



September 2015

GALAXY

QUARTERLY REPORT

Highlights

Significant events during the quarter

- **Definitive Agreement on Mt Cattlin executed with General Mining**
- **Mineral Resource and Ore Reserve update for Mt Cattlin**
- **Environmental Permit renewal approved for Sal De Vida**
- **New gas pipeline accessible for Sal De Vida Project**

Corporate

On 7th September, Galaxy executed the final definitive documentation with General Mining Corporation (“GMM”) regarding the partnership to restart and operate the Mt Cattlin spodumene and tantalum mine in Ravensthorpe, WA. The terms of the agreement were implemented following GMM’s shareholder meeting on 9th September 2015.

For Galaxy, this partnership with GMM will see the restart of Mt Cattlin putting it back into operation after over two years on care and maintenance. Production is scheduled to recommence at the end of the first quarter in 2016. Pursuant to the terms as announced on 9th June 2015, the partnership is subject to a A\$25 million earn-in by GMM for a 50% equity interest in the Mt Cattlin and will see Galaxy receiving no less than A\$6 million per annum in the first three years after the commencement of production, as well as a 50% share of the operating cash flows from Mt Cattlin.

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. Galaxy plans to unlock further value from these assets with its partnership with General Mining.

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



New Gas Pipeline

The new Fenix Gas Pipeline, which runs north-south from the Salar de Pocitos to a location in close vicinity to FMC's Hombre Muerto operations, was commissioned in September and is now operational. The pipeline begins at the existing compression facilities at the Pocitos terminus, and runs for approximately 140km with a nominal transportation capacity for 300,000 m³/day. This pipeline was designed and set up to feed natural gas to current mining and industrial operations in the region, and will also be servicing future projects such as the Galaxy Sal De Vida Lithium and Potash Brine Project. Preliminary planning has commenced for a 20 km spur extension to the future Galaxy Lithium Sal De Vida operations site.

Permitting & Approvals

The Galaxy Sal De Vida Project obtained a renewal to its DIA (Environmental Impact Declaration) and continues to maintain the project in good standing. The Project has been fully permitted through to construction by both Salta and Catamarca Provinces. Local environmental regulations in Argentina require that Environmental Impact Declarations be presented on an annual or biannual basis after the initial DIA global environmental permit is granted to a project. For Sal De Vida, the first renewal deadline was set to one year, a common practice from local regulators in managing start-up projects. Galaxy Lithium Sal De Vida presented its DIA renewal application at the end of Q2 2015 and it has now been evaluated and approved.

Operations Update

Management conducted a planned restructuring of staffing and further reviewed operational expenditures with adjustments to the local management team which resulted in a reduction in personnel and contract labor related costs of over 40%. Continued weakness in the Argentine Peso has resulted in further savings in US Dollar terms. The Sal De Vida team has continued to progress preparation work for the project, with ongoing updates to the project construction, development and operations financial estimates, as well as generally maintaining all relevant permitting and approvals in good standing.

Argentina Political & Macro Outlook

The forthcoming presidential election, with the first round of voting on 25th October 2015, is going to mark a turning point of positive change going forward for the country. Both of the front-running presidential candidates, Daniel Scioli and Mauricio

Macri, have stated publicly that they will be proponents for change and it is widely anticipated that this will bring about a much more positive economic environment, as well as one which is more encouraging for foreign direct investment.

The Company continues to make preparations with its development work and local team in order to best take advantage of the forecast changes to the business and investment environment in the country. These efforts, combined with the continued robust demand for lithium due to strong growth in the consumer electronics, electric vehicle and energy storage sectors, will further enhance the value of the Sal De Vida Project to Galaxy.

Mt Cattlin

During the quarter, in addition to the Company announcing that it had executed final definitive documentation with GMM for Mt Cattlin, the Company also announced that a Mineral Resource and Ore Reserve update had been reviewed and released by GMM.

General Mining's announcement on the Mineral Resource and Ore Reserve Update can be located at:

<http://www.asx.com.au/asxpdf/20150804/pdf/4308mqlkn32ygt.pdf>

Operational Update

GMM has been conducting ongoing work at the Mt Cattlin Project in preparation for the restart.

- Test work on upgraded spodumene recovery and mica extraction circuits are nearing completion
- Refurbishment works on the existing plant commenced in October, with construction of additional new modules following later in the year
- Planning is underway for resource extension drilling, following inquiries from major buyers of lithium spodumene regarding the potential for expansion of production capacity at Mt Cattlin
- Offtake discussions for both tantalum and spodumene are well advanced

In addition to spodumene and tantalum production from Mt Cattlin, GMM is exploring additional potential for value extraction from the separation of saleable mica, feldspar and silica products.



Galaxy Resources Mt Cattlin Plant

James Bay

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 to visit site and begin work.

Outlook

Growth in the lithium market continues to be robust, with a 20% price increase reported through the first three quarters of the year. 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, the Tesla Gigafactory, Samsung SDI, Foxconn and BYD, added to which, FMC Corporation (NYSE:FMC) announced a 15% price increase in September 2015 for all lithium products, effective 1st October 2015. 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.

Initiatives such as the partnership with GMM on the Mt Cattlin and James Bay projects, not only allow the Company to continue improving its financial position and cashflow, but they are also significant in that they begin to unlock value from its underlying assets. Galaxy firmly believes that its Sal De Vida Project remains the best in class in terms of undeveloped lithium brine projects and recent management changes and development initiatives, have positioned the project ideally to be able to take advantage of future opportunities as they arise.

-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 30 September 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	
	E70/2513-E70/2514	
<u>Ponton</u>		
	E28/1317	
	E28/1830	
<u>Ravensthorpe</u>		
Bakers Hill	E74/295	
	E74/299	
	E74/415	
Floater	E74/400	
	P74/307-P74/308	
Mt Cattlin	L74/46	
	L74/48	
	M74/244	
Sirdar	E74/401	80% Interest with Traka Resources.
	P74/309-P74/310	80% Interest with Traka Resources.
West Kundip	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 September 2015

Consolidated statement of cash flows

		Current quarter	Year to date (9 months)
		\$A'000	\$A'000
Cash flows related to operating activities			
1.1	Receipts from product sales and related debtors	-	2,170
1.2	Payments for (a) exploration & evaluation	(432)	(1,521)
	(b) development	-	-
	(c) production	(76)	(3,157)
	(d) administration	(1,728)	(4,786)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	23	50
1.5	Interest and other costs of finance paid	(138)	(8,631)
1.6	Income taxes paid	-	-
1.7	R&D Refund	-	185
	Net Operating Cash Flows	(2,351)	(15,690)
Cash flows related to investing activities			
1.8	Payment for purchases of:		
	(a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	(5)	(1,924)
1.9	Proceeds from sale of:		
	(a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	31	105,080
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Deposits	-	(16,001)
	Net investing cash flows	26	87,155
1.13	Total operating and investing cash flows (carried forward)	(2,325)	71,465

+ 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)	(2,325)	71,465
	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	-	(53,133)
1.18	Dividends paid	-	-
1.19	Repayment of CB's	-	-
	Net financing cash flows	-	(44,705)
	Net increase/(decrease) in cash held	(2,325)	26,760
1.20	Cash and cash equivalents at beginning of quarter/year to date	42,930	13,581
1.21	Exchange rate adjustments to item 1.20	3,524	3,788
1.22	Cash and cash equivalents at end of quarter	44,129	44,129

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	352
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

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	550
4.2 Development	-
4.3 Production	150
4.4 Administration	1,000
Total	1,700

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	44,129	42,930
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)	44,129	42,930

+ 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 <i>(description)</i>				
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				

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 1,092,251,493 Fully Paid Ordinary Shares and 10,932,497 Special Voting Shares (which, effectively, may be voted by the holders of the remaining un-exchanged 10,932,497 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 9,800 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 3,600,000 350,000 2,900,000 25,000,000	- - - - -	Exercise price \$0.08 \$1.11 \$1.11 \$1.16 \$0.03	Expiry date 19/09/16 22/07/16 Vesting not satisfied Vesting not satisfied 01/04/18
	Share Appreciation Rights	37,100,000	-	Base Price of \$0.03	Terms and conditions approved for directors set out in notice for the AGM held on 29 May 2015
7.8	Issued during quarter	-	-	-	-
7.9	Exercised during quarter				
7.10	Expired during quarter				
7.11	Debentures (totals only)	-	-		
7.12	Unsecured notes (totals only)	-	-		

Compliance statement

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



Sign here:
(Director/Company secretary)
Print name: Simon Robertson

Date: 30 October 2015

+ 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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