



December 2015



QUARTERLY REPORT

Highlights

Significant events during the quarter

- All outstanding historical debt fully settled.
- Partial discounted buyback of convertible bonds, with remaining balance settled from proceeds of new 3 year facility with OCP Asia.
- Sales and Distribution agreement signed with Mitsubishi for 100% of Spodumene concentrate sales from Mt Cattlin.
- Independent review of Mt Cattlin completed by Entech Mining Consultants.
- Sal De Vida full permitting renewed through to construction from both Salta and Catamarca provinces.
- New president elected in Argentina, major policy changes immediately introduced.

Corporate

During the quarter Galaxy reported that following the drawdown of funds from a new 3 year debt facility with OCP Asia and subsequent confirmation from the bondholder trustee Citicorp, that the Company had made full and final settlement of the historical convertible bonds.

The new debt facility and the final settlement of the convertible bonds has resulted in the transformation of the Galaxy balance sheet, terming out its only debt facility now

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 (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.

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

for a further three years and completes the final stage of the Company's financial restructuring that the new Board and Management has undertaken since the second half of 2013. Since then, Galaxy has managed to complete an aggregate of over A\$400 million of debt restructurings, asset divestment and refinancing, successfully reducing the net debt of the Company from a peak of A\$207 million to the current level of A\$20 million. The Company has also been able to reposition its Mt Cattlin asset for cashflow from the near term restart of production at the mine, through the partnership with GMM, returning the Company to a position of positive cashflow from operations.

The new Board and Management worked through the critical restructuring of over A\$110 million of Galaxy's debt initially, which allowed it to then complete a capital raise through a rights issue, negotiated and completed the sale of the Jiangsu plant in China, which allowed the Company to de consolidate over US\$100 million of debt, negotiated ownership of the Sal de Vida brine project in Argentina back to 100% and restructured operations to significantly reduce overhead costs. More recently, it completed execution of the partnership with GMM to restart spodumene and tantalum production from the Mt Cattlin project and arranged drawdown of the new 3 year debt facility from OCP Asia. These positive outcomes have now placed the company in a strong financial position with net debt reduced to approximately A\$20 million and near term cash flow that will follow the recommencement of production at Mt Cattlin from both production and equity payments by GMM. All of these achievements have been made by the management team without any expense for external advisors.

Projects

Sal de Vida



Environmental Permitting

Galaxy has received an official extension to the DIA (Environmental Impact Declaration) from The Secretary of Mining of Salta for the Sal de Vida project. This permit renewal will remain valid for 12 months, the maximum amount of time for pre-construction projects. Upon commencement of construction at the project, the Salta regulatory agencies allow for bi-annual renewals. All tenements in both Salta and Catamarca are in good standing.

Infrastructure Developments

The Aedan railway re-activation program continues to make progress. This initiative is very positive for the mining and industrial operations in the Puna region of the Andes, and Sal de Vida in particular. The rail service to Antofagasta in Chile had been suspended from service for many years, however its restart will now allow for bulky products to reach port for shipping from the Pacific sea board. An initial cargo test trip on the C-14 railway line was undertaken at the end of November 2015, with a thousand tonnes of lithium carbonate from FMC's Minera del Altiplano, shipped from Pocitos Station and to the Antofagasta port in Chile. A full report from this test trip are expected in the first quarter of 2016.

Government Policy Changes

The final round of elections held on 22 November 2015 saw Mauricio Macri elected as the new President of Argentina - he was formally inducted into office on 10 December 2015. The election of Macri, who is a moderate from the relatively new and progressive center right party, has been widely applauded in the international financial community. Macri's first economic measures after his inauguration was to implement steps which resulted in the devaluation of the Argentinian Peso by approximately 40% and let the US dollar float freely to around ARS14 to the US Dollar. A number of significant policy changes have quickly followed, including an initial increase in referenced Central Bank interest rates to 38% which helped prevent an excess flow of domestic currency to US Dollar purchases, which was then subsequent reduced back to 31% as the new government commenced its inflation control strategy. The DJAI (affidavit for anticipated imports) was abandoned, thus returning Argentina to WTO specified automatic and non-automatic license standards. On the trade exports front, VAT refunds due to exporting companies have been accelerated by the relevant government agencies and importantly, a previous 5% withholding tax on the export of industrial products, such as lithium carbonate, lithium chloride and potassium chloride, has been abolished. Lastly, the government has begun relaxing restrictions on outbound capital flows, easing repatriation of dividend profits of multinational companies.

As part of a campaign commitment from President Macri, there will now be a planned infrastructure spending of US\$16 billion in the northern region of the country, which will see improvements in roads and railways, which is expected to result in a substantial improvement in long distance transportation and logistics costs for businesses operating there.

Project Development

As a result of the many positive macroeconomic and policy changes that have been recently instigated in the country at both national and provincial levels, Galaxy will now be undertaking an extensive review exercise on the original Definitive Feasibility Study for its Sal de Vida Project, in particular many of the financial assumptions contained therein, as it is expected that the recent policy changes will have an overall favorable impact on the project economics. The Company will now also be taking steps to build up its owner's team, to assemble a group of key professionals with core competencies in multiple disciplines including, among others - engineering, processing, technology, operations and logistics - which will be taking the Sal De Vida Project to the next stage of development through to construction. Galaxy will be bringing on key members to that team, who are industry veterans with decades of experience in building and operating similar brine projects in South America.



Test Pilot Pond at site - Sal De Vida

Mt Cattlin

During the quarter, Galaxy reported that GMM had completed an Independent Review of the Mt Cattlin open pit financial model. The review was conducted by Entech Pty Ltd and commissioned by GMM. The announcement can be found at:

<http://www.asx.com.au/asxpdf/20151012/pdf/4320012h1sqj04.pdf>

During the period, it was also reported that GMM had announced it had signed a Sales & Distribution Agreement with Mitsubishi Corporation for up to 100% of the lithium bearing spodumene concentrate which will be produced from the Mt Cattlin Project. .

Mitsubishi is one of the largest traders of lithium products in the world, spanning the entire value chain. This agreement marks a major milestone being achieved in the run-up to the recommencement of production at Mt Cattlin by the end of March 2016. With Mitsubishi's top tier status as an international trading house with specialist knowledge of the lithium supply chain, it represents an important recognition of the Mt Cattlin Project as a high quality source of near-term lithium supply to the market.

Pursuant to the terms as announced on 9th June 2015, the partnership on Mt Cattlin is subject to a A\$25 million earn-in by GMM for a 50% equity interest in the Project and will see Galaxy receiving no less than A\$6 million per annum in the first three years after commencement of production, as well as a 50% share of the operating cash flows.

The GMM announcement can be found at:

<http://www.asx.com.au/asxpdf/20151028/pdf/432gh08kj7sw3z.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 has been completed and the revised flowsheet has been amended accordingly
- Refurbishment works on the existing plant commenced in October, with construction of additional new modules now being started on the plant.
- Drilling 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 nearing completion, test samples have been sent to prospective off takers for there analysis.

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\$2.5 million within the first two years. A DFS team will be assembled in Q1 2016 to review all existing data and visit the site.

Outlook

The supply of lithium carbonate and hydroxide continues to be tightening, in particular in China. This has been driven by sustained and rapid growth in sales and end-user demand from the battery and energy storage segments in the market, in the backdrop of China's continued policy push in renewable energy - which has seen the adding of 30GW of wind generation capacity in 2015, as well as initiatives driving the broader electrification of transportation and grid storage. The year also saw the country report a record-breaking year in the sale of new energy (xEV) vehicles sales, which reached 379,000 units sold, with current industry estimates targeting 500,000 vehicles for 2016.

Over 70% of all lithium carbonate equivalent production has been historically reliant on feedstock from Talison, however in recent months there it has been expressed by their owners that there will be no spodumene feedstock available to third party converters in the country, with some material only being provided to certain Chinese converters on the basis that they will have to toll spodumene on their behalf. This coupled with continued limited availability of feedstock from domestic production and imports from South America, has led to a severe shortage of lithium products supply in the market. This situation has thus created a very good window of market opportunity for an alternate supply of spodumene to feed into the China market, and as such Galaxy and General Mining has been engaging with multiple potential converter off takers who have indicated a strong interest in securing future spodumene supply after the imminent restart of production at the Mt Cattlin mine.

With such demand-supply tension recently, the China market in particular has also recently seen a very significant increase in pricing of lithium products - where pricing started the year of 2015 at approximately US\$6,000/tonne of lithium carbonate, off-contract low volume prices have recently hit RMB150,000 or equivalent to a net selling price (after deductions for VAT, duties etc.) of over US\$18,000/tonne. Even the latest large volume on-contract pricing, referencing a recent public auction of 4,000 tonnes of lithium products in early January, saw that transaction begin with 7 bidders for the inventory and close at a net selling price of RMB105,100/tonne or equivalent to approximately US\$12,800/tonne - representing a full doubling of market pricing year-on-year. While off-contract pricing has seen significant spikes in the last few months, it is expected that at least pricing levels closer to the recent large volume on-contract reference levels above may well likely be sustained for the near to medium term.

-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 2015

Project	Tenement	Notes (100% interest unless stated)
<u>Argentina</u>		
<u>Sal De Vida</u>	Various	
<u>Australia</u>		
<u>Boxwood Hill</u>	E70/2493	
<u>Ponton</u>	E28/1317	
	E28/1830	
<u>Ravensthorpe</u>		
Bakers Hill	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	



Canada

James Bay

Various

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/2013

Name of entity

Galaxy Resources Limited

ABN

11 071 976 442

Quarter ended ("current quarter")

31 December 2015

Consolidated statement of cash flows

		Current quarter	Year to date
		\$A'000	(12 months) \$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	(654)	(2,175)
	(b) development	-	-
	(c) production	85	(3,072)
	(d) administration	(1,224)	(6,010)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	31	81
1.5	Interest and other costs of finance paid	(4,882)	(13,513)
1.6	Income taxes paid	-	-
1.7	R&D Refund	-	185
	Net Operating Cash Flows	(6,644)	(22,334)
Cash flows related to investing activities			
1.8	Payment for purchases of:		
	(a) prospects	-	-
	(b) equity investments	(50)	(50)
	(c) other fixed assets	(1)	(1,925)
1.9	Proceeds from sale of:		
	(a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	105,080
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Deposits	-	(16,001)
	Net investing cash flows	(51)	87,104
1.13	Total operating and investing cash flows (carried forward)	(6,695)	64,770

+ 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)	(6,695)	64,770
	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	31,000	39,428
1.17	Repayment of borrowings	-	(53,133)
1.18	Dividends paid	-	-
1.19	Repayment of CB's	(57,000)	(57,000)
	Net financing cash flows	(26,000)	(70,705)
	Net increase/(decrease) in cash held	(32,695)	(5,935)
1.20	Cash and cash equivalents at beginning of quarter/year to date	44,129	13,581
1.21	Exchange rate adjustments to item 1.20	(945)	2,843
1.22	Cash and cash equivalents at end of quarter	10,489	10,489

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	243
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
	As at 23 November 2015, a total amount outstanding under the subordinated loan facility to Clipper Group Limited of \$4,450,055 was repaid in equity, being 127,144,429 shares in Galaxy Resources Limited.
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
	NA

+ 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	31,000	31,000
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	400
4.2 Development	-
4.3 Production	150
4.4 Administration	1,250
Total	1,800

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	4,289	44,129
5.2 Deposits at call	6,200	-
5.3 Bank overdraft	-	-
5.4 Bank Bills	-	-
Total: cash and cash equivalents at end of quarter (item 1.22)	10,489	44,129

+ 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	1,264,433,185 ¹	1,264,433,185	-	-
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	129,016,286 32,232,909	161,249,195 32,232,909	\$0.035 \$0.07694	\$0.00 \$0.00
7.5 *Convertible debt securities (description)	-	-	-	-

¹ For voting purposes, the total number of shares presently carrying voting rights in Galaxy Resources Limited is 1,264,433,185. This is made up of 1,253,542,553 Fully Paid Ordinary Shares and 10,890,632 Special Voting Shares (which, effectively, may be voted by the holders of the remaining un-exchanged 10,890,632 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 41,865 Exchangeable Shares were exchanged for Fully Paid Ordinary Shares.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	- (600)	- -	- -	- -
7.7	Options (description and conversion factor)			<i>Exercise price</i>	<i>Expiry date</i>
	12,000,000	-	\$0.08	19/09/16	
	3,600,000	-	\$1.11	22/07/16	
	350,000	-	\$1.11	Vesting not satisfied	
	2,900,000	-	\$1.16	Vesting not satisfied	
	25,000,000	-	\$0.03	01/04/18	
	Share Appreciation Rights	34,100,000	-	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 Share Appreciation Rights	(3,000,000)	-	Base Price of \$0.03	Terms and conditions approved for directors set out in notice for the AGM held on 29 May 2015
7.9	Exercised during quarter				
7.10	Expired during quarter				
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: 29 January 2016

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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