GALAXY RESOURCES LIMITED

QUARTERLY ACTIVITIES REPORT

THREE MONTHS ENDED 31 MARCH 2018

Galaxy Resources Limited (ASX: GXY, "Galaxy" or "Company") is pleased to report to shareholders its activities for the quarter ended 31 March 2018.

HIGHLIGHTS

Mt Cattlin Operations

- Production of 43,852 dry metric tonnes ("dmt") of lithium concentrate
- Sales of 44,258 dmt of lithium concentrate
- Average production cash costs (excluding royalties and marketing fees) of US$415 per dmt produced

Sal de Vida Project

- Earthworks commenced in preparation for new drilling campaign to start in Q2 2018
- Small heavy vehicle fleet purchased to commence construction of test evaporation ponds
- Infrastructure facilities on site enhanced

James Bay Project

- Drilling campaign for Feasibility Study and Environmental & Social Impact Assessment ("ESIA") completed
- Work advancing on Feasibility Study
- Discussions continuing with Hydro-Quebec for power supply arrangements
- Canadian Environmental Assessment Agency ("CEAA") published preliminary guidelines for public consultation relating to the ESIA
- Ongoing engagement with leaders of the First Nation groups

Corporate

- Appointment of new female Independent Non-Executive Director

PROJECTS

MT CATTLIN – OPERATIONS

Safety Performance

Operations at Mt Cattlin have continued without any Lost Time Injuries. A significant amount of work has been undertaken on systems improvement to support expansion of Mt Cattlin.

Production & Sales Statistics

	Units	Q1 2018
Mined volume	*bcm*	843,308
Ore Mined	*wmt*	480,482
Ore Treated	*wmt*	430,398
Ore Feed Grade	*%*	1.11
Concentrate Produced	*dmt*	43,852
Concentrate Sold	*dmt*	44,258
Production Cash Costs	*US$/dmt*	415

 # before royalties and marketing fees

Total mining volumes increased significantly by 32% over the previous quarter resulting in increased total mining costs included in production cash costs.

Ore volume treated increased by 4% to 430,398 wmt, with ore feed grade of 1.11% achieved in line with expectations for the quarter.

Spodumene produced was slightly above expectation for the quarter.

Mt Cattlin reported average production cash costs (excluding royalties and marketing fees) of US$415 per dmt of concentrate produced for the quarter. This increase in unit cost over the previous quarter was primarily due to increased costs from increased mining volumes and higher volumes of ore processed, coupled with the forecast average feed grade.

A total of 3 shipments of lithium concentrate were completed during the quarter for an aggregate 44,258 dmt of product sold, with all shipments at grade levels above contract requirements, as well as having moisture and mica content levels well below contract specifications. All sales were at the higher 2018 contract price.

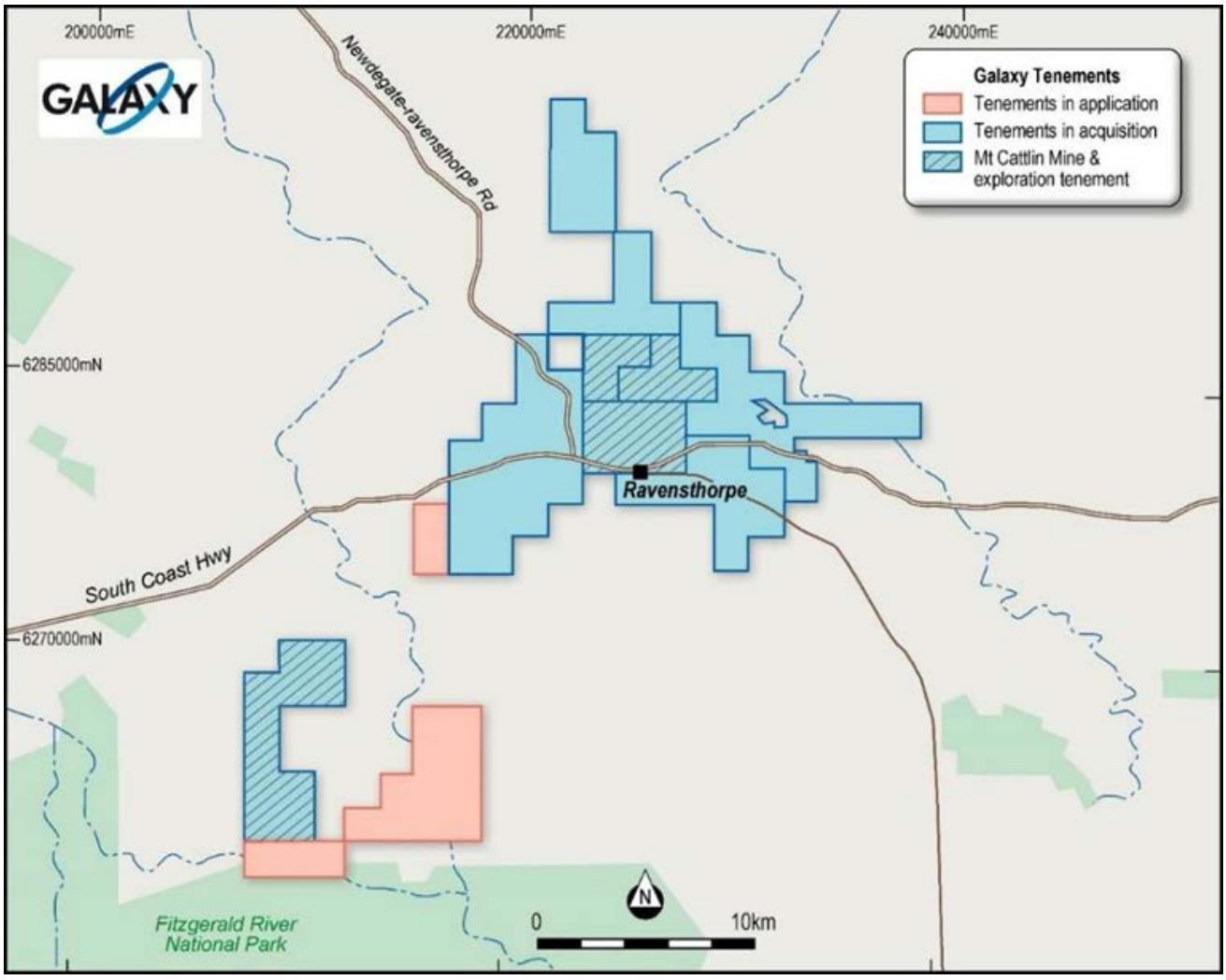
The contract has been finalised for the yield optimization initiatives to be implemented at the Mt Cattlin Plant, which include the construction of an ultra fines DMS circuit, a secondary float re-crush circuit and a final product optical sorter. All long lead items have been ordered and detailed engineering has commenced. These plant improvement projects are designed to increase recoveries to a range of 70-75%, which will lift annual production volumes to between 220,000 and 240,000 dmtpa. The construction and commissioning of these improvements to the process plant are planned to be completed during Q3 of 2018.

MT CATTLIN – RESOURCE AND RESERVE AND EXPLORATION

On 22 March 2018, the Company announced the Mt Cattlin Mineral Resource & Ore Reserve and exploration update to ASX with the following highlights:

- Updated Mineral Resource and Ore Reserve estimates at 31 December 2017;
- Increased head grade combined with enhanced processing and higher lithium recoveries resulting from optimization works undertaken to further increase annual production volumes at Mt Cattlin;
- An extensive 15,000m Reverse Circulation ("RC") drilling campaign has commenced and will focus on further resource development, with the aim of an upgrade of defined mineral resource classifications; and
- Plans have now been finalized for an expansive regional targeted greenfield exploration campaign (up to 60,000m) over the next two years. This does not include ongoing RC drilling directed at grade control as part of the normal course of business, and resource development around the Mt Cattlin area. A number of prospective targets in close proximity to the existing operations have already been identified. This campaign will provide Galaxy with a comprehensive understanding of the regional geology and the lithium mineralogy of previously underexplored regions.

During the quarter, the Company also finalized the acquisition of 3 exploration licenses (E74/379, E74/399 and E74/406) that surround the existing Mt Cattlin operations. Registration of the transfer of these tenements was completed in early April and as a result the Company now owns approximately 300km^2 of mining and exploration licences including the existing Mt Cattlin operations as set out below:



SAL DE VIDA PROJECT

Geology & Hydrogeology

Earthworks related for an extended drilling program commenced in preparation for related field activities to resume in Q2 of 2018. In addition, access roads and drilling pads required as part of this campaign were also completed by the end of the quarter.

Site Improvements

A small fleet of heavy equipment machines that will be used to construct the test ponds and for general use around the site were purchased and arrived on site. These were initially deployed to improve existing access roads to the Tango 01 camp site and other relevant locations where field activity is currently being conducted in the salar. In addition, to support the ramp up of activities on site and at the camp, infrastructure works have been initiated to provide the Tango 01 with electricity, fresh water, sewage and waste disposal facilities.

Test Plant & Laboratory

As part of the camp site improvements, various pilot scale batch modules were recommissioned, which included brine test evaporation pans, liming and purification stages, simulating the overall production flowsheet. With all equipment now in place and recommissioned, batch process testing will be restarting and ramping up in Q2.

Engineering

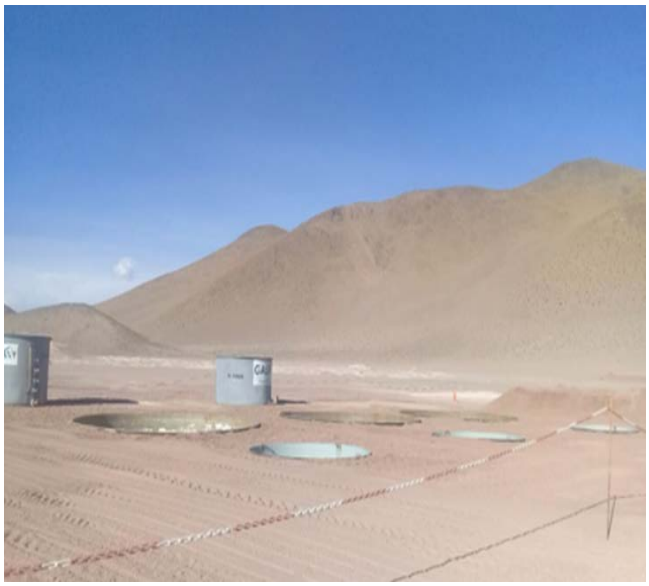
The capital and operating expenditure components of the feasibility study are currently being reviewed to update for current market conditions. Operational parameters of the project remain the same, being a capacity for the production of 25ktpa battery grade lithium carbonate, based on the c.1.1 million tonnes LCE of reserves, giving a project life of over 40 years. This review is expected to be completed during Q2 of 2018.

Tenement Management and Environmental Permitting

The Sal de Vida Project holds tenements and properties in the provinces of Catamarca and Salta. For the Catamarca province, the Company is undertaking its regular bi-annual permit renewal process.

Corporate Social Responsibility

As part of its continued community relations efforts, the Sal de Vida team has been organizing a series of training sessions for local providers residing at the different satellite cities like Antofagasta de la Sierra and Belen in Catamarca Province. The laboratory operations training program, which has been developed in partnership with the Catamarca University and Alex Stuart Assayers, now has a range of classes being offered on campus at the University.



JAMES BAY PROJECT

Exploration & Development

During the quarter, a drilling campaign supporting the Feasibility Study ("FS") and Environmental and Social Impact Assessment ("ESIA"), was completed. This included sterilization, geotechnical (site infrastructure and pit) and hydrogeological drilling. These results were then used to advance the engineering work in term of geology, developing the mining plan, designing the processing plant and site infrastructure, which includes waste rock pile and tailings facility.

Discussions with Hydro-Quebec have confirmed that the power may be made available for the project through a 7-km spur connection to be made from the James Bay project site to their existing power line. A final report from Hydro-Quebec confirming this is expected in May 2018.

Following submission of the project notice in Q4 of 2017, the Canadian Environmental Assessment Agency ("CEAA") published preliminary guidelines for public consultation relating to the ESIA. The CEAA has since received comments from the Cree Nation of Eastmain and from the Cree Nation Government (formerly the Cree Grand Council) . The CEAA have requested more detailed information about land use impact and a mitigation plan in the guidelines submitted to Galaxy about the project.

Engagement with the Cree Nation of Eastmain during the quarter included the participation of a public Career Fair in the community. The first public town hall meeting was hosted in Eastmain and was an opportunity for Galaxy to present the progress of the project to the community. Interactions with the Band Council of Eastmain, as well as other consultations with community, will continue during the coming quarter.

On the technical side, work in relation to the groundwater characterization has resumed. This work was previously stopped due to extreme cold weather during winter. In addition, there is ongoing collection of hydrological data, required as a result of some recent modifications in the tailings facility and waste rock pile location. The technical work supporting the ESIA progress is expected to continue during Q2 with the target being to submit the ESIA report in Q3 after incorporating results from the community consultation process.

For the proposed downstream conversion facility, metallurgical test work adopting a conventional processing approach, was commenced during the quarter. In parallel, location studies continue on various sites to identify the best location for the proposed conversion facility.

On 21 March 2018, the Government of Quebec approved an amendment to the Environment Act governing the Environmental and Impact assessment of various projects. This amendment highlighted that the conversion of mining concentrate in Quebec for a production level below 40,000 tpa of final product doesn't required a full ESIA process.

Those criteria in term of permitting, metallurgical test work and location will form the basis of the Feasibility Study for the proposed downstream conversion facility expected to start in Q2 of 2018.

CORPORATE

New Independent Non-Executive Director

During the quarter, Ms Florencia Heredia was appointed as non-executive director of the Company. She is currently a senior partner of the leading Argentinian legal firm Allende & Brea. Ms Heredia has more than 25 years of experience in the mining industry. She is an expert in mining law with extensive experience advising financial institutions and companies in complex mining transactions in Argentina and has repeatedly represented lenders in all mining project finance arranged in Argentina. The principal focus of Ms Heredia's practice is natural resources, infrastructure and environmental law and finance law related to these areas, assisting multiple companies operating in Argentina.

Change in Reporting Classification

During the quarter, ASX advised that Galaxy's classification has changed from a mining exploration entity to a mining producing entity. Accordingly, Galaxy is no longer required to lodge appendix 5B's but will now be required to lodge preliminary final reports (Appendix 4E) and half yearly reports (Appendix 4D) within two months of the end of the relevant accounting period.

Change in Reporting Currency

The Company has changed its presentation (reporting) currency from Australian dollars to US dollars, commencing with the 2018 financial year. The half-year financial report for the six months ending 30 June 2018 (Appendix 4D) will be presented in US dollars.

The Company believes that the change in reporting currency to US dollars will enhance relevance of the Company's financial information and comparability with Galaxy's industry peer group, the majority of which report in US dollars.

INDUSTRY & MARKET UPDATE

Following a record breaking year in several global lithium market indicators throughout 2017 (e.g. demand, spodumene supply, lithium pricing, etc.), Q1 of 2018 was defined by continued positive momentum in the rapidly accelerating market demand for lithium-ion battery applications. The first quarter of 2018 was underpinned by further record breaking performance in electric vehicle sales across various major geographies, continued execution from major auto manufacturers on their evolving electric vehicle strategies, as well as the continued emergence of strong demand indicators from the stationary energy storage sector.

As the industry continues to mature we are beginning to see the emergence of seasonal trends in both demand for lithium-ion battery products, such as electric vehicles, as well as in lithium pricing. As in Q1 of 2017, the market witnessed a small retraction in lithium prices through Q1 of 2018 (c.-10% for lithium carbonate, c.-3% for lithium hydroxide in China). Despite this, however, prices remain significantly elevated on a year-on-year ("YoY") basis (c.+21% for lithium carbonate, c.+5% for lithium hydroxide in China), indicating that the market for lithium chemicals remains incredibly tight and will continue to support a strong pricing environment.

The New Energy Vehicle ("NEV") sector in China once again recorded significant growth in production volumes for the first two months of 2018. The China Association of Automobile Manufacturers reported total NEV production of c.147,800 vehicles for Q1 2018, representing a 155% YoY increase compared to Q1 2017. To be specific, it is estimated that the total number of Battery Electric Vehicles ("BEV") produced throughout these months was c.107,700 vehicles, representing growth of 125% YoY, whilst total production of Plug-in Hybrid Electric Vehicles ("PHEV") was c.40,100 vehicles, representing growth of 301% YoY.

China continues to incentivize automakers to develop longer-range BEVs by shifting subsidies to the higher end of the market. The central government flagged its intention to increase incentives for NEVs that have a range of >400km, whilst reducing subsidies on shorter range vehicles. Greater range vehicles are generally characterized by larger batteries and ultimately a greater demand for lithium raw materials. According to data released by GGII combined with that from CAAM, the average battery size of electric vehicles produced in China in 2017 was c.45kWh. Furthermore, government policy and investment continue to evolve in order to support the development of the broader electric vehicle value chain. China has committed investment to build out 500,000 public charging stations by 2020, which will service the expected 5 million NEVs expected to be on the road in that same period.

Electric vehicle consumption experienced its 30th consecutive monthly YoY sales gain in the United States, with March recording a new all-time record in electric vehicle deliveries (26,400 vehicles). InsideEVs reported plug-in vehicle deliveries

of 55,300 vehicles in Q1 2018, representing 32% growth YoY. Jaguar and Waymo announced a partnership to develop a fleet of fully electric, self-driving luxury vehicles. The partnership between Jaguar and Waymo is one of the first instances of a luxury vehicle brand joining forces with a tech company to advance autonomous driving system.

The world's largest auto manufacturer, VW, recently announced plans to invest into 16 electric vehicle factories across the globe by the end of 2022. VW's strategy to produce as many as 3 million electric vehicles by 2025 has been underwritten by various deals, thought to worth an aggregate of €20 billion with the world's largest battery manufacturers, including Samsung SDI, LG Chem and Contemporary Amperex Technology Ltd. ("CATL"). CATL also recently announced that it is close to picking the site of its proposed inaugural battery facility in Europe, and is thought to be exploring locations in Germany, Hungary and Poland. The expansion in Europe comes on top of a plan to build a factory in Ningde, Fujian, that would quintuple its production capability and make it the world's largest EV battery cell maker.

In the energy storage market, a plethora of new lithium-ion battery projects have been announced following the success of Tesla's mega battery at Hornsdale in South Australia. The South Australian state government has agreed to provide UK billionaire, Sanjeev Gupta, a A$10m loan to assist in his plans to build out more than 1GW of solar energy infrastructure in South Australia to assist in cost cutting at Whyalla steelworks. The development is to include a 120MW (140MWh) lithium-ion battery storage facility, surpassing Hornsdale as the largest lithium-ion battery in the world. In Victoria, at least three large batteries are being installed, one at a new wind farm near Stawell, which will comprise a 194MW wind farm and a 20MW (34MWh) lithium-ion battery, one at a new solar farm, and another at a centralized grid connection point.

Energy storage greatly improves the predictability of power output from intermittent renewable source improving grid utilization and allowing for greater distribution of energy sources. According to research published by Lazard the capital costs associated with this technology could fall as much as 36% over the next 5 years. Combined, these factors act to enhance the prospect of significant levels of market penetration for energy storage, providing significant potential upside to future lithium demand estimates.

Competent Person Statement

MT CATTLIN

Any information in this report that relates to the estimation and reporting of the Mt Cattlin Mineral Resources and Ore Reserves is extracted from the report entitled "*Mt Cattlin Mineral Resource & Ore Reserve and Exploration Update*" created on 22 March 2018 which is available to view on www.galaxylithium.com and www.asx.com.au. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and that all material assumptions and technical parameters underpinning the Mineral Resources and Ore Reserves estimates in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

SAL DE VIDA

Any information in this report that relates to the estimation and reporting of the Sal de Vida Project Mineral Resources and Ore Reserves is extracted from the report entitled "*Sal De Vida: Revised Definitive Feasibility Study Confirms Low Cost, Long Life and Economically Robust Operation*" created on 22 August 2016 which is available to view on www.galaxylithium.com and www.asx.com.au. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and that all material assumptions and technical parameters underpinning the Mineral Resources and Ore Reserves estimates in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

JAMES BAY

Any information in this report that relates to relates to the estimation and reporting of the James Bay Mineral Resources is extracted from the ASX announcement dated 4 December 2017 which is available to view on www.galaxylithium.com and www.asx.com.au. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement and that all material assumptions and technical parameters underpinning the Mineral Resources in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

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 the United States

This announcement has been prepared for publication in Australia and may not be released in the United States. 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.