



June 2015



QUARTERLY REPORT

Highlights

Significant events during the quarter

- Amended Terms with General Mining on Mt Cattlin Project
- Jiangsu divestment settlement
- Further overhead reductions with organisational changes at Sal de Vida
- Continuing optimisation work at Sal de Vida

Corporate

On 7 April 2015 the Company announced that General Mining (“GMM”) had completed the due diligence stage of its Mt Cattlin evaluation and was moving into the development phase. Galaxy and GMM also commenced discussions with potential offtake partners for the sale of future tantalum and spodumene production from Mt Cattlin.

The Company announced the completion of the Jiangsu divestment transaction on 14 April 2015 and subsequently received the outstanding cash consideration settlement funds, after deduction of the original deposit and contingent loan monies, with only the final adjustment amount outstanding, subject to a final reconciliation before receipt.

Revised terms to the Mt Cattlin Project with GMM were announced on 9 June 2015 with the transaction being amended to reflect a newly agreed earn-in structure for the project, whereby GMM shall have the right to earn a 50% equity interest in the Mt Cattlin Project for A\$25 million, payable over the next three years inclusive of the estimated capital of A\$7 million to bring Mt Cattlin back into production. In addition to the revised terms on Mt Cattlin, GMM has been granted an additional right to earn a 50% equity interest in the James Bay Project by spending US\$5 million over the next three years.

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)

Since June 2013, the current management team has taken the Company through a series of significant financial restructuring initiatives to strengthen and improve the balance sheet. In April 2014, the Company announced the divestment of its processing plant in Jiangsu Province, China which was completed in April 2015.

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 Mine near Ravensthorpe in Western Australia and the James Bay Lithium Pegmatite Project in Quebec, Canada. Unlocking further value from these assets is important to Galaxy’s ongoing strategy.

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.

www.galaxylithium.com

Projects

Sal de Vida (96%)

Summary

Important team restructuring performed in April. Field activities continue.

- Q2 2015 showed SDV's overheads reduced by 30% annually
- Alternative production development options, combining different locations and production capacities, were reanalyzed and updated
- On site weather data continued showing consistency with a "dry" year
- Corporate representatives hosted an investor visit in Salta

ENVIRONMENTAL PERMITTING & LAND MANAGEMENT

An Environmental Impact Assessment is being prepared and will be submitted early in Q3 2015 in compliance with the Environmental Impact Declaration (DIA) obtained one year ago. This DIA is the project construction permit which was issued and approved last year by the Mining Secretary of Salta and includes fundamental project related data outlining the first production stage. All tenement files in both Salta and Catamarca Province have been maintained in good standing.

PROCESS TEST WORK

Technical meetings have been held with Y-TEC, a research and development division of the leading oil and gas group YPF. In line with YPF's strategy and increasing focus on the alternative energy sector and its related technologies, Y-TEC recently acquired certain patents from the National Investigation Institute of Argentina (CONICET). Y-TEC has been developing certain lithium processing technologies and is working with Galaxy's Sal De Vida team to look at methods that will potentially accelerate the traditional brine large-scale evaporation ponds process.

FINANCE

Following a management and organizational restructuring, further reductions of overheads were achieved through a streamlining of the operations structure and renegotiating certain vendor contracts and arrangements, resulting in an overall annual 30% decrease being achieved by the end of the reported quarter. In light of the current market conditions in Argentina, the local management team is working on further cost efficiencies that they expect will result in further overall cash cost reductions throughout the remainder of the year.

A comprehensive financial re-evaluation was undertaken for the staged development approach of the Sal De Vida project during the quarter. This exercise included a full price update both in US Dollar and Argentine Peso terms, as well as possible development options, contemplating not only different production scenarios (which included the final products of lithium carbonate and potassium chloride), but also looking at the potential for a single or co-location operations setup.

Mt Cattlin

On 9 June 2015 Galaxy announced it had amended terms on the original Term Sheet announced to market on 9 February 2015. The amended terms allow for GMM to provide the financial and technical resources to restart the Mt Cattlin Project so that both companies may derive the maximum benefit from the robust lithium and tantalum markets.

Amended Transaction Terms

- General Mining (ASX:GMM) to have sole and exclusive right to earn a 50% equity interest in the Mt Cattlin Project for expenditure of a total of A\$25 million
- Consideration to be satisfied by way of a minimum of A\$7million of capital expenditure to restart production plus three annual instalments of A\$6 million, payable monthly in arrears from the commencement date of production. All prior lease and royalty arrangements are to be extinguished
- GMM to be sole operator and manager of the Project
- All care & maintenance costs prior to production and operating profit after the commencement of production to be shared equally
- GMM granted the right to earn a 50% equity interest in the James Bay Project, subject to minimum expenditure of US\$5 million over three years

James Bay (100%)

A strategic option was granted to GMM to a right to earn to a 50% interest in the James Bay Project, subject to a minimum requirement for GMM to invest US\$5 million over a three year period, including a guaranteed spend of US\$2.5million within the first two years. A DFS team will be assembled in Q4 2015 to visit site and begin work.

Outlook

Growth in the lithium market continues to be robust, with pricing for the first half of the year showing a significant increase. As at the end of the quarter, spot pricing of lithium carbonate was reported at US\$7,000/tonne, up from approximately US\$5,800/tonne at the end of 2014. This has been driven by the continued growth of anticipated demand coming online from major lithium battery projects, including those of LG Chem, Tesla's gigafactory, Samsung SDI, Foxconn and BYD. On the supply side, response to market demand has been poor, with continued delays in new production coming online from both planned expansions and new development projects in South America.

With the Jiangsu transaction now completed, the Company's balance sheet position has been significantly strengthened. In addition, initiatives such as the recently announced revised transaction terms for the Mt Cattlin Project and James Bay with GMM, not only allow the Company to continue improving its financial position and cash flow but they are also significant in that they begin to unlock value from its underlying assets. A focus on financial discipline and further enhancement of its balance sheet remain key priorities for the Company, as Galaxy continues to evaluate various options that will allow it achieve this objective. In terms of unlocking further value, Galaxy firmly believes that its Sal De Vida Project remains the best in class in terms of undeveloped lithium brine project, and that recent management changes and development initiatives, have positioned the project ideally to be able to take advantage of future opportunities as they arise.

-ENDS-

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Corporate

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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 30 June 2015

Project	Tenement	Notes (100% interest unless stated)
<u>Argentina</u>		
<u>Sal De Vida</u>	Various	96% (70% Interest upon satisfaction of JV conditions with Kores Consortium).
<u>Australia</u>		
<u>Boxwood Hill</u>	E70/2493	
<u>Ponton</u>		
	E28/1317	
	E28/1830	
<u>Ravensthorpe</u>		
<u>Bakers Hill</u>	E74/299	
	E74/415	
<u>Floater</u>	E74/400	
	P74/307-P74/308	
<u>Mt Cattlin</u>	L74/46	
	L74/48	
	M74/244	
<u>Sirdar</u>	E74/401	80% Interest with Traka Resources.
	P74/309-P74/310	80% Interest with Traka Resources.
<u>West Kundip</u>	L74/47	
	M74/133	
	M74/238	
<u>Canada</u>		
<u>James Bay</u>	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, 01/05/2013

Name of entity

Galaxy Resources Limited

ABN

11 071 976 442

Quarter ended ("current quarter")

30 June 2015

Consolidated statement of cash flows

		Current quarter	Year to date (6 months)
		\$A'000	\$A'000
Cash flows related to operating activities			
1.1	Receipts from product sales and related debtors	15	2,170
1.2	Payments for (a) exploration & evaluation	(724)	(1,089)
	(b) development	-	-
	(c) production	(449)	(3,081)
	(d) administration	(1,977)	(3,058)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	3	27
1.5	Interest and other costs of finance paid	(5,963)	(8,493)
1.6	Income taxes paid	-	-
1.7	R&D Refund	185	185
	Net Operating Cash Flows	(8,910)	(13,339)
Cash flows related to investing activities			
1.8	Payment for purchases of:		
	(a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	(1)	(1,919)
1.9	Proceeds from sale of:		
	(a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	105,045	105,049
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Deposits	(16,001)	(16,001)
	Net investing cash flows	89,043	87,129
1.13	Total operating and investing cash flows (carried forward)	80,133	73,790

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity and oil and gas exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	80,133	73,790
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	8,428
1.17	Repayment of borrowings	(40,191)	(53,133)
1.18	Dividends paid	-	-
1.19	Repayment of CB's	-	-
	Net financing cash flows	(40,191)	(44,705)
	Net increase/(decrease) in cash held	39,942	29,085
1.20	Cash and cash equivalents at beginning of quarter/year to date	3,192	13,581
1.21	Exchange rate adjustments to item 1.20	(204)	264
1.22	Cash and cash equivalents at end of quarter	42,930	42,930

Payments to directors of the entity, associates of the directors, 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	217
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

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	4,450	4,450
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	500
4.2 Development	-
4.3 Production	100
4.4 Administration	1,600
Total	2,200

Reconciliation of cash and cash equivalents

Reconciliation of cash and cash equivalents 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	42,930	3,192
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Bank Bills	-	-
Total: cash and cash equivalents at end of quarter (item 1.22)	42,930	3,192

+ See chapter 19 for defined terms.

Changes in interests in mining tenements and petroleum tenements

	Tenement reference and location	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements and petroleum tenements relinquished, reduced or lapsed	E70/2513 E70/2514 E74/295	100% 100% 100%	Nil Nil Nil
6.2	Interests in mining tenements and petroleum 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	1,103,183,990 ¹	1,103,183,990	-	-
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	38,400,000	38,400,000	-	-

1. For voting purposes, the total number of shares presently carrying voting rights in Galaxy Resources Limited is 1,103,183,990. This is made up of 1,092,241,693 Fully Paid Ordinary Shares and 10,942,297 Special Voting Shares (which, effectively, may be voted by the holders of the remaining un-exchanged 10,942,297 Exchangeable Shares in Galaxy Lithium One Inc). These amounts are aggregated on the basis that ASX has confirmed that the voting rights attached to each Special Voting Share along with each Exchangeable Share (and its associated exchange rights and obligations) together upon and from their issue are to be treated as one Fully Paid Ordinary Share in Galaxy for the purposes of the ASX Listing Rules. During the current quarter 0 Exchangeable Shares were exchanged for Fully Paid Ordinary Shares.

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

7.5	*Convertible debt securities (description)	600 Convertible Bonds (face value of \$100,000 per bond). Unsecured, subordinated 8% per annum. A\$0.922 conversion price. Total owing A\$62.4 million.	-	-	-
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	- -	- -	- -	- -
7.7	Options (description and conversion factor)	12,000,000 3,600,000 350,000 2,900,000	- - - -	Exercise price \$0.08 \$1.11 \$1.11 \$1.16	Expiry date 19/09/16 22/07/16 Vesting not satisfied Vesting not satisfied
	Share Appreciation Rights	37,100,000	-	Base Price of \$0.03	Terms and conditions approved for directors set out in the notice for the Annual General Meeting held on 29 May 2015
7.8	Issued during quarter – Share Appreciation Rights	37,100,000	-	Base Price of \$0.03	Terms and conditions approved for directors set out in the notice for the Annual General Meeting held on 29 May 2015
7.9	Exercised during quarter				
7.10	Expired during quarter - Options	850,000 13,800,000		\$1.11 \$1.16	Vesting not satisfied Vesting not satisfied
7.11	Debentures (totals only)	-	-		
7.12	Unsecured notes (totals only)	-	-		

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 5).

+ See chapter 19 for defined terms.

2 This statement does ~~does not~~* (*delete one*) give a true and fair view of the matters disclosed.



Sign here: Date: 31 July 2015
(~~Director~~/Company secretary)

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 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 and petroleum 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 or petroleum 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 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting 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.

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