

ASX ANNOUNCEMENT/MEDIA RELEASE

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PRE-FEASIBILITY RETURNS ROBUST RESULTS FOR MT CATTLIN LITHIUM/TANTALUM DEPOSIT

HIGHLIGHTS

- Pre-feasibility study suggests the project is viable. At current prices it is capable of generating significant revenues over a mine life of not less than 10 years, assuming a mining and processing rate of 1 Mtpa.
- Mining will be via open pit accessing the flat lying pegmatite sheet averaging 10 to 12 metres in thickness to a maximum depth of 80 metres, and a waste to ore ratio assumed at 3:1
- Processing will include conventional crushing, heavy media separation, grinding and classification circuits to produce spodumene and tantalum concentrates.
- Metallurgical test work completed to date indicates recoveries for final concentrate for spodumene (6.0% Li₂O) and tantalum pentoxide (25% Ta₂O₅) of 70% and 65% respectively.
- Annual production of 116,666 tonnes of spodumene concentrate grading 6% Li₂O and 364 tonnes of tantalum concentrate grading 25% Ta₂O₅ for 200,000 lbs contained Ta₂O₅.
- Marketing studies and discussions with potential customers indicate prices of US\$400 to US\$500 per tonne for spodumene concentrate and US\$45 to US\$50 per lb contained Ta₂O₅
- Capital cost estimate (+/- 30%) of \$40 million including process plant, infrastructure and mining prestrip
- Operating cost estimate (+/- 30%) of \$33 per tonne ore processed
- Consultants have recommended Galaxy proceed to Bankable Feasibility Study

Galaxy Resources Limited (ASX: GXY) is pleased to announce the results of the Pre-Feasibility study of the Mt Cattlin Lithium/Tantalum project within the Archaean Ravensthorpe Greenstone Belt, Western Australia. The study was completed by Barrier Mining Services (“BMS”).

The study highlighted that at Pre-Feasibility levels of confidence, Mt Cattlin is an attractive project that is capable of generating significant revenues over a mine life based on current mineral resource estimates of 10 years. The project is robust and retains significant upside.

Given these excellent results the Board of Galaxy has approved progressing the Feasibility to full Bankable status.

Galaxy Managing Director Michael Fotios said “Mt Cattlin continues to confirm its potential as an attractive project, with our preferred development path delivering an excellent return. We are very pleased with the robust results returned from the Pre-Feasibility study and look forward to now moving ahead with the Bankable Feasibility study.”

PFS DETAILS

Mining

Feed for the proposed processing facility is provided by the open pit mining of a flat-lying pegmatite sheet, containing spodumene, quartz, feldspar, mica and trace tantalite minerals using conventional mining methods. Contract mining has been assumed, with all necessary support services included in the quoted unit rates for ore and waste movement.

Processing

For the purpose of the study, a mining and processing rate of 1 Mtpa ore has been assumed. Conventional crushing, heavy media separation, grinding and classification circuits comprising the following key process steps have been proposed:

- Crushing and screening of ROM ore to -12mm
- Heavy media separation (HMS) at sg 2.9
- Grinding, classification and wet magnetic fractionation of the HMS sinks (spodumene primary concentrate)
- Gravity concentration (spirals and wet tables) of tantalite minerals
- Contract dressing and packaging of tantalite concentrates
- Drying, packaging and storage of spodumene product

Capital Cost Estimate

Capital costs have been determined on the basis of new equipment for processing plant and infrastructure. Contractors have been used for mining and related activities.

The capital estimate is based on the construction of a 1Mtpa Spodumene open pit mining and processing operation. This data includes purchase pricing for plant and equipment, material take off's and applied schedule of rates from recent existing contracts. Some historic data base costs were escalated where appropriate to reflect current market values.

Mining is assumed to be by contract, with only minimal capital expenditure required by the project principal for this activity.

The capital cost estimate is presented in Australian dollars (AUD\$) current for the 4th quarter 2007 and considered to be to $\pm 30\%$ order of magnitude.

Process plant EPCM tailings and infrastructure	\$34 million
Mining Prestrip and other (provisional)	\$ 6 million

Operating Cost Estimate

The operating cost estimate is based on BMS in-house data and industry standard rates current at fourth quarter, 2007, to an accuracy of $\pm 30\%$.

Operating costs exclude statutory charges, head office costs and corporate overheads, including tenement maintenance, but include an estimate of mining costs based on a global mining resource and pit design and current typical contract unit rates. No provision has been made for rehabilitation costs.

Table 1. Operating Cost Summary

Description	A\$000's pa	A\$ / tonne ore	A\$ / tonne cons
Mining	11,648	11.65	99.84
Power	5,440	5.44	46.63
Consumables (inc. maintenance spares)	2,933	2.93	25.14
Contract Services (inc. freight to port)	7,887	7.89	67.60
Labour	4,086	4.09	35.02
General & Administration	937	0.94	8.03
TOTAL CASH COSTS	32,931	32.93	282.27

Concentrate Grade and Recovery

Spodumene

For this study, a head grade of 1.00% Li₂O has been assumed, at an overall recovery indicated by the metallurgical test work completed to date of 70% into a concentrate assaying 6.00% Li₂O. The mass balance yields a concentrate production of 116,666 tpa from a 1.0Mtpa head feed. Further upgrading will be examined as part of a detailed design and cost study if warranted.

Tantalite

Based on historical metallurgical test work the expected recovery and grade of coarse tantalite from the jig circuit should serve to offset lower values of both from the slimes (and possibly magnetic) circuits, so that a value of 65% has been used for the global recovery of tantalite into final shipping concentrates, at a grade of 25% Ta₂O₅. Primary concentrate grade prior to final dressing has been assumed to be 10% Ta₂O₅.

Marketing

Galaxy has commenced discussions with customers for spodumene and tantalum concentrates. Current prices for spodumene concentrate grading 6% Li₂O range from US\$400 to US\$500 per tonne and for tantalum concentrate from US\$45 to US\$50 per lb contained Ta₂O₅.

Schedule

The Bankable Feasibility Study is scheduled for completion by June 2008 and is estimated to cost approximately A\$0.5 million.

The major goals of the next six months are:

- Complete definitive metallurgical test work
- Complete detailed engineering and design
- Mine planning
- Marketing and sales negotiations

Resources

Galaxy announced on 7 December 2007 its initial resource estimate for Mt Cattlin and this announcement should be referred to for specific detail.

This estimate of grades within the higher grade part of the resource of 1.00% Li₂O (14.7% spodumene) and 135 ppm Ta₂O₅ have been used for the purposes of the study. Further drilling is planned to test parts of the deposit that require infill drilling to improve the category of resource and to drill areas within the geological model that remain untested and test extensions outside the model.

RC drilling is planned to commence in the New Year to test the parts of the geological model that require further data for inclusion in the mineral resource model or to allow an increase in mineral resource category. In addition a mineralised pegmatite outcrop with visible spodumene mineralisation located about 500 metres north of the main pegmatite has been identified. This pegmatite potentially represents a new separate target and will be drill tested.

-ENDS-

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The information in this report that relates to Exploration Results, Mineral Resources and Ore Reserves is based on information compiled by Mr. Michael Fotios who is Managing Director of the Company and who is a Member of the Australasian Institute of Mining and Metallurgy. Mr. Fotios 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. Fotios consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

About Galaxy (ASX: GXY)

Galaxy is a diversified exploration company with interests in five targeted projects in Western Australia covering a range of commodities including lithium, tantalum, base metals (copper-zinc-nickel), gold, iron ore, manganese, talc, rare earths and uranium. The projects, with the exception of two joint ventures at Ravensthorpe, are owned 100% and were acquired prior to the recent IPO.

Galaxy listed on the ASX on 5 February 2007 at a premium of 70%. The company raised \$3 million through the issue of 15 million shares at the offer price of \$0.20. Funds raised through the offer will be used to progress the company’s existing exploration programs and will initially focus on an infill drilling program and a feasibility study at the Cattlin Creek lithium and tantalum prospect.

The drilling program at Mt Cattlin aimed to link the areas of historic drilling within the identified central zone of the pegmatite and extend drill hole coverage on a wider spacing in the western and eastern areas so that complete coverage of the interpreted extent of the pegmatite is achieved (Figure 3).

As a result of ongoing drilling, the initial Mineral Resource estimate at Mt Cattlin is 24.8 million tonnes at 8.2% spodumene (0.56% Li₂O) and 120 ppm Ta₂O₅ (above a 0 ppm Li cut off) for 2.03 million tonnes spodumene and 6.62 million lbs Ta₂O₅.

Included within the initial Mineral Resource is a higher grade Mineral Resource of 12.3 million tonnes at 14.7% Spodumene (1.00 % Li₂O) and 135 ppm Ta₂O₅ (above a 4000 ppm Li₂O cut off) for 1.81 million tonnes spodumene and 3.80 million lbs Ta₂O₅.

In addition to the Ravensthorpe package, the company holds a 100% interest in four projects at various stages of exploration including:

- Ponton Uranium, rare earths and base metals
- Shoemaker Base metals, gold, iron ore and uranium
- Connolly Base metals
- Boxwood Hill Base metals

