



June 2016



QUARTERLY REPORT

Highlights

Significant events during the quarter

- Galaxy announces Takeover Bid for General Mining to create a global diversified lithium producer
- Maiden offtake complete, US\$9 million prepayment received
- Operational ramp up continues at Mt Cattlin towards first delivery of lithium concentrate September 2016
- Significant pegmatite repetition encountered at Mt Cattlin
- Commenced formal review of the economics on the DFS for the Sal de Vida Project
- Sal de Vida Owners Team being assembled
- James Bay site visit by DFS team

Corporate

During the quarter Galaxy announced a Takeover Bid for General Mining to create a leading diversified global lithium producer. The two companies have entered into a definitive Takeover Bid Implementation Agreement to merge the two companies. It is proposed that Galaxy will acquire all of the issued shares of General Mining that it does not already own by way of an off-market takeover offer (Offer).

Under the Offer, General Mining shareholders will receive 1.65 new Galaxy shares for every 1 General Mining share held, which represents a 9.4% premium to the 10-day volume weighted average price (VWAP) and 13.5% premium to the 20-day VWAP of General Mining Shares to Wednesday 25 May 2016¹. Based on Galaxy's closing share price of A\$0.395 on the ASX on 25 May 2016 (being the last day General Mining and Galaxy shares traded before the announcement of the Offer), the Offer values General Mining at approximately A\$217 million (on a fully diluted basis).

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)

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, production commenced in April 2016 with its operating partner General Mining Corporation Limited ("GMM"). Galaxy also owns the James Bay Lithium Pegmatite Project in Quebec, Canada.

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

¹ Based on the 10-day VWAP and 20-day VWAP of Galaxy Shares respectively on ASX to 25 May 2016.

The Galaxy proposal is unanimously recommended by the directors of General Mining who have also agreed to accept Galaxy's Offer in respect of all shares they control, in each case in the absence of a superior offer.

Strategic Rationale for the Transaction

The merged entity creates a leading diversified and global lithium producer, well positioned for continued project expansion and development, as well as further opportunities.

- A leading and diversified global lithium company with existing production and a pipeline of market leading development projects.
- Attractive, wholly-owned and geographically diversified portfolio of hard rock and brine based lithium assets across multiple jurisdictions:
 - Maiden spodumene and tantalum production in the September quarter 2016 at Mt Cattlin, Western Australia, generating significant and growing cash flow.
 - Flagship world-scale Sal De Vida Project in Argentina with superior brine chemistry and significant expansion potential.
 - James Bay Project in Canada provides valuable potential to be a future supplier into the rapidly growing North American market.
- Positioned to be a major supplier of high quality lithium, servicing the high-growth demand from multiple applications including lithium ion batteries used in the consumer electronics, electric vehicles and mass energy storage sectors.
- Simplified single ownership structure and operational management of James Bay and Mt Cattlin, which is immediately cashflow accretive to the Company.
- Pro forma market capitalisation of merged entity in excess of A\$800million; potential to become an ASX/S&P 200 company and opportunity for re-rating.
- Merged Board and management team highly credentialed and experienced with strong connections in the key Asian and North American lithium markets.

Offtake Agreement

Galaxy Resources along with its project partner General Mining announced in May 2016 that a final binding tri-party definitive documentation had been signed by one customer, Mitsubishi Corporation and GMM. The final offtake agreement terms are consistent with the terms of the binding Term Sheet announced 8 March 2016. The JV Partners have now banked the US\$9 million prepayment from this customer.

On 8 March 2016, Galaxy and GMM announced the signing of two binding term sheets with Chinese customers for the sale of 60kt of spodumene concentrate at US\$600/mt for 2016, and 120kt in 2017, subject to final pricing to be agreed in Q4 of 2016.

Projects

Sal de Vida



DFS Review

During the quarter Galaxy Sal de Vida ("Galaxy SDV") engaged Techint, one of the largest engineering and construction firms in Argentina, to start conducting a formal review of the economics in the Definitive Feasibility Study for the Sal de Vida Project. This work involves a reassessment of the costing and assumptions used in compiling the proposed capital expenditure and cashflow model of the project, based on the latest market and economic conditions. New third party pricing models will also be incorporated into the revised economic model, in light of the latest and expected market conditions going forward for potash, lithium carbonate and hydroxide.

Galaxy SDV also began formally assembling its project Owners Team, which will be a multi-disciplinary team of specialized professionals that will be taking the project through its next stage of development. This Owners Team, which will include local and international personnel, is being populated with industry veterans with decades of experience in the development of lithium brine projects in South America. It is anticipated that the formal review of the Revised DFS will be completed and ready for release in July 2016.

Environmental Permitting

Relevant permit renewals and other documentation requirements were submitted in the Catamarca Province, with a permit extension request formally filed. Based on discussions with the local mining authority, a DIA extension is expected within the coming quarter. All tenements in Catamarca and Salta remain in good standing.

Process Test Work & Engineering

Early work has begun on flowsheet preparation for a planned lithium carbonate demo plant with a potential 1,200tpa production capacity, with the aim of engineering a semi-industrial scale chemical plant that will be producing high-grade

lithium carbonate on site from the project brine. The objective of the demo plant is to allow the project to apply and test the industrial process and technical assumptions in a smaller scale operation, ahead of the main commercial plant build.

The semi-industrial scale plant, with its commensurate evaporation ponds, will also allow Galaxy SDV to have a platform early on to train newly recruited operators and personnel, as well as being able to produce concentrated brine that can act as raw material to feed into the main commercial plant when completed, ahead of evaporation processing being completed for the main commercial ponds. Lastly, the planned demo plant will be of sufficient significant scale to allow a reasonable amount of product to be sold and generate cashflow early on for the project and importantly, allow production qualification procedures to commence with customers. The construction of a demo plant operation will allow Galaxy SDV to significantly de-risk the execution on the build-out of the main commercial plant, as all engineering design concepts adopted are being taken from the original engineering content in the main project DFS.

Mt Cattlin

During the quarter General Mining commenced initial mining and commissioning of the spodumene and tantalum circuits, with a number of milestones achieved, including:

- Reinstatement of power to the processing facility
- Reinstatement and commissioning of the pit dewatering circuit
- SCADA systems were reinstated to allow operation and control of equipment (including the raw water circuits which were dry and wet commissioned successfully)
- First feed was successfully placed into the circuit and the feed preparation circuit was fully commissioned and operating successfully
- Further construction continued with regard to necessary circuit upgrades required to enhance recovery and increase final product grade
- This included structural steel upgrades to allow for the replacement of equipment with poor past performance
- The finalisation of the tantalum recovery circuit commissioning was finalised in early May, including the new spiral separators

May and June have seen commencement of extraction of TSF ore (feed source for the fines circuit) and commissioning of the tantalum recovery circuit, fine spodumene beneficiation circuit and mica removal circuit.

Initial concentrate production will be stockpiled at the mine site ahead of expected first shipment in the September quarter 2016. Post commissioning of the crushing and DMS circuits in July 2016 (targeting an expected throughput rate July onwards of 800ktpa), the operational focus will be twofold:

- Increase yield to anticipated 70-75%
- Capacity expansion targeted at a throughput rate of up to 1.6Mtpa (from the July 2016 base case of 800ktpa)

Exploration

During the quarter General Mining announced that it had completed the first stratigraphic diamond drill hole at the Mt Cattlin Lithium-Tantalum deposit to a depth of 879.6 metres. The announcement followed on from an earlier announcement to the ASX on 25 February 2016, and is designed to provide greater geological understanding of the Mt Cattlin orebody. The drilling will assist in determining optimal depths for future infill and extensional drilling of the known lithium-tantalum resource.

The announcement made to the market 11 April 2016 can be found at the website below. The Company is not aware of any new information or data that material affects the information in the announcement.

<http://www.asx.com.au/asxpdf/20160411/pdf/436f76794jcdjj.pdf>

On the 22nd June 2016 General Mining informed the market that hole MTCDD3 has intersected a significant (11m downhole) zone of coarse-grained spodumene-bearing pegmatite, from a depth of 376.6m downhole, as part of a deep stratigraphic diamond drilling programme at the Mt Cattlin Lithium-Tantalum deposit. This zone is significant as the spodumene is coarse-grained and prevalent throughout the pegmatite intersection; and is the widest yet-encountered below the known pegmatite resource, and of similar dimension to the pegmatite zones contributing to the current resource.

In the latest drilling, multiple new intercepts of spodumene-bearing pegmatite have been intersected.

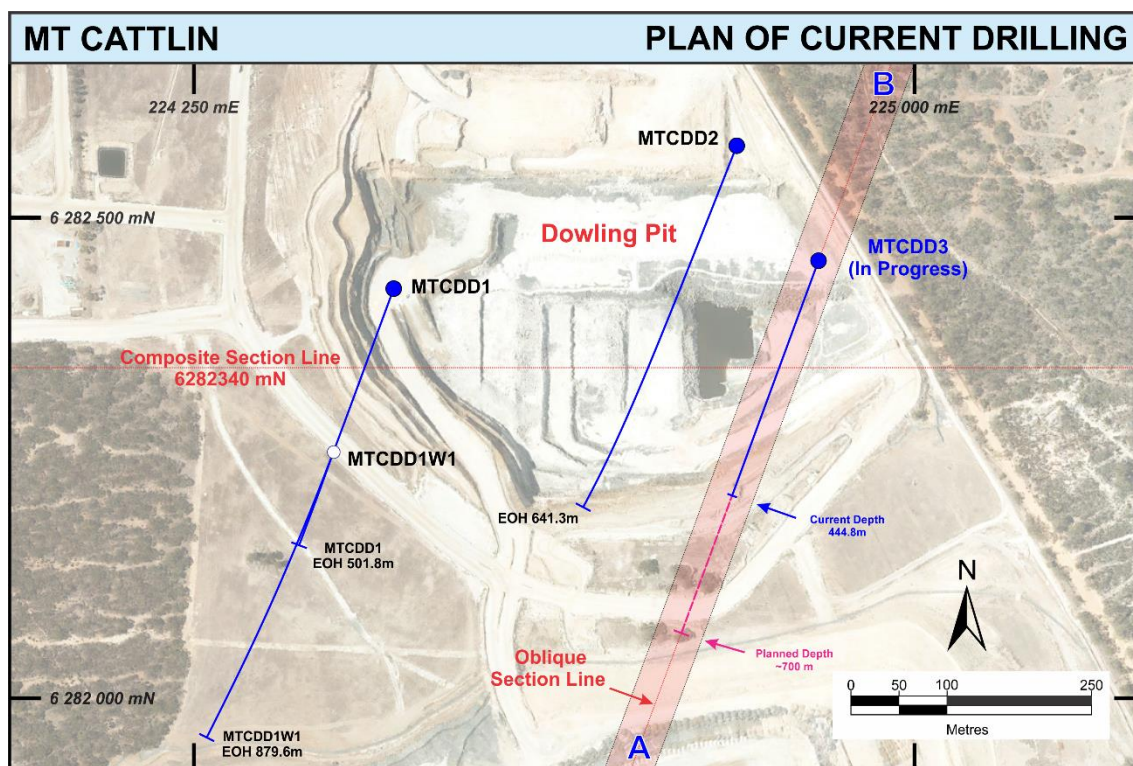
GMM has previously released geological information to the ASX on the 11th April and 25th February 2016 on the current drilling programme, which is designed to provide greater geological understanding of the Mt Cattlin orebody and to assist in determining optimal depths for planned infill and extensional drilling of the known lithium-tantalum resource.

The announcement released 22nd June 2016 can be found at the website below. The Company is not aware of any new information or data that material affects the information in the announcement:

<http://www.asx.com.au/asxpdf/20160622/pdf/4381lz3x7n3ymv.pdf>



Diamond drilling of MTCDD3, Dowling Pit, June 2016



Location plan of holes in current stratigraphic drilling program

James Bay

A DFS team was assembled in Q1 2016 to review all existing data and a site visit took place in June 2016 with that team. Data from site and from the on-ground team was analysed and taken back to Australia to review and a formal plan will be put together to finalise the DFS and begin drilling in Q3 of 2016.

All claims at James Bay are confirmed to be in good standing.

Lithium Market Outlook

Market demand and pricing for lithium carbonate and lithium hydroxide continues to be robust, as supply responses continue to be slow in the backdrop of a strong and continued rise in demand, from various downstream end usage applications, in particular the electric vehicle segment.

New energy vehicle (NEVs) sales in China for the first half of the year remained strong, with 170,000 vehicles sold in the six months to June according to the CAA, representing a year-on-year increase of 127% - battery electric vehicles accounted for 126,000 of those vehicles sold and hybrid electric vehicles recorded 44,000 in sales, a year-on-year increase of 162% and 64% respectively. The first two months of the year saw slow sales numbers due to seasonality from the Chinese New Year holiday, as well certain softening of certain subsidy policies from the government, however the March to June period saw a strong recovery, with Q2 recording 1.5 times the number of NEVs sold versus Q1 of 2016. In June alone, China reported 34,000 NEVs sold, a year-on-year increase of 163% and a month-on-month increase of 30% over May 2016. In 2015, the period following August reported significant growth in sales on a monthly basis, and a similar situation is being anticipated following August 2016. It is understood that the Chinese government has set an internal target of 700,000 NEVs to be sold this year, with current estimates of market analysts and observers to be in the range of 500,000 to 600,000 sales to be achieved in 2016 – this compared to 379,000 vehicles in 2015, represents a potential of up to 58% in annual growth.

Pricing of lithium products continue to be very robust, and in China although they have come off from their highs of RMB170,000 per tonne (effectively well over US\$20,000 net) earlier in the year, current pricing as of the last week in June was in the range of RMB155,000 per tonne (or equivalent US\$18,500 net), which is still significantly higher than the RMB105,000 per tonne pricing that China started the year with in January 2016 and a tripling of prices since the beginning of 2015.

The markets outside of China have also been very active with various market and industry updates, with Norway in April becoming the fourth country to hit over 100,000 new energy vehicles (of the 100,600 vehicle adoption base, 81,500 were battery electric vehicles versus hybrids), trailing only the US, China and Japan – this country, with a population of only 5 million people, has recorded an average annual growth of 110% in NEVs per year for the last seven years, making it the largest per capita NEV penetration market in the world having already achieved over 22% penetration in 2015. The country had already made a stated objective of wanting to eliminate all petrol and diesel cars by 2025, an objective that the Netherlands also decided to move forward on as a motion for a national target to ban petrol and diesel car sales by 2030. This was also recently followed India, committing to a 100% electric fleet and Germany announcing plans to ban the sale of petrol and diesel cars by 2030. According to data from Inside EVs, electric vehicle sales have been running at approximately 16% increase year-on-year in the US market, with the global market growing at an estimated average of 43% year-on-year.

-ENDS-

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Caution Regarding Forward Looking Information

This document contains forward looking statements concerning Galaxy.

Forward-looking statements are not statements of historical fact and actual events and results may differ materially from those described in the forward looking statements as a result of a variety of risks, uncertainties and other factors. Forward-looking statements are inherently subject to business, economic, competitive, political and social uncertainties and contingencies. Many factors could cause the Company's actual results to differ materially from those expressed or implied in any forward-looking information provided by the Company, or on behalf of, the Company. Such factors include, among other things, risks relating to additional funding requirements, metal prices, exploration, development and operating risks, competition, production risks, regulatory restrictions, including environmental regulation and liability and potential title disputes.

Forward looking statements in this document are based on Galaxy's beliefs, opinions and estimates of Galaxy as of the dates the forward looking statements are made and no obligation is assumed to update forward looking statements if these beliefs, opinions and estimates should change or to reflect other future developments.

Not For Release in US

This announcement has been prepared for publication in Australia and may not be released in the U.S. This announcement does not constitute an offer of securities for sale in any jurisdiction, including the United States and any securities described in this announcement may not be offered or sold in the United States absent registration or an exemption from registration under the United States Securities Act of 1933, as amended. Any public offering of securities to be made in the United States will be made by means of a prospectus that may be obtained from the issuer and that will contain detailed information about the company and management, as well as financial statements.

Tenement Schedule as at 30 June 2016

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	
Mt Cattlin	L74/46	
	L74/48	
	M74/244	
Sirdar	E74/401	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 June 2016

Consolidated statement of cash flows

		Current quarter	Year to date (6 months)
		\$A'000	\$A'000
Cash flows related to operating activities			
1.1	Receipts from product sales and related debtors	-	-
1.2	Payments for (a) exploration & evaluation	(85)	(166)
	(b) development	-	-
	(c) production	(26)	(65)
	(d) administration	(1,350)	(2,678)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	9	15
1.5	Interest and other costs of finance paid	(786)	(1,616)
1.6	Income taxes paid	-	-
1.7	R&D Refund	-	-
	Net Operating Cash Flows	(2,238)	(4,510)
Cash flows related to investing activities			
1.8	Payment for purchases of:		
	(a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	(7)	(31)
1.9	Proceeds from sale of:		
	(a) prospects	-	-
	(b) equity investments	-	27
	(c) other fixed assets	-	-
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Deposits	32	32
	Net investing cash flows	25	28
1.13	Total operating and investing cash flows (carried forward)	(2,213)	(4,482)

+ 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)	(2,213)	(4,482)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	960	960
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
	Net financing cash flows	960	960
	Net increase/(decrease) in cash held	(1,253)	(3,522)
1.20	Cash and cash equivalents at beginning of quarter/year to date	8,090	10,489
1.21	Exchange rate adjustments to item 1.20	(76)	(206)
1.22	Cash and cash equivalents at end of quarter	6,761	6,761

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	(237)
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	
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	

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
3.2	Credit standby arrangements	-

+ See chapter 19 for defined terms.

Estimated cash outflows for next quarter

		\$A'000
4.1	Exploration and evaluation	700
4.2	Development	-
4.3	Production	-
4.4	Administration	2,050
	Total	2,750

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	2,156	2,710
5.2	Deposits at call	4,605	5,380
5.3	Bank overdraft	-	-
5.4	Bank Bills	-	-
	Total: cash and cash equivalents at end of quarter (item 1.22)	6,761	8,090

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			

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

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	1,284,119,053 ¹	1,284,119,053	-	-
7.4 Changes during quarter				
(a) Increases through issues	12,000,000	12,000,000	-	\$0.08
(b) Decreases through returns of capital, buy-backs	7,685,868	7,685,868	-	-
	-	-	-	-
7.5 *Convertible debt securities (description)	-	-	-	-
7.6 Changes during quarter				
(a) Increases through issues	-	-	-	-
(b) Decreases through securities matured, converted	-	-	-	-
7.7 Options (description and conversion factor)	2,000,000	-	Exercise price \$1.11	Expiry date 22/07/16
	350,000	-	\$1.11	Vesting not satisfied
	2,050,000	-	\$1.16	Vesting not satisfied
	25,000,000	-	\$0.03	01/04/18
Share Appreciation Rights	25,800,000	-	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	12,000,000	-	\$0.08	9/9/2016
	8,300,000	-	Base Price of \$0.03	Terms and conditions approved for directors set out in notice for the AGM held on 29 May 2015
7.10 Expired during quarter	1,600,000	-	\$1.11	Vesting not satisfied
	850,000	-	\$1.16	Vesting not satisfied
7.11 Debentures (totals only)	-	-		
7.12 Unsecured notes (totals only)	-	-		

¹ For voting purposes, the total number of shares presently carrying voting rights in Galaxy Resources Limited is 1,284,119,053. This is made up of 1,277,160,767 Fully Paid Ordinary Shares and 6,958,286 Special Voting Shares (which, effectively, may be voted by the holders of the remaining un-exchanged 6,958,286 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.

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: 13 July 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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