

Highlights

Significant events during the quarter

- Main Permits for Development of the Sal De Vida Project awarded by both Catamarca and Salta provinces.
- Senior Management Changes
- Progress on Jiangsu divestment

Corporate

Jiangsu Divestment Update

The anticipated CSRC rule changes mentioned in the September 2014 Quarterly Report, were brought into effect in December 2014. Subsequent to those changes in regulations, the Jiangsu divestment is no longer subject to CSRC Approval per se, however statutory filing of certain reports regarding the transaction are still required with the CSRC.

Galaxy has been working with Tianqi to review the status of the Jiangsu Divestment, in light of these regulatory changes and the current market conditions

In particular, the parties have been reviewing the outstanding conditions precedent to the sale and assessing the processes and timing to satisfy those conditions precedent and expected completion timetable. The Company will update shareholders as soon as possible.

Jiangsu (100%)

Operational Performance - Jiangsu Plant Lithium Carbonate Production

In March 2014, Galaxy Jiangsu entered into a spodumene tolling agreement with Tianqi to treat a total of 8,000 tonnes of lithium carbonate (battery and technical grade) on their behalf. Jiangsu produced 2,300 tons of lithium carbonate for Tianqi during the quarter. The corresponding tolling treatment fee has been paid by Tianqi.

About Galaxy Resources

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

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.

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

Safety

There were zero LTIs (Lost Time Incidents) and MTIs (Medical Treatment Incidents) during the quarter.

Projects

Sal de Vida (96%)

The local team made significant advances during the quarter

- Environmental Impact Report approvals have been granted by both Catamarca and Salta provinces. The approvals come with none of the demands for Provincial participation as seen with some other recently approved mining projects and along with Galaxy's secure tenure ownership constitutes a distinct competitive and economic advantage
- Operational risk concerns were addressed with capital and operating cost estimates for alternative processing sites. New infrastructure developments are helping to mitigate the risk without having to resort to the significant additional costs of supporting multiple operations.
- Site work has been kept to a minimum but a ponds test program has been prepared that has the potential to reduce project capex by up to US\$15M

ENVIRONMENTAL PERMITTING

Environmental Impact Report approvals (*Declaracion Impacto Ambiental*, or DIAs) have been received from both provinces in which the Sal de Vida project operates. Catamarca and Salta provinces are both development and mining-friendly; as such the approvals come with none of the costly burdens as seen for some mining projects in other provinces. Granted at the provincial level, DIAs are not only environmental plan approvals, but are the overriding operating permits for mines. In all cases, attached to the permits are conditions of interest to the province in which a project operates. The DIAs issued by Salta and Catamarca for the Sal de Vida project include conditions for best efforts to favor local hiring and contractors, but notably do not include "participation," or project equity and additional monetary payments to the province, as seen with other recent mining, particularly lithium, projects.

DEVELOPMENT PLANNING

New infrastructure developments - Gas

Important infrastructure development is underway to do more to mitigate the operational risks of gas and electricity shortages. Two important gas pipeline projects which together will eliminate the shortage of gas in the Puna region and a fast-moving plan to expand the electrical network in the Puna will further ease the gas requirement.

One of the gas pipeline expansion projects has already brought gas within easy reach of the Sal de Vida plant site. The extension of the 6" Puna gas pipeline from Pocitos to FMC's plant at Salar de Hombre Muerto already passes within 24 kilometers of the planned plant site. Galaxy secured a gas supply agreement with the regional gas transportation company that ensures adequate supply for at

least the start-up phase of the project, at a minimum securing more time to make an informed decision regarding subsequent expansion.

A second new pipe line initiative for another lithium project more than doubles the existing Puna gas pipe line capacity. The US\$50M project will install a second 8" gas pipeline alongside the existing Puna gas pipe, in order to meet the full needs of that project and providing residential gas for Puna communities adjacent to the transport corridor. If completed, this will resolve overall shortages in the region, making ample gas available for the Sal de Vida project at its ultimate capacity. That pipeline has been engineered and is estimated for completion within 2 years.

New infrastructure developments - Electricity

KWh/y	Cost/KWh	Annual cost (US\$)	
34,163,744	0.08	2,733,099.52	Generation on site
	0.025	854,093.6	Grid
		1,879,005.92	Savings

Table 1: Electricity requirements for the Sal de Vida project (full scale)

Another election year public works project has the potential of further decreasing both risk and costs at the Sal De Vida site. A plan to expand the electrical grid outward from the existing and currently un-used transmission line will bring electrical transmission lines to within less than 10 kilometers of the proposed plant site. With an ultimate electrical load of 7.2MW and annual electrical consumption of 34 million KWh, electricity supplied at current grid rates would result in savings of nearly \$2M per year and would result in reduced capex for gas transport, which would only need to be used only for heat and steam generation for the process and buildings.

Extension of the power grid opens the possibility to develop geothermal resources at a high-probability target close to the Sal de Vida project. While not an initiative that could be undertaken by Galaxy, Sal de Vida staff has been meeting with possible stakeholders, including the regional power company and national-level State oil company management involved in developing alternative energy resources.

SITE STUDIES

Ponds construction and leakage test: The first activities in development of the Sal de Vida project will be the well field and ponds construction. Pumping tests have already been completed, confirming well designs with the actual well locations subject to ongoing testing and adjustment during the well drilling programme. The evaporation ponds, comprising more than 30% of the estimated capital expense are a critical area to look for savings. Test work is still required for the ponds, to determine the safest and most cost-effective design, according to actual local soils and materials properties. Additionally, significant capital savings can be realized if it is determined that all or part of the ponds can be built and operated without HDPE liner. (If the lined area can be reduced by 50%, the savings will amount to US\$15-20M). As such a test programme involving building two small ponds has been designed to determine optimum material, design and construction methods for the containment berms. Once built, one of the ponds is to be lined for comparison of leakage rates from the un-lined pond. The results will be used for a trade-off study to determine how much of the ponds

area can be built without liner before losing too much value in lost lithium to leakage. Once the tests are completed, the ponds can be used for ongoing evaporation operations and pilot processing tests.

The first phase of the test programme involved near-surface soils permeability testing in the area of the planned test ponds. Involving settling (Butts Method) lab test of samples from 11 very shallow testing in hand-dug pits, the results were very encouraging. 10 of the samples tested “good” according to the Butts classification, with the remaining sample returning an “excellent” result. The next phase will involve extending the testing program across the full production ponds area (some 2km² for the first production phase, 9km² for the ultimate design), using a backhoe to describe and sample more of the surface soils profile.

An environmental report for the test program has been assembled in preparation for presentation when the program is ready to advance.

Lime sourcing study: Ultimately comprising 29% of processing reagents costs (\$12.1Mpa of \$42.4M), optimization of lime supply is a key issue to Sal de Vida. A re-examination of nearby alternative lime sources was undertaken, considering the improvements in access from the Catamarca direction. The source assumed for the feasibility study is still a favored option, but the possibility of a supplier in Catamarca has emerged, which will be beneficial for security of supply, if not competitive pricing.

Finances and cost controls

Sal de Vida project costs for the second half of 2014 were maintained below the mid-year estimate, resulting in overall savings of nearly US\$530,000 for the July-December period. The main reason for the savings was because of favorable movements in the FX rate, that started off at AR\$9.84 /US\$ at mid-year, climbing as high as AR\$14.33 in September and settling down to end the year at AR\$11.78.

Mt Cattlin & James Bay (100%)

Strategic options in relation to Mt Cattlin and James Bay are being evaluated to consider the most optimal approach to unlocking value in these assets in the short and medium term. Necessary activities to maintain the projects in good standing have been undertaken.

Marketing & Sales

Lithium Carbonate Sales

No lithium carbonate sales in Q4 with the production and operational focus entirely on the Tianqi tolling agreement.

Lithium Carbonate Market Overview

1. Toyota Tsusho announced its subsidiary company Sales de Jujuy S.A. has finished the construction of a lithium carbonate plant in Argentina to supply the Japan market from January 2015. The plant is designed to output 17,500 tonnes of lithium carbonate per annum and Toyota Tsusho will be the only consignee to sell the products.
2. According to the China Association of Automobile Manufacturers [CAAM] the sales volume of electric vehicles (EV) and hybrid electric vehicles (HEV) in China in 2014 was 74,800 units, an increase of 320% compared to 2013. Due to the strong policy support from the Chinese government, CAAM forecast that this increasing trend will continue in 2015
3. As there has been a strong demand from the increased sales of EV and HEV, the lithium carbonate supply became tight in Q4. During Q4 Talison announced an increased price for its spodumene to 430US\$/t. The lithium carbonate price was strong in Q4

with industry grade price in the range of RMB40-42/kg (USD6.47-6.79/kg) (inclusive of VAT) and battery grade price RMB43-45/kg (USD6.95-7.27/kg) (inclusive of VAT).

Senior Management Changes

During the quarter the following Management changes were effected:

- Simon Robertson was appointed Company Secretary following the resignation of Mr Andrew Meloncelli effective Friday 28th November 2014;
- Rowen Colman was appointed Chief Financial Officer; and
- Nicholas Rowley was appointed Director – Investor Relations.

Further information in relation to the appointments is set out in the ASX announcement dated 1 December 2014.

Exercise and Expiry of Listed Options

During the Quarter 287,336 listed Options were exercised at \$0.08

The following options expired unexercised during the quarter:

- 686,575,466 listed Options exercisable at \$0.08;
- 750,000 unlisted Options exercisable at \$0.45;
- 1,600,000 unlisted Options exercisable at \$0.60; and
- 1,800,000 unlisted Options exercisable at \$0.90.

Outlook

The divestment of the Jiangsu Plant to Tianqi is a major step in the financial transformation of the Company. The new Board and executive management team at Galaxy have been entirely focused on the best ways to reduce the interest bearing debt of the Company without further diluting shareholders equity. Completion of the sale of the Jiangsu Plant will leave the Company in a significantly strengthened financial position. Upon closing, all outstanding Chinese bank debt at the Jiangsu level will be assumed by Tianqi. Following the sale of Jiangsu, the Company will continue to retain significant exposure to the lithium sector, through its portfolio of lithium assets – namely the Sal de Vida lithium and potash brine project (96%), the Mt Cattlin spodumene mine (100%) and James Bay pegmatite project (100%). Management continues to investigate the best ways to unlock value from all of these projects.

-ENDS-

For more information, please contact:

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 31 December 2014

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	
	E70/2513-E70/2514	
	E70/2547	
<u>Ponton</u>	E28/1317	
	E28/1830	
<u>Shoemaker</u>	E69/1869-1871	20% Interest with General Mining Corporation.
<u>Ravensthorpe</u>		
<u>Bakers Hill</u>	E74/295	
	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")

31 December 2014

Consolidated statement of cash flows

		Current quarter	Year to date (12 months)
		\$A'000	\$A'000
Cash flows related to operating activities			
1.1	Receipts from product sales and related debtors	6,134	25,634
1.2	Payments for (a) exploration & evaluation	(568)	(4,793)
	(b) development	-	-
	(c) production	(7,658)	(28,522)
	(d) administration	(2,058)	(6,927)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	92	1,083
1.5	Interest and other costs of finance paid	(5,392)	(15,595)
1.6	Income taxes paid	-	-
1.7	R&D Refund	-	-
	Net Operating Cash Flows	(9,450)	(29,120)
Cash flows related to investing activities			
1.8	Payment for purchases of:		
	(a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	(332)	(2,122)
1.9	Proceeds from sale of:		
	(a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	1
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Deposits	-	13,029
	Net investing cash flows	(332)	10,908
1.13	Total operating and investing cash flows (carried forward)	(9,782)	(18,212)

+ 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)	(9,782)	(18,212)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	12	14
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	4,794	75,625
1.17	Repayment of borrowings	(9,360)	(49,839)
1.18	Dividends paid	-	-
1.19	Repayment of CB's	-	-
	Net financing cash flows	(4,554)	25,800
	Net increase/(decrease) in cash held	(14,336)	7,588
1.20	Cash and cash equivalents at beginning of quarter/year to date	26,558	2,840
1.21	Exchange rate adjustments to item 1.20	1,359	3,153
1.22	Cash and cash equivalents at end of quarter	13,581	13,581

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	141
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	161,183	161,183
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	700
4.2 Development	-
4.3 Production	5,000
4.4 Administration	1,300
Total	7,000

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	13,561	26,539
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Bank Bills	20	19
Total: cash and cash equivalents at end of quarter (item 1.22)	13,581	26,558

+ 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			
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	1,064,783,990 ¹	1,064,783,990	-	-
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	287,336	287,336	\$0.08	\$0.08

¹ For voting purposes, the total number of shares presently carrying voting rights in Galaxy Resources Limited is 1,064,783,990. This is made up of 1,053,841,693 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.

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 1,200,000 16,700,000	- - - -	Exercise price \$0.08 \$1.11 \$1.11 \$1.16	Expiry date 19/09/16 22/07/16 Vesting not satisfied Vesting not satisfied
7.8	Issued during quarter	-	-	-	-
7.9	Exercised during quarter	287,336	287,336	\$0.08	31/12/14
7.10	Expired during quarter	686,573,466 750,000 1,600,000 1,800,000	686,573,466 - - -	\$0.08 \$0.45 \$0.60 \$0.90	31/12/2014 17/11/14 26/11/14 26/11/14
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).
- 2 This statement does ~~does not~~* (delete one) give a true and fair view of the matters disclosed.



Sign here:
(Director/Company secretary)

Date: 31 January 2015

Print name: Simon Robertson

+ See chapter 19 for defined terms.

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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