



Jiangsu Plant at night

Significant Events

meeting a lithium future...

- Jiangsu Lithium Carbonate Plant commissioning on track
- Jiangsu Lithium Carbonate Plant achieved mechanical completion
- Third shipment of spodumene to China completed
- Chemicals Division MD and Alternate Director appointed
- Mt Cattlin production continues in line with targets
- Bulk pegmatite ore sample collection at James Bay completed
- Trial mica consignment shipped to customer for testing
- No Lost Time Injury events (LTI) or Medical Treatment Injuries (MTI)
- Battery Plant design upgraded to increase potential capacity
- Further offtake secured for Battery Plant
- Battery Project finance talks continue with Chinese banks
- Preliminary designs for battery packs completed

For the three months ending 31 Dec 2011

Galaxy Resources Ltd ("Galaxy") is an Australian-based integrated lithium mining, chemicals and battery company listed on the Australian Securities Exchange (Code: GXY) and is a S&P/ASX 300 Index Company. Galaxy wholly owns the Mt Cattlin project near Ravensthorpe in Western Australia where it mines lithium pegmatite ore and processes it on site to produce a spodumene concentrate and tantalum by-product. At full capacity, Galaxy will process 137,000 tpa of spodumene concentrate and 56,000 lbs per annum of contained tantalum. The concentrated spodumene is shipped to Galaxy's wholly-owned Lithium Carbonate Plant in China's Jiangsu province. Once complete, the Jiangsu plant will produce 17,000 tpa of battery grade lithium carbonate, the largest producer in the Asia Pacific region and the fourth largest in the world.

Galaxy is also advancing plans for a lithium-ion battery plant, to produce 620,000 battery packs per annum for the electric bike (e-bike) market. The Company also has a farm in agreement with TSX-listed Lithium One Inc to acquire up to 70% of the James Bay Lithium Pegmatite Project in Quebec, Canada.

Lithium compounds are used in the manufacture of ceramics, glass, electronics and are an essential cathode material for long life lithium-ion batteries used to power e-bikes and hybrid and electric vehicles. Galaxy is bullish about the global lithium demand outlook and is positioning itself to achieve its goal of being involved in every step of the lithium supply chain.



Mica

The Company shipped its first consignment of processed mica to a potential long term buyer in Europe. The product is to be evaluated in a large scale plant trial. The quality is considered to meet the requirements for use in several applications.

Mica is an inert, non-toxic and naturally occurring mineral which has been used in many everyday products, including toothpaste, makeup, potting mix, rubber, paint, wallpaper and dry powder fire extinguishers. One of the major and high end use is in automotive paints.

Galaxy believes it has the potential to be a significant supplier of mica in the Asia Pacific region.

Tantalite

Tantalite continues to be produced as a by-product and delivered to Global Advanced Metals (GAM) under a long term supply contract.

Corporate

Jiangsu Plant Commissioning on Track

Commissioning of Galaxy's wholly-owned Jiangsu Lithium Carbonate Project in China continued on schedule, with first production on track for the current quarter.

In December 2011, the Company announced Jiangsu had been mechanically completed a month ahead of the revised schedule. The large construction workforce was de-mobilised, with only a skeleton crew remaining on site to complete the exceptions and final punch list items.



Galaxy MD, Iggy Tan discussing commissioning plans at Jiangsu

During the quarter, Galaxy received Construction Completion Certificates for all areas of the plant, progressed applications for final production, final government approvals and licences. Cold commissioning commenced during the quarter and is currently over halfway to completion. Hot commissioning will formally commence in the current quarter, however some parts of the plant began this process early.

The Company is very satisfied with the progress to date and, if no major defects are identified, Galaxy expects the plant to be well into hot commissioning by late February, with first lithium carbonate production following thereafter. Project costs are still expected to closely in line with previous budget estimates. The Jiangsu Project will be officially opened at a ceremony in early March 2012.

Third Spodumene Shipment Completed

The Company announced the completion of its third shipment of spodumene to China on 24 December 2011. The product, totalling around 31,000 tonnes, was exported from Bunbury Port to Jiangsu, China, and will be important feedstock for the pending start-up of the Jiangsu Lithium Carbonate Project.

The shipment was also used to successfully commission the ship unloading and over-land conveyor system to the plant ore storage area. The Company contracted wharf owner Two Lions Logistics Co to unload the spodumene feedstock to the plant site. Two Lions was also responsible for the extension of the over-land conveyor to the plant site in late 2011.

Finance Update

Galaxy's group cash balance was \$18 million at 31 December 2011. During the period, Galaxy utilised some of its current cash reserves to complete the Jiangsu Lithium Carbonate Plant following delays to the drawdown of approved loan facilities in China. These loan facilities are now in the process of being drawn in full.

As at 31 December 2011, RMB192 million had been drawn down of an approved RMB266 million fixed asset facility. An additional RMB24 million was drawn down of an approved RMB114 million working capital facility. Galaxy is currently seeking further fixed asset facility of approximately RMB100 million and further working capital facilities, which are in various stages of approval.



Jiangsu plant control room with highly sophisticated process control

Corporate

Appointments

Ms May Chen was appointed alternate director for Dr Yuewen Zheng in China. Ms Chen has considerable experience in public audit, internal audit/control, and risk management. She holds Chinese CPA and Californian CPA qualifications as well as a Bachelors Degree and a Masters Degree in Accounting. Ms Chen was previously an audit partner for PricewaterhouseCoopers in Beijing.

Mr Allen Qian was appointed Managing Director of Galaxy's chemical division, replacing Mr. Mark Sun who resigned due to family reasons. Mr. Qian officially started his work at the Jiangsu site on 5 December 2011. Mr Qian has a dual Bachelor of Business/Engineering from Shanghai Jiao Tong University and a Master of Business Administration from Harvard Business School. Mr Qian has solid operational and business management experience in the chemical and automotive industries in China. His previous experience include Managing Director roles with public companies for more than six years and almost seven years' service with General Motors in various engineering and management functions.



Battery Project Financing

During the quarter, Galaxy continued discussions with major Chinese banks regarding funding of the Company's proposed Battery Project in China's Jiangsu Province. Galaxy's finance department received promissory notes from 3 banks in China to extend finance of up to US\$120 million. No investment decision has yet been made on the proposed Battery Project..



Marketing

Lithium prices edge higher

Industrial Minerals (IM) price watch showed lithium carbonate and hydroxide prices edged up slightly in the quarter, with further price increases expected in the New Year. Major lithium producers FMC and Chemetall announced price increases of up to 20 percent for their lithium products in the previous quarter. This price increase included lithium carbonate, lithium hydroxide, lithium chloride, and lithium metal battery grade, and was effective from July 2011.

As per IM's December 2011 publication, the price of lithium carbonate edged up to between \$2.4-3/lb (large contracts del USA), while lithium hydroxide widened its range to between \$6-7/kg. One market source told IM the trend is definitely towards price increases, especially in the last quarter.

Talison announced a 15% price increase for supply of spodumene minerals in 2012. Industrial Minerals indicated the largest increase is expected in spodumene concentrate prices (7.5% Li₂O, FOB West Virginia), which is expected to rise from a midpoint of \$740/tonne (\$720-770/tonne) to a midpoint of \$825/tonne (\$800-850).

A market source told IM that the reason for the price gains were bullish demand expectations and the fact that there had been steady demand growth in 2011 while most of the major lithium producers are at or near, production capacity.

In 2012, Galaxy will be the only new entrant and the largest producer of high purity battery-grade lithium carbonate. Amid potentially tight supply and demand market conditions, the Company's timing of entry is opportune.





Jiangsu staff are well qualified and good working experience with foreign companies

Marketing Update

Strong Q4 Lithium Carbonate Demand

During the quarter, various global data indicated robust continued demand for lithium carbonate. Unseasonably high rainfall affected lithium brines both in Argentina and China. China increased imports of hard rock spodumene from Australia and imports of lithium carbonate from Chile, but also increased exports.

Unfavourable events in Japan and Thailand earlier in the year also had an impact on the growth in demand for lithium batteries and on lithium carbonate in Japan, however, it was forecast to be similar to 2010 demand levels. Annualised US, European Union and South Korean imports have greatly increased and are forecast to be approx 35% to 40% above 2010 figures.

SignumBOX, a Chile-based consultancy, has forecast lithium demand to reach to 120,000t of lithium carbonate equivalents (LCE) in 2011, a 15.5% increase. The main growth areas are in the lithium batteries segment, an increase of 18%, followed by the glass and ceramics segment. FMC forecasts growth of 6% to 7% pa in the next 3-4 years primarily in energy storage and synthesis applications.

Chinese Lead Acid Battery Sector Facing Major Closures, Overhauls

The Chinese Government continues to enforce some lead acid battery makers to reassess their environmental protection methods due to blood lead levels exceeding the health limit in the Guangdong and Zhejiang provinces.

Chinese TV news reported that only 16 lead acid battery plants have been allowed to operate out of 273 in the Zhejiang Province. Overall, out of 3,000 lead acid battery plants in China only 200 have been reissued with operating licenses.

The market is already facing a shortage of lead acid batteries and prices have increased, thereby reducing the price gap with lithium batteries. The Company estimates that currently there are not sufficient producers of high quality lithium batteries in China, and demand may potentially exceed supply.

Forecast of Exponential Growth of Lithium-Ion Batteries Demand in E-Bikes

Estimated sales of e-bikes in China in 2011 totalled 29 million units, with 2.5% using lithium-ion (Li) batteries. The China Bicycle Association targets Li batteries market share to increase to 20% in the current 12th '5 Year Plan'. The Association has applied to the Chinese Government to extend the existing electric vehicle subsidy to Li battery operated e-bikes. This will further reduce the price gap with lead acid batteries and potentially spur an exponential demand for Li batteries. Based on the Association's forecast of 20% e-bike market share by 2015, demand will reach to 5.8 million units or packs of Li Batteries.

Galaxy plans to build a Li battery project in China with initial production of 350,000 battery packs a year. Galaxy has secured offtake arrangements for 100% of its first phase of the project. However, with the increased demand and the potential to increase the nominal plant capacity, the Company has already secured 65% of the revised capacity target of 620,000 packs pa.



Purification plant

Resource Division

James Bay - Canada

The Company successfully completed the collection of a 10 tonne bulk sample of pegmatite ore from its 20% owned James Bay Spodumene Project in Quebec, Canada. The Company has a farm-in arrangement with Canada's Lithium One Inc. (TSX-V LI) to acquire up to 70% of the James Bay Project. Galaxy continues to undertake a Feasibility Study on James Bay, which is one of the requirements of the farm-in agreement.

The preparation of the particular sample was undertaken by Nord-Fort Inc of St-Anne-des-Lac, with the blasting carried out by Dynamytage of Prevost Quebec. A total of four different pegmatite outcrops were sampled and approximately 10 tonnes were placed in steel drums and shipped to SGS Laboratories, Lakefield Ontario where an extensive program of metallurgical testwork (second round) will be conducted during the year. This program will mirror the testwork undertaken in Perth by Nagrom Laboratories for Mt Cattlin ore.

Mt Cattlin - Operations

Mining operations met expectations, with total material movement of 439,705 BCMs of waste and a further increase in ore mined to 210,499 tonnes @ 1.08% Li₂O recorded for the December quarter.

During the latter half of the quarter, the main high-grade pegmatite ore zone at Mt Cattlin was exposed in the planned 5 year open pit. The wide (up to 25 metres thick), flat lying ore zone will provide the operation with an abundant supply of ore for future processing requirements. Of note, a large portion of waste material overlying the pegmatite ore body has now been removed from the 5 year open pit.

This has exposed a large portion of the ore body, and work is well underway for the phase 2 project, which will provide up to 15 years plus mine life, at the current planned production throughput rate. Long term mine design and open pit scheduling is well advanced. Ore produced from the future open pits will be processed using the current processing facilities at Mt Cattlin.

	Dec 2011 Quarter	Year to Dec 2011
Ore Mined (Tonnes)	210,499	616,714
Grade (Li ₂ O%)	1.08	1.11
Waste Mined (BCM)	439,705	1,975,188
Ore Treated (Tonnes)	176,786	628,779
Grade (Li ₂ O%)	1.19	1.19
Spodumene Produced (dry Tonnes)	18,692	63,863

The production performance of the wet plant and concentrator was consistent, with ore throughput of 176,786 tonnes. Spodumene concentrate production was slightly down compared with the previous quarter, due to the mining and treatment of a zone of weathered pegmatite ore mined close to the surface. Spodumene concentrate production was 18,692 dry tonnes for the December quarter. A number of process improvement programs progressed in conjunction with equipment suppliers to achieve further increases in throughput and reliability.

Test work commenced to extract mica as a value adding by product. A quality mica sample was produced and sent for evaluation to potential international customers. Preliminary equipment design has commenced to achieve a reduction of mica content in the final spodumene product and to produce a saleable mica by-product.

Mt Cattlin - Exploration

During the quarter, preparations were made and a drilling contractor engaged for an RC program targeting lithium pegmatite horizons at depth beneath the current Mt Cattlin resource. This program will commence in the current quarter and will target extensions and repetitions at depth of the northwest zone. Pegmatite horizons beneath the known resource in the southwest of the deposit will also be targeted, with limited previous drilling in this area returning a best intersection of 7m @ 1.12% Li₂O.

Blasting at Pit 1B in Mt Cattlin





Mt Cattlin spodumene plant at night

Resource Division

Mt Cattlin Open Day

Galaxy welcomed around 200 members of the local community to the Mt Cattlin mine site for its second Open Day in November 2011. Open Day visitors were given a full guided tour of the project, including a viewing of the pit, an overview of the processing plant and information on the Project's history. Lithium product applications were also on show, including electric bicycles (e-bikes) and an electric car.

Mt Cattlin Hosts Local School Visits

Galaxy's Mt Cattlin team hosted three primary school visits in the second half of 2011. Local schools visiting site included Ravensthorpe Pre-primary, Hopetoun and Jerdacuttup Primary Schools. Students were given a guided tour of the mine and plant and explanation about spodumene's role in lithium products. Students also learnt about the different roles and jobs on site from geologists, to surveyors, truck operators and metallurgists and the role Galaxy plays in the local community.



Primary school visit at Mt Cattlin



Microniser plant at Jiangsu

Chemicals Division

Galaxy continued its excellent safety record at the Jiangsu Lithium Carbonate Project site. No Lost Time Injuries (LTIs) have been recorded since the start of construction. No Medical Treatment Injuries (MTIs) were recorded in the period.

Jiangsu Construction Progress

In early December, Galaxy announced it had achieved mechanical completion of the Jiangsu Lithium Carbonate Project, a month ahead of the revised schedule. Galaxy received Construction Completion Certificates for all areas of the plant from EPCM contractor Hatch Engineering and progressed applications for final production approvals and licences with relevant government departments.

In addition to the work of closing the punch list, the Company commenced cold commissioning during the quarter, which involves checking and ensuring the integrity of plant, equipment, electrical, instrumental and control systems. Cold commissioning is expected to be completed mid-February 2012.

Chemicals Division

Some areas of the plant like micronising and packaging were cold commissioned ahead of schedule and progressed to hot commissioning and operation during the quarter. Hot commissioning of the plant and equipment will formally commence in the current quarter and will be followed by the introduction of process materials and the start-up phase.

Some major systems such as the spodumene unloading conveyor system connecting to the Two Lion Wharf, the microniser units, and the packaging system, have already been cold commissioned ahead of schedule. These systems have been handed over to Galaxy operation ready for the final stage of commissioning and start-up. The connections of natural gas, steam and waste water discharge are ready. The 2012 contract for the above items have been signed.

The fire protection system, lightning & static proof system, emission & dust treatment system, and waste water treatment system are ready for inspection by relevant government agencies. The consequent acceptance will lead to the issuance of production approval. Galaxy is targeting production approval and commencement of production during the current quarter.

Business Readiness Program

The full Galaxy teams including Operation, Technical, Maintenance and Safety were involved in both cold and hot commissioning activities. The laboratory and maintenance workshops have been operating as normal.

The procedures for laboratory, operation and maintenance were all implemented during the commissioning phase. Galaxy safety procedures were adopted for both cold and hot commissioning, which will ensure the continuity during transition from commission to ramp-up and operation. The site servers and IT related equipment have been installed, commissioned successfully during the quarter. The laboratory management software CCLAS were successfully installed.

The asset management system had a significant amount of maintenance strategies and vendor data entered into it. The collection of the spare parts was near completion and significant amount of spare parts were purchased.

The temporary warehouse was moved to a permanent site warehouse and operated to support commissioning activities. Warehousing modules were initiated through dry-runs by maintenance and warehousing personnel processing job orders in a real operational environment.

Implementation of the Pronto business management system moved towards its final implementation phase during the period.

Battery Division

The Company revised the design and subsequent output forecasts for its proposed Lithium-Ion Battery Project (Battery Project or the Project) in China's Jiangsu Province. Output from the Project's plant is now forecast at 620,000 battery packs per annum versus an initial forecast of 350,000 packs. The battery packs are largely used to power electric bicycles (e-bikes).

The recently-completed detailed design phase study showed the turn-key equipment supplied under a contract with Korea USA Battery Technology (KUBT) is capable of higher throughputs than previously thought, due to improvements in automation technology. The output increases will be able to be achieved without significant change in Project capital costs.

The Company has updated its 2010 Definitive Feasibility Study to reflect the changes and the economics of the Project had further improved. The Battery Project represents a compelling investment opportunity that has the potential to establish Galaxy as one of the world's first integrated lithium resource, chemical and battery companies.

With the Company's presence in China through its Jiangsu Lithium Carbonate Plant, the e-bike battery market represents the best entry point for Galaxy to execute its strategy and capture the significant cost and marketing synergies available.

Product storage warehouse at jiangsu plant



Commissioning at Jiangsu by Galaxy staff

Battery Division

Under the proposed Battery Project the Company would utilise established U.S. technology via its licence deal with K2 Energy Solutions, proven turn-key battery plant equipment from KUBT, EPCM contractor in M+W Group. The output upgrade would increase the net present value (NPV) of the project to A\$365 million from A\$187 million previously forecast.

Galaxy said the Jiangsu Lithium Carbonate Plant remained its priority and it would not make a decision on the Battery Project until the Jiangsu plant was completed and commissioned. However, it said detailed design work for the Battery Project was important preparation and continued the focus on Galaxy's project pipeline.

Revised Feasibility Study

Galaxy has now completed its detailed design phase for the Battery Project. In addition to improved NPV, the design study found production of 620,000 e-bike batteries per annum would generate expected annual revenue of A\$142 million and average pretax net cash of A\$68 million per annum. The capital cost of the plant is estimated to be A\$142 million.

The non-g geared, net present value of the Project at a discount rate of 10% was estimated at A\$365 million, with a project capital cost of around A\$143 million. The internal rate of return (IRR) would be around 43%.

Other Updates

The waste water treatment method was updated to suit Environmental Protection Board China (EPB). Waste (process) water will now be treated using Reverse Osmosis (RO) membrane. Subsequent to the quarter, Environmental Impact Assessment Report (EIAR) evaluation was approved after some changes required by EPB China were accommodated.

The Safety Impact Assessment Report (SIAR) report was completed and submitted to the Zhangjiagang Safety Administration Bureau for preliminary evaluation. The Bureau is expected to approve SIAR, as it was subject to EIAR approval. Project Approval Report (PAR) is nearly completed and will be ready for submission in the current quarter. It was a requirement for EIAR approval to be obtained before submission of PAR.

Detailed designs on building and factory lay-out have been sufficiently completed to appoint a Design Institute for further progress. In engineering term, this work may be defined as 60% completion of all building and factory lay out designs. The remaining 40% is carried out by Design Institute in collaboration with EPCM contractor, M+W.

During the quarter, KOBET (turn-key equipment supplier) completed all equipment specification drawings. KOBET and K2 Energy have been finalising pack assembly line designs, which will be completed shortly. K2 Energy completed preliminary designs of Galaxy's battery packs in three configurations, 24Vx10Ah, 36Vx10Ah and 48Vx20Ah. Final designs and prototypes expected by mid-2012.

Jiangsu achieved mechanical completion in early December 2011



For more information,
please contact:

Corporate

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Competent Persons

The information in this report that relates to Exploration Results, including exploration data and geological interpretations 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.

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Name of entity

Galaxy Resources Limited

ABN

11 071 976 442

Quarter ended ("current quarter")

31 December 2011

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (12 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	187	187
1.2 Payments for (a) exploration & evaluation	(649)	(2,386)
James Bay acquisition	-	(2,941)
(b) development	-	-
(c) production	(13,720)	(30,438)
(d) administration	(370)	(4,929)
HK listing costs	-	(2,110)
Convertible bond costs	(592)	(4,113)
Feasibility consultants	(3,977)	(16,665)
Other admin		
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	379	2,077
1.5 Interest and other costs of finance paid	(2,460)	(7,544)
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	735	735
	(20,467)	(68,127)
Net Operating Cash Flows		
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(10,056)	(85,167)
(d) intangibles	-	(2,327)
1.9 Proceeds from sale of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	14	(395)
	(10,042)	(87,889)
Net investing cash flows		
1.13 Total operating and investing cash flows (carried forward)	(30,509)	(156,016)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(30,509)	(156,016)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	143,019
1.15	Proceeds from borrowings	11,714	32,594
1.16	Proceeds from convertible bonds	-	29,500
1.17	Repayment of borrowings	-	(106,590)
1.18	Dividends paid	-	-
1.19	Other (interest and principal paid from restricted cash)	-	45,826
	Net financing cash flows	11,714	144,349
	Net increase (decrease) in cash held	18,795	(11,667)
1.20	Cash at beginning of quarter/year to date	39,518	27,510
1.21	Exchange rate adjustments to item 1.20	(2,726)	2,154
1.22	Cash at end of quarter	17,997*	17,997

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	433
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Includes directors' fees, salary and superannuation and also fees paid to directors or director related entities for professional and technical services.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

N/A

Financing facilities available

+ See chapter 19 for defined terms.

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	58,795*	33,499
3.2 Credit standby arrangements	-	-

* During the period, Galaxy utilised some of its current cash reserves to complete the Jiangsu Lithium Carbonate Plant following delays to the drawdown of approved loan facilities in China. These loan facilities are now in the process of being drawn in full.

As at 31 December 2011, RMB 192 million had been drawn down of an approved RMB 266 million fixed asset facility. An additional RMB 24 million was drawn down of an approved RMB 114 million working capital facility. Galaxy is currently seeking further fixed asset facility of approximately RMB 100 million and further working capital facilities, which are in various stages of approval.

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	500
4.2 Development	1,000
4.3 Production	12,000
4.4 Administration	3,000
Total	16,500

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	6,500	6,711
5.2 Deposits at call	11,497	32,807
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	17,997	39,518

+ See chapter 19 for defined terms.

Changes in interests in mining tenements – refer attached tenement schedule

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed			
6.2	Interests in mining tenements acquired or increased			

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	Preference securities (description)			
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions			
7.3	*Ordinary securities	323,327,000	323,327,000	-
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs			

+ See chapter 19 for defined terms.

7.5	+Convertible debt securities <i>(description)</i>	615 (face value of \$100,000 per bond). Unsecured, subordinated 8% per annum. A\$1.16 conversion price.	-	-	-
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	-	-	-	-
7.7	Options <i>(description and conversion factor)</i>			<i>Exercise price</i>	<i>Expiry date</i>
		750,000	-	\$0.45	17/11/14
		3,350,000	-	\$0.60	26/11/14
		5,350,000	-	\$0.60	Vesting not satisfied
		1,800,000	-	\$0.90	26/11/14
		3,000,000	-	\$0.96	Vesting not satisfied
		1,000,000	-	\$1.00	30/06/12
		3,600,000	-	\$1.11	22/07/16
		1,900,000	-	\$1.11	Vesting not satisfied
		30,550,000	-	\$1.16	Vesting not satisfied
7.8	Issued during quarter				
7.9	Exercised during quarter				
7.10	Expired during quarter				
7.11	Debentures <i>(totals only)</i>				
7.12	Unsecured notes <i>(totals only)</i>				

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does ~~does not~~* (*delete one*) give a true and fair view of the matters disclosed.

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report



Sign here: Date: 31 January 2012
(~~Director~~/Company secretary)

Print name: A L Meloncelli

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 wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

+ See chapter 19 for defined terms.

Tenement Schedule as at 31 December 2011

Project	Tenement	Notes
<u>Boxwood Hill</u>	E70/2493	
	E70/2513-E70/2514	
	E70/2547	
<u>Connolly</u>	E69/1878	
<u>Ponton</u>	E28/1317	
	E28/1830	
<u>Shoemaker</u>	E69/1869-1871	20% Interest with General Mining Corporation.
<u>Ravensthorpe</u>		
Aerodrome	E74/334	
	E74/398	
Bakers Hill	E74/287	
	E74/295	
	E74/299	
	E74/415	
	P74/278	
Floater	P74/336	
	E74/400	
McMahon	P74/307-P74/308	
	M74/165	
	M74/184	
Mt Cattlin	P74/334	
	L74/46	
Sirdar	M74/244	
	E74/401	80% Interest with Traka Resources.
	P74/309-P74/310	80% Interest with Traka Resources.
West Kundip	M74/133	
	M74/238	
<u>James Bay</u>	Various	20% Interest with Lithium One Inc.

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