

Highlights

Significant events during the quarter

- **Confirmation of lithium concentrate sales pricing and volumes for CY2017 (120,000 tonnes @ US\$830-905/t FOB, for product grade of 5.5% to 6% Li₂O)**
- **Mt Cattlin was fully commissioned ahead of schedule with 24 hour production recommenced, with production achieving improved grades and mica content specification of below 5%**
- **Mining contract for Mt Cattlin awarded to Piacentini, mining operations restarted in December to support project ramp-up**
- **Agreement finalised with Esperance port**
- **First vessel nominated for lithium concentrate shipment with first shipment on 2 January 2017**

Corporate

During the December 2016 quarter Galaxy Resources (“Galaxy” or the “Company”), announced it had signed binding commitments with existing Chinese offtake customers for the sale of 120,000 tonnes of lithium concentrate from the Mt Cattlin Project (“ Mt Cattlin”) in Ravensthorpe, Western Australia, for delivery in calendar year 2017. Galaxy was able to achieve offtake prices of US\$830 per tonne (FOB, at 5.5% Li₂O content), with customers also agreeing to pay an additional US\$15/t for every 0.1% improvement in the grade of Li₂O delivered, resulting in an agreed price of up to US\$905/t for a 6% grade lithium concentrate.

The sale of this lithium concentrate was to chemical converters in China who produce both lithium carbonate and lithium hydroxide. The Company's current production guidance for 2017 of 160,000 tonnes of lithium concentrate, is based on an assumed 50% recovery. This production level will satisfy both the outstanding balance of 2016 contracted volumes to be delivered, as well as the newly contracted 2017 volumes. The Company intends to

About Galaxy Resources

Galaxy Resources Ltd (“Galaxy”) is a lithium-focused resources company, with assets spanning Australia, Canada and Argentina. The Company is listed on the Australian Securities Exchange (Code: GXY).

Galaxy is currently advancing plans to develop the Sal de Vida Lithium and Potash Brine Project (“Sal de Vida”) in Argentina, which is situated in the Lithium Triangle, a region where Chile, Argentina and Bolivia meet and presently accounts for 60% of global lithium production. Sal de Vida is a proven high quality resource and has excellent prospects as a future low cost production facility.

The Company also owns the Mt Cattlin Spodumene and Tantalum Mine near Ravensthorpe in Western Australia, production recommenced in November 2016. Galaxy also owns the James Bay Lithium Pegmatite Project in Quebec, Canada.

Once processed, lithium compounds are used in the manufacture of ceramics, glass, and electronics and an essential ingredient in producing battery materials such as cathode and electrolyte. It is also used in the manufacture of long life lithium-ion batteries used for consumer electronics, power tools, electric bikes as well as hybrid and electric vehicles. Anticipating the growing demand, Galaxy is positioning itself to become a major supplier of high quality lithium.

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continue working on a number of optimization initiatives throughout the course of 2017, with the objective to improve production recovery rates above and beyond the initially targeted 50% level. Galaxy will look to place any incremental future production volumes with existing and/or new customers, with the Company already having experienced strong interest from a range of potential new offtaker customers since the restart of production.

Additionally, Galaxy also confirmed that it had received key approvals from the Department of Environmental Regulations (“DER”), and the Southern Ports Authority (“SPA”) to export lithium concentrate, produced at Mt Cattlin, from the SPA Port of Esperance, Western Australia. Qube Holdings (ASX: QUB) was awarded the haulage and port services contract for Mt Cattlin.

During the quarter Galaxy announced the resignation of Mr Michael Fotios from the Board. Mr Fotios has also resigned from the Board of General Mining Corporation Limited (“General Mining”), Galaxy’s wholly-owned subsidiary. Mr Fotios was previously the Executive Chairman of General Mining, which merged with Galaxy earlier this year to create a leading, diversified lithium production company. Since the date of this release, Galaxy has announced that Mr Peter Bacchus and Mr John Turner have been appointed to the Board as Non-Executive Directors. Mr Bacchus is the Chairman and Chief Executive Officer of Bacchus Capital Advisors, an M&A and merchant banking boutique based in London, and Mr Turner is the leader of Fasken Martineau’s Global Mining Group, an internationally renowned business law and litigation firm.

Debt Facility

Galaxy announced that it had varied the existing OCP Asia (“OCP”) secured facility with OCP providing an additional A\$16 million facility (“New Facility”) to the Company, which was arranged to support working capital requirements, as Mt Cattlin advanced towards commissioning. The New Facility provided the Company with adequate cash flow to meet all capital and operational expenditure requirements in the lead up to the restart of production and first shipment of lithium concentrate on 2 January 2017.

The Company had also been evaluating various options to improve its financing structure. As Galaxy moves into full scale production, positive cash flow from Mt Cattlin and steady state operations it has negotiated with BNP Paribas to provide a revolving facility for an amount of up to US\$40 million, which will be applied to refinancing its existing facilities (including the OCP secured facility mentioned above). This debt facility was finalised in January 2017 with only standard conditions precedent to satisfy before drawdown.

Cash Position

Company cash on hand as at 31 December 2016 totaled \$9,327,000.

The Company announced on 19 January 2017 that it had secured a US\$40 Million (approximately AUD\$53.33 Million) debt facility with BNP Paribas to be utilised to repay the existing OCP Asia facilities and for general working capital. On 19 January 2017 the Company received a notice where OCP Asia exercised 25,000,000 warrants with total exercise proceeds of A\$8.59 million being applied to a reduction of the OCP debt facilities resulting in the outstanding balance of the facility being approximately A\$33.6 million. Following repayment of the OCP Asia facilities from drawdown of the BNP Paribas the Company will retain approximately A\$20 million which will be available for general working capital.

Payment was received from Mitsubishi Corporation in mid January 2017 for the first shipment of production from Mt Cattlin. A vessel has been nominated for February for the second full shipment of lithium concentrate.

Projects

Mt Cattlin

Production

During the quarter, Galaxy announced that it had commenced 24-hour production at Mt Cattlin. The Company is aiming to produce a lithium concentrate of a minimum of 5.5% Li₂O grade with a mica concentration of less than 5%. Following the redesign of the processing facility to reduce



mica content and improve the final product grade, realizing improved specifications and continuous operations were major milestones achieved in the start-up of production this quarter.

After communications with and evaluation by the Esperance Port on mica concentrations and moisture levels in the lithium concentrate product, final logistic approvals for Qube were secured and trucking of the Mt Cattlin product began on 5 December 2016.



Figure 1: Qube trucks being prepared for loading

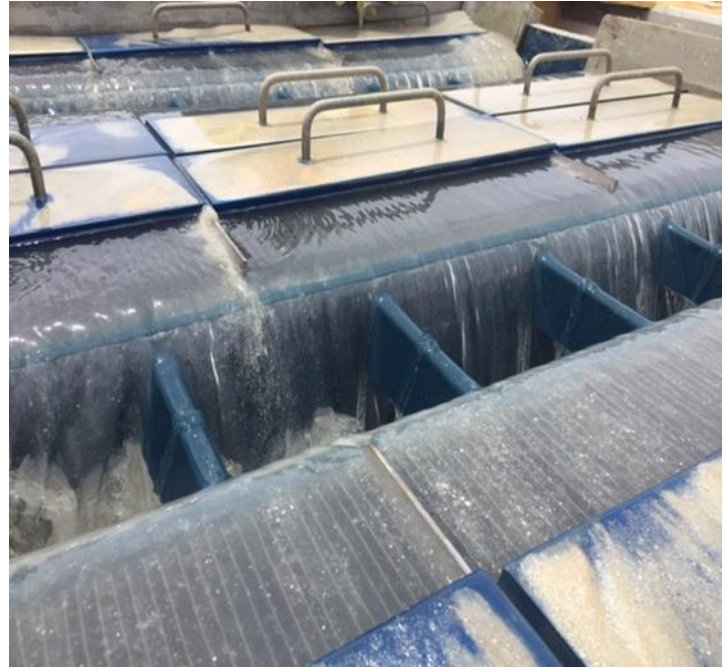


Figure 2: Mica removal from the circuit

Mining Contract

Galaxy awarded the mining contract for Mt Cattlin to Piacentini & Son Pty Ltd ("Piacentini"), with mining recommencing in December 2016. This service contract will guarantee the supply of ore to support the continued ramp up of the Mt Cattlin processing plant.

Piacentini was founded 40 years ago in the South West region of Western Australia and is a leading provider of quality mining equipment and services, with fleets of equipment deployed and operating throughout Australia. Current clients of the company include First Quantum Minerals Limited (TSX: FM), Iluka Resources Limited (ASX: ILU), Griffin Coal Mining Co Pty Ltd and Alcoa of Australia Pty Ltd. Piacentini will provide a Hitachi 1900 excavator, Caterpillar 777D dump trucks, Cat D9 dozer and other ancillary equipment as well as plant operators and maintenance staff. The drill and blast component of the mining contract will be delivered by Piacentini subcontractor, Dynamic Drill & Blast Pty Ltd, who has also been operating in the region for many years.

Sal de Vida

Environmental Permitting

Field studies were conducted, following the request of the Catamarca Mining Secretary environmental division that handles permitting and environmental matters ("DIPGAM"), as part of the required process to renew the Sal de Vida construction permit ("DIA"). A thorough hydrogeological and hydraulic model interpretation, originated in all existing drilling data, was also requested during the quarter. All efforts focused on completing and presenting these works in order to renew the Catamarca permit in Q1 of 2017.



Land Management

All tenements, in Salta and Catamarca are in good standing. The Galaxy Sal de Vida team also began preparation work in December in response to the request for a submission of its Mining Investment Plan to be presented on all mining tenements the Company holds in Catamarca Province. The Mining Investment Plan is also part of requirements to keep the mining properties in good standing.

Process Test Work & Engineering

The focus during the quarter was to advance engineering works on the Sal de Vida Demo Plant and to identify an improved and slightly elevated location, for the evaporation ponds compared to the location proposed in the original 2013 DFS.

An initial footprint perimeter was defined with alternatives considering 90° and 45° oriented strings (see Figure 3 below), and discussions were held to evaluate each option. A future double capacity expansion was contemplated in the associated drafts.

A preliminary block diagram of the Demo Plant project was submitted to the Sal de Vida process engineering consultants for review. These blocks, as well as the process sequence, form the base work for the next stage of equipment definition.

A tender process was initiated to complete two production wells finished with proper casing at 8" diameter and an approximate depth of 150 meters. Four companies were invited to submit for tender, with three having submitted offers and proposals which are now under evaluation. These two wells will help increase the Sal de Vida team's knowledge of the planned production aquifer and provide sufficient brine for filling approximately 50 hectares worth of evaporation ponds required for the Demo Plant.

As part of the evaluation on the potential to utilize renewable energy to generate power on site, electrical consultants undertook preliminary design works to define a balanced network that would combine thermal and solar photovoltaic energy generation. The Demo Plant will be used to test such combinations of electrical generation.

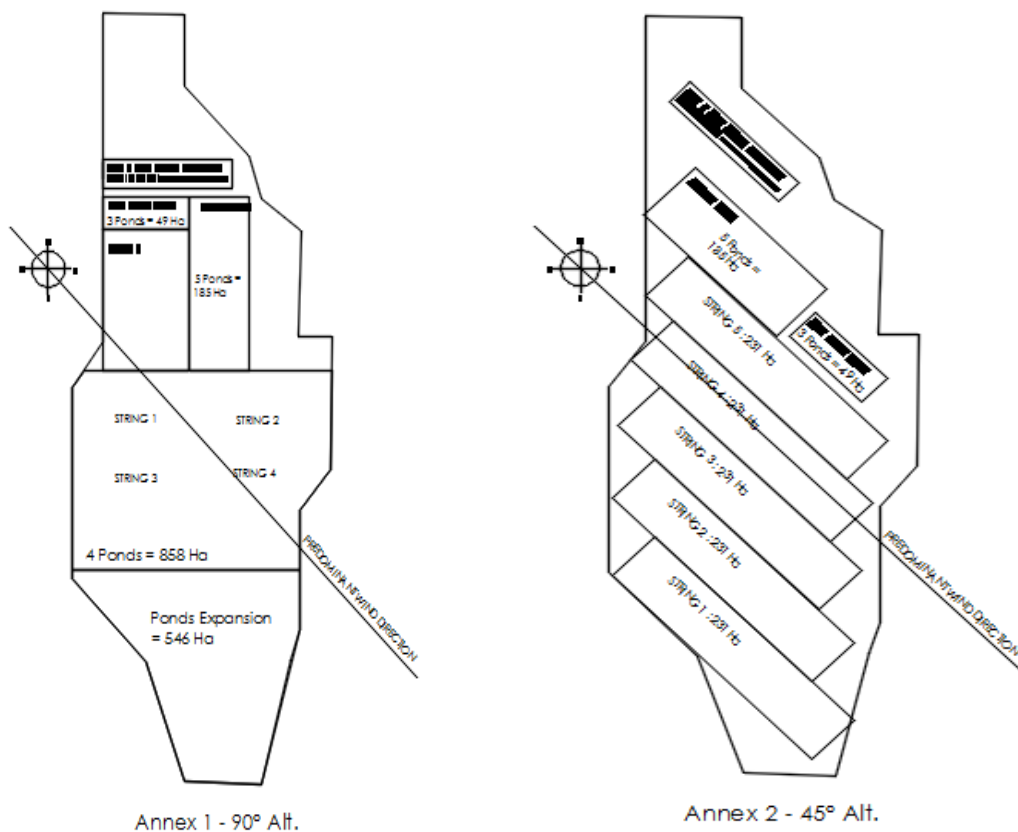


Figure 3: Initial footprint perimeters for proposed evaporation pond locations



Infrastructure Developments, Weather And Water-Level Monitoring

As a follow up to the engineering activities, further areas were identified for topographic surveys in relation to the layout of future evaporation ponds. Once the final perimeter is surveyed, soil mechanics studies will be undertaken. No significant changes to report. Data collected during 2016 showed another dry year with precipitation in the region below average.

Public and Government Relations

An office location was secured in San Fernando, the Province Capital of Catamarca, and this office will host the Galaxy Sal de Vida key corporate function departments. The property is centrally located in the city, a few blocks away from the office of the Mining Secretary.

Community Relations

Upon the recommencement of field activities by Galaxy at Sal de Vida, one of the first objectives was to resume relationships with the nearby aboriginal community, situated next to the project area. The Cienaga Redonda community is home to an elementary school. The school building, donated by FMC's Minera del Altiplano and Bajo la Alumbraera some years ago, is adequate for the kids' daily activities but other needs have also been identified by the local Galaxy team.

Galaxy assisted in the installation of a school playground and in the restart of a greenhouse initiative that provides the school kitchen with access to locally produced green vegetables. Furthermore, a doctor's visit was scheduled by GLSD SA to perform basic health and dental checks for the broader school population, as well as several community neighbours. All interactions and donations were duly informed and results reported to the Mining Secretary's Office in Catamarca.



Figure 4: Greenhouse initiative established for the Cienaga Redonda elementary school at Sal de Vida

Figure 5: Playground installed by Galaxy at the Cienaga Redonda community elementary school

James Bay

A DFS team was assembled towards the end of 2016 to review all existing data and with a view to undertake a site visit in 2017. A formal plan will be put together to commence feasibility work during Q1 2017. Galaxy has arranged for a 40 tonne sample to be shipped to Perth, Western Australia so that test work may begin on the James Bay Project. The Company also acquired 4 additional strategic claims during the quarter.

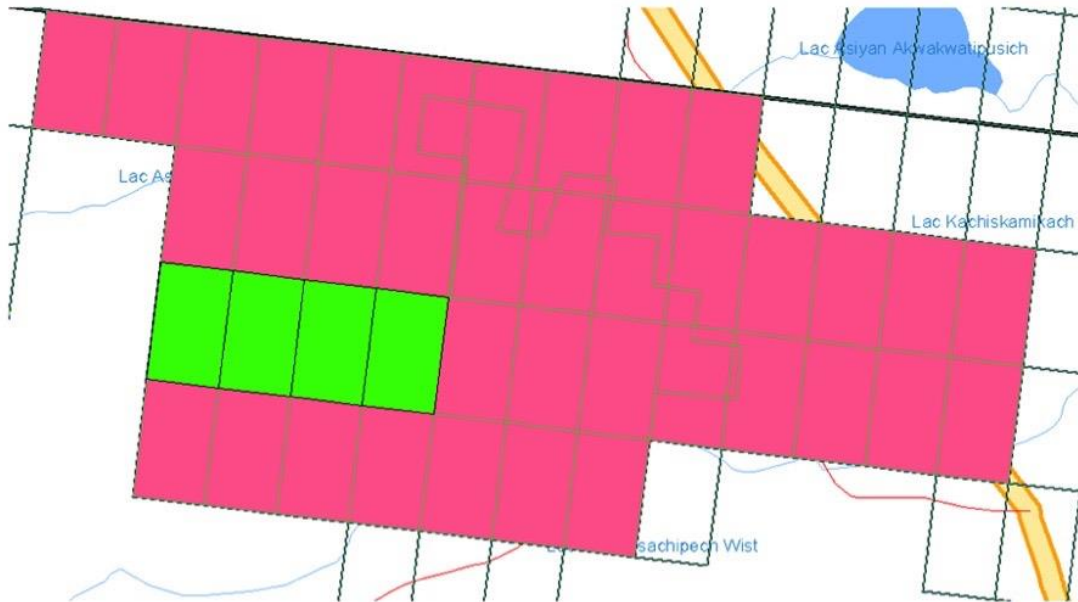


Figure 6: 4 Additional Claims Acquired at the James Bay Project

All claims at James Bay are confirmed to be in good standing. The Company expects to be in a position to provide more detailed updates on James Bay during Q1 2017.

-ENDS-

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Competent Person Statement

Sal de Vida

The information in this report that relates to the estimation and reporting of the Sal de Vida Project Mineral Resources and Mineral Reserves is extracted from the report entitled “Sal De Vida: Revised Definitive Feasibility Study Confirms Low Cost, Long Life and Economically Robust Operation ” created on 22 August 2016 which is available to view on www.galaxylithium.com and www.asx.com.au. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and that all material assumptions and technical parameters underpinning the Mineral Resources and Mineral Reserves estimates in the relevant market announcement continue to apply and have not materially changed . The Company confirms that the form and context in which the Competent Person’s findings are presented have not been materially modified from the original market announcement.

James Bay

The information in this report that relates to Mineral Resources at the James Bay Project is based on work completed by Mr James McCann, who is a Member of a Recognised Overseas Professional Organisation. Mr McCann is a full time employee of McCann Geosciences, and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 edition of the ‘Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves’. Mr McCann consents to the inclusion in the report of the matters based on his information in the form and context it appears. . This information was prepared and first disclosed under the JORC Code 2004 it has not been updated since to comply with JORC code 2012 on the basis that the information has not materially changed since it was last reported.

Mt Cattlin

The information in this report that relates to exploration results is extracted from the report entitled “Mt Cattlin Exploration Update” created on 20 September 2016 which is available to view on www.galaxylithium.com and www.asx.com.au. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement. The Company understands that the form and context in which the Competent Person’s findings are presented have not been materially modified from the original market announcement.

Production Targets and Financial Information

Information in relation to the Sal De Vida Revised Definitive Feasibility Study, including production targets and financial information, included in this report is extracted from the report entitled “Sal De Vida: Revised Definitive Feasibility Study Confirms Low Cost, Long Life and Economically Robust Operation ” created on 22 August 2016 which is available to view on www.galaxylithium.com and www.asx.com.au. The Company confirms that all material assumptions underpinning the production target and financial information set out in the announcement dated 22 August 2016 continue to apply and have not materially changed.

Caution Regarding Forward Looking Information

This document contains forward looking statements concerning Galaxy.

Forward-looking statements are not statements of historical fact and actual events and results may differ materially from those described in the forward looking statements as a result of a variety of risks, uncertainties and other factors. Forward-looking statements are inherently subject to business, economic, competitive, political and social uncertainties and contingencies. Many factors could cause the Company’s actual results to differ materially from those expressed or implied in any forward-looking information provided by the Company, or on behalf of, the Company. Such factors include, among other things, risks relating to additional funding requirements, metal prices, exploration, development and operating risks, competition, production risks, regulatory restrictions, including environmental regulation and liability and potential title disputes.

Forward looking statements in this document are based on Galaxy’s beliefs, opinions and estimates of Galaxy as of the dates the forward looking statements are made and no obligation is assumed to update forward looking statements if these beliefs, opinions and estimates should change or to reflect other future developments.

Not For Release in US

This announcement has been prepared for publication in Australia and may not be released in the U.S. This announcement does not constitute an offer of securities for sale in any jurisdiction, including the United States and any securities described in this announcement may not be offered or sold



in the United States absent registration or an exemption from registration under the United States Securities Act of 1933, as amended. Any public offering of securities to be made in the United States will be made by means of a prospectus that may be obtained from the issuer and that will contain detailed information about the company and management, as well as financial statements.



Tenement Schedule as at 31 December 2016

Project	Tenement	Notes (100% interest unless stated)
<u>Argentina</u>		
<u>Sal De Vida</u>	Various	
<u>Australia</u>		
<u>Boxwood Hill</u>	E70/2493	
<u>Ravensthorpe</u>		
Bakers Hill	E74/299	
	E74/415	
Floater	E74/400	
Mt Cattlin	L74/46	
	L74/48	
	M74/244	
Sirdar	E74/401	80% Interest with Traka Resources.
West Kundip	L74/47	
	M74/133	
	M74/238	
<u>Chesterfield</u>		
	E51/1602	
	E51/1603	
	E51/1604	



GALAXY

Mercury Hill

M45/0538

Meekatharra

M51/0270

M51/0353

M51/0451

Canada

James Bay

Various

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

Galaxy Resources Limited

ABN

11 071 976 442

Quarter ended ("current quarter")

31 December 2016

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	9,159
1.2 Payments for		
(a) exploration & evaluation	(338)	(1,217)
(b) development	-	-
(c) production	(3,248)	(3,789)
(d) staff costs	(1,413)	(3,663)
(e) administration and corporate costs	(1,225)	(4,135)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	6	22
1.5 Interest and other costs of finance paid	(777)	(3,416)
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(6,995)	(7,039)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	(7,591)	(13,750)
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter	Year to date (12 months)
		\$A'000	\$A'000
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	2
	(b) tenements (see item 10)	-	-
	(c) investments	-	27
	(d) other non-current assets	-	3,000
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)		
	Cash received on business acquisition	-	1,955
2.6	Net cash from / (used in) investing activities	(7,591)	(8,766)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	750	1,710
3.4	Transaction costs related to issues of shares, convertible notes or options	(165)	(165)
3.5	Proceeds from borrowings	16,000	16,000
3.6	Repayment of borrowings	(799)	(2,302)
3.7	Transaction costs related to loans and borrowings	(320)	(320)
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	(750)	-
	Funds received in advance for exercise of options – now exercised		
3.10	Net cash from / (used in) financing activities	14,716	14,923

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	9,311	10,489
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(6,995)	(7,039)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(7,591)	(8,766)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	14,716	14,923

Mining exploration entity and oil and gas exploration entity quarterly report

Consolidated statement of cash flows		Current quarter	Year to date (12 months)
		\$A'000	\$A'000
4.5	Effect of movement in exchange rates on cash held	(114)	(280)
4.6	Cash and cash equivalents at end of period	9,327	9,327

5.	Reconciliation of cash and cash equivalents	Current quarter	Previous quarter
	at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	\$A'000	\$A'000
5.1	Bank balances	6,846	6,087
5.2	Call deposits	2,481	3,224
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	9,327	9,311

6.	Payments to directors of the entity and their associates	Current quarter
		\$A'000
6.1	Aggregate amount of payments to these parties included in item 1.2	166
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3	Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

Director fees including superannuation

7.	Payments to related entities of the entity and their associates	Current quarter
		\$A'000
7.1	Aggregate amount of payments to these parties included in item 1.2	-
7.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3	Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

Mining exploration entity and oil and gas exploration entity quarterly report

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	44,698	44,698
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

\$A28.7m borrowed from OCP Asia, secured and at 10% interest rate per annum.

\$A16m borrowed from OCP Asia, secured and at 8% interest rate per annum.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	(300)
9.2 Development	-
9.3 Production	(11,200)
9.4 Staff costs	(2,600)
9.5 Administration and corporate costs	(1,000)
9.6 Other	-
9.7 Total estimated cash outflows	(15,100)

10. Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced				
10.2 Interests in mining tenements and petroleum tenements acquired or increased				

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.



Sign here:
(Director/Company secretary)

31 January 2017
Date:

Print name:
Simon Robertson

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.