharging station network is established countrywide.

The current market of lithium batteries in power tools, lap tops, mobiles, PDA's and other consumer electronics in China is forecast to increase as manufacturers of these products shift their facilities from Japan into China. China currently supplies 48% of the total demand.

With strong progress being made on the development of both the Mt Cattlin and Jiangsu projects, Galaxy is well positioned to capitalise on the burgeoning demand for lithium.

Jiangsu

Approvals Accelerate

The approvals process and site preparation works at Galaxy's Jiangsu Lithium Carbonate Plant have continued at pace with the recent signing of the Project Investment Contract (PIC).

The PIC, signed with the Zhangjiagang Free Trade Zone Authority (ZFTZ), confirms all commitments made to Galaxy including the provision of utilities infrastructure at no cost as well as major taxation concessions.

Galaxy Managing Director, Mr Iggy Tan, said the Company was recently awarded its safety and energy saving approvals for the Jiangsu project and looked forward to promptly meeting the next component of the approvals process.

The site has already been filled and levelled by the ZFTZ allowing Galaxy to commence its own site works and construction of the plant will begin in the current quarter beginning with piling and foundations.

In December, the EPCM contract was awarded to Hatch Consulting Shanghai (Hatch) to provide the engineering services, procurement and manage the construction of the plant.

The contract strengthens the association between Galaxy and Hatch who prepared the Definitive Feasibility Study for the Jiangsu Project and their appointment as EPCM contractor will provide a seamless transition into the project delivery phase.

The progress on site has been running concurrently with the approvals process, with the business license expected to be granted shortly in accordance with the planned plant start up at the end of the year.



Award Entrepreneurial Excellence



Galaxy Resources was recognised for entrepreneurial excellence in China at the 17th annual Australia-China Business Awards in December.

The award, presented by the Australian Chambers of Commerce in China (AustCham), recognises business achievements which have played a part in contributing to the strengthening of the Australia-China business relationship.

General Manager of Marketing Anand Sheth accepted the award in Beijing and said the Company was immensely proud to be acknowledged for its achievements in China.

"These awards have grown in stature over the years and are viewed as a high profile celebration of business success among the Australian business community in China," Mr Sheth said.

"In addition to having a Chinese company, Creat Group, as our major shareholder and financier, we have developed strong relationships with key suppliers of inputs for our lithium carbonate.

"We look forward to continuing to strengthen our relationship with China as we progress the development of our Jiangsu Lithium Carbonate Plant near Shanghai."

Letters of intent from potential customers indicate that the domestic Chinese market will be a significant destination for Galaxy's lithium carbonate off-take.

Finance Syndicate Secured

At the end of last year Galaxy transferred its Debt Facility Agreement for financing its lithium project from Creat to a syndicate of banks led by Austrian bank, Raiffeisen Zentralbank Österreich AG (RZB).

China Development Bank Corporation (CDB), China's leading financial institution, also joined the project finance syndicate.

Galaxy Managing Director, Mr Iggy Tan said that attracting a project loan facility from two independent international banks of the calibre of RZB and CDB is a real benefit for the Company.

"We are delighted to have RZB and CDB as our new commercial finance partners and having recently achieved our first drawdown of US\$20 million, we look forward to accelerating the development of our projects and generating a return for our shareholders," Mr Tan said.

"Importantly, when coupled with the \$65 million raised through an institutional placement, the Company maintains its robust financial position so it can continue to advance construction of both the Mt Cattlin and Jiangsu projects."



Welcome New Staff

Andrew Meloncelli - Company Secretary

Mr Meloncelli has 14 years experience as a Company Secretary for various companies during his career. He has an accounting background with a Bachelor of Business from the University of Western Australia and began his career at Pricewaterhouse Coopers in 1996 before working in a company secretarial role for companies including Citiview Corp, Marengo Mining, Impress Energy, Carpathian Resources and Jupiter Energy.

Chris Rainsford - Mt Cattlin Resident Manager

Mr Rainsford is a mining engineer with 25 years experience in the mining industry with strategic planning and operational experience in large and small scale open cut and underground mining operations. He successfully oversaw planning and commissioning of the Greenbushes Underground Mine in 2001.

Wang Xiao Yi - Jiangsu Operations Manager

Mr Wang has 32 years experience in the production of lithium carbonate working at the Xinjiang Lithium Carbonate Plant in China between 1975 and 2007. He was the Vice Plant General Manager of Xinjiang from 1992 to 1995 and was responsible for product marketing for the last 12 years at Xinjiang.

Aiguli Baghdati - Jiangsu Commercial & Export Manager

Ms Baghdati has 10 years experience in international import/export trade in China including the import of spodumene from Australia, overseas and domestic logistics and lithium product sales. She has been responsible for coordinating the raw material supply to the Xinjiang Lithium Carbonate Plant.

Laura Lu - Jiangsu Financial Controller

Ms Lu has 13 years accounting experience specifically with Western companies in the Zhangjiagang area. Her previous role was Finance Manager looking after three manufacturing sites for German company, Wacker Chemical in Zhangjiagang. Other companies Ms Lu has worked for include Ciba specialty Chemicals (Jiangsu) Co Ltd and Jiang Su SOPO Co Ltd.