

Highlights

Significant events during the quarter

- Jiangsu Divestment Update
- Unmarketable Share Sale Facility Completed
- Progress of Development on Sal De Vida

Corporate

Jiangsu Divestment Update

The acquisition of Galaxy Lithium International Limited ("GLIL") by Sichuan Tianqi Lithium ("Tianqi") is subject to a number of regulatory approval procedures within China, including the approval of the China Regulatory and Securities Commission ("CSRC"), as Tianqi is a company listed on the Shenzhen Stock Exchange. All necessary Australian regulatory approvals have already been completed.

Due to the size of the Jiangsu acquisition, with an enterprise value of US\$230million, the transaction falls under the pre-approval processes of the CSRC rules, as it is deemed to be a Very Substantial Acquisition ("VSA" – known as Major Asset Reorganization in China), given that it exceeds certain percentage thresholds in terms of specified financial ratios when comparing the relative size of the asset being acquired to the size of Tianqi. Under the current regulatory regime, such a transaction is subject to a very rigorous independent review and typically a long protracted and complicated approval process.

In March 2014, the China State Council issued a memo outlining the *Opinions of the State Council on Optimizing Regulatory Regime of Mergers and Acquisitions (the "Opinions")*, in which it outlined its intent to optimize the overall regulatory regime regarding mergers and acquisitions. In particular, according to *the Opinions*, the CSRC approval procedure would no longer be required for such VSAs. A public consultation process by the CSRC regarding the proposed rule changes was conducted during July and August 2014. Adoption of these recommended changes would mean that the sale of Jiangsu would no longer be subject to pre-approval by the CSRC and, as such, would not be required to fulfil the current complicated process within the CSRC VSA rules. In expectation of the adoption of these changes the Company and Tianqi have together taken the view that it would be more expeditious to the overall sale timetable and process to wait for these favourable

About Galaxy Resources

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

Since June 2013, the current management team has taken the Company through a series of significant financial restructuring initiatives to strengthen and improve the balance sheet. In April 2014, the Company announced the divestment of its processing plant in Jiangsu Province, China – a deal which held an enterprise value of US\$230 million.

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 promise 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.

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changes to be enacted. The Company remains confident that based on the timing between the completion of the public consultation and formal enactment of law changes for precedents in China that waiting for the change to the CSRC approval process remains the quickest way to achieve final closing.

In the event that the CSRC rule change process is overly protracted, the VSA criteria would fall away upon the issuance of the 31 December 2014 audited accounts of Tianqi, as then the relative size of Jiangsu to Tianqi will no longer trigger the financial ratio thresholds requiring CSRC pre-approval. This is because Tianqi has completed a very substantial equity raise and consolidated a large asset purchase during the 2014 financial year meaning its size will be above the VSA threshold at year end.

Upon passing of the anticipated CSRC rule changes or alternatively the issuance of the latest audited financial statements of Tianqi the completion of the transaction would then proceed with the following steps:

- Corporate approval by the shareholders of the Tianqi,
- Approval of the provincial-level department of the Ministry of Commerce ("MOFCOM"),
- Approval of the provincial-level department of the National Development and Reform Commission and
- The approval of the provincial-level department of the State Administration of Foreign Exchange.

The last provincial government departmental approvals are procedural to allow for Tianqi to properly and legally complete the transaction with closing by way of payment of US\$'s offshore.

Management continues to interact with Tianqi on a regular basis and is maintaining an excellent relationship, not only in terms of progressing the regulatory approvals for the transaction, but also in other matters, including the pre-acquisition integration of production operations at the Jiangsu plant, marketing initiatives and working together to maintain continuity in other key stakeholder relationships, such as with the local government and Galaxy Jiangsu's relationship banks..

As announced previously, in addition to the initial USD12.2million deposit, a further advance of USD30million was negotiated as part of the contractual arrangements with Tianqi. This was a strong demonstration of the financial capacity and conviction towards completion of the transaction on Tianqi's part. These funds have allowed Galaxy the financial flexibility to further reduce and service its non-Chinese corporate liabilities as well as continue to reduce corporate overheads and attend to other matters, including the payment of the final instalment required to secure 100% ownership of all of the tenements at the Sal de Vida project. The monies received from Tianqi are being managed conservatively until it is necessary to deploy them for future growth initiatives with careful attention being paid to maximising the benefit of the recent decline in value of the A\$ against the US\$.

Unmarketable Share Sale Facility

The Company completed the unmarketable parcel share sale facility announced on 29 July 2014, resulting in a total of 8,991,706 shares from 4,748 shareholders at a price per share of \$0.052 per share being placed, significantly reducing administration costs.

Jiangsu (100%)

Operational Performance - Jiangsu Plant Lithium Carbonate Production

In March 2014, Galaxy Jiangsu entered into a spodumene tolling agreement with Tianqi, to treat 8,000 tonnes of lithium carbonate (battery and technical grade) on their behalf. Jiangsu produced 1,000 tons of lithium carbonate for Tianqi during the quarter. The corresponding toll treatment fee has been paid by Tianqi.

Safety

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

Projects

Sal de Vida (96%)

Permits:

Galaxy has made significant progress in its discussions with local governments in the two provinces and continues to make positive advances on its outstanding permitting processes. Further planning and development work is being undertaken with respect to determining how best to adopt a phased development approach to the project.

Tenements:

Galaxy completed all instalments for deferred land purchases for Sal De Vida during the quarter. With a final payment of USD2.5M Galaxy now fully owns 100% of all tenements necessary for both production wells and surface evaporation. Only one property has a royalty agreement with the former owners, but that particular tenement is not within the reserve area or production area and will result in no payments or liabilities to third parties.

Engineering and process test works:

Priority during the quarter was defining the costs and schedules for various process alternatives. While no changes to the current, efficient process are planned, the ongoing work can potentially reduce operational risk and provide Galaxy with ready-to-use alternative plans in response to changing market needs, including the possibility for lithium hydroxide production. In support of these engineering plans, samples for process testing were shipped to the Company's laboratory and testing facility at the Jiangsu plant in China.

Infrastructure:

As the Puna gas pipeline extension from Pocitos to FMC's nearby Hombre Muerto lithium operation neared completion, Galaxy staff negotiated with the Provincial energy company to allocate pipeline capacity, and secured permission to install a manifold and valve set at its nearest approach to Sal de Vida. When installed, the valve will bring gas supply to within 25 kilometers of Galaxy's permitted plant site. If Borax Argentina (owned by Orocobre) installs a gas supply line to their facility before Galaxy, the nearest approach will be within 15 kilometers, but with more difficult access and construction as the planned path of their pipeline traverses a portion of the salar and the basalt covered Tincalayu Peninsula.

Mt Cattlin and James Bay (100%)

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

Marketing & Sales

Lithium Carbonate Sales

The production and operation focus concentrated on the Tianqi tolling agreement however there was also a strong focus on the collection of outstanding amounts due from customers that had previously bought the Company's lithium carbonate production.

Lithium Carbonate Demand

According to the most recent Roskill report, Japanese demand for lithium compounds is forecast to rise by 24% to 17,829t lithium carbonate equivalent (LCE) in 2014. Growth will be driven by higher consumption of lithium compounds in lithium ion battery cathode materials, which is projected to rise by 31% to 13,220t. The increase principally reflects higher production of electric vehicles by Tesla Motor in the USA.

Pricing

According to Asia Metal Pty Ltd, during the quarter, technical grade lithium carbonate price was stable, at RMB34-36/kg (US\$5.53-5.85/kg) (inclusive of VAT). Spodumene quotations increased by USD60/t, adding around RMB3,000 (USD487) to produce 1t battery grade lithium carbonate. The price of battery grade lithium carbonate in China was at RMB40-42/kg (USD6.5-6.83/kg) (inclusive of VAT).

Outlook

The transaction involving the 100% sale of the Jiangsu Plant is a major step in the financial transformation of the Company. The new Board and executive management team at Galaxy have been entirely focused on the best ways to reduce the interest bearing debt of the Company without further diluting shareholders equity. Completion of the sale of the Jiangsu Plant will leave the Company in a strong financial position with a significant increase in shareholder's equity. Upon closing, the entire US\$108 million of Chinese bank debt will be assumed by Tianqi and based on the initial net cash consideration of US\$122 million, after deducting all remaining interest bearing liabilities at the corporate level, will leave the Company in a strong net cash positive position.

Following the completion of the sale of the Jiangsu Plant, the Company will have a transformed balance sheet, but will also continue to retain significant exposure to the lithium sector, through its portfolio of lithium assets – namely the Sal de Vida lithium and potash brine project (96%), the Mt Cattlin spodumene mine (100%) and James Bay pegmatite project (100%). Management continues to investigate the best ways to unlock value from these projects and on the advancement of the Sal de Vida project.

-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.

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 2014

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (9 months) \$A'000
1.1 Receipts from product sales and related debtors	8,155	19,500
1.2 Payments for		
(a) exploration & evaluation	(3,339)	(4,225)
(b) development	-	-
(c) production	(8,220)	(20,864)
(d) administration	(1,886)	(4,869)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	846	991
1.5 Interest and other costs of finance paid	(3,659)	(10,203)
1.6 Income taxes paid	-	-
1.7 R&D Refund	-	-
Net Operating Cash Flows	(8,103)	(19,670)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(356)	(1,790)
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	1
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Deposits	-	13,029
Net investing cash flows	(356)	11,240
1.13 Total operating and investing cash flows (carried forward)	(8,459)	(8,430)

+ 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)	(8,459)	(8,430)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	2
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	44,329	70,831
1.17	Repayment of borrowings	(13,876)	(40,479)
1.18	Dividends paid	-	-
1.19	Repayment of CB's	-	-
	Payment for call option	-	-
	Net financing cash flows	30,453	30,354
	Net increase/(decrease) in cash held	21,994	21,924
1.20	Cash and cash equivalents at beginning of quarter/year to date	2,710	2,840
1.21	Exchange rate adjustments to item 1.20	1,854	1,794
1.22	Cash and cash equivalents at end of quarter	26,558	26,558

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	92
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 (\$A'000).

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

N/A

+ See chapter 19 for defined terms.

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	157,055	157,055
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	500
4.2 Development	-
4.3 Production	5,000
4.4 Administration	1,000
Total	6,500

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	26,539	2,556
5.2 Deposits at call	-	1
5.3 Bank overdraft	-	-
5.4 Bank Bills	19	153
Total: cash and cash equivalents at end of quarter (item 1.22)	26,558	2,710

+ 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	See attached.		
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	1,064,496,654 ¹	1,064,496,654	-
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	3,571 30,000,000 7,415,254	3,571 30,000,000 7,415,254	\$0.08 \$0.055 \$0.0472

¹ For voting purposes, the total number of shares presently carrying voting rights in Galaxy Resources Limited is 1,064,496,654. This is made up of 1,053,554,357 Fully Paid Ordinary Shares and 10,942,297 Special Voting Shares (which, effectively, may be voted by the holders of the remaining un-exchanged 10,942,297 Exchangeable Shares in Galaxy Lithium One Inc). These amounts are aggregated on the basis that ASX has confirmed that the voting rights attached to each Special Voting Share along with each Exchangeable Share (and its associated exchange rights and obligations) together upon and from their issue are to be treated as one Fully Paid Ordinary Share in Galaxy for the purposes of the ASX Listing Rules. During the current quarter 0 Exchangeable Shares were exchanged for Fully Paid Ordinary Shares.

+ See chapter 19 for defined terms.

7.5	+Convertible debt securities <i>(description)</i>	<i>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.</i>	-	-	-
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	- -	- -	- -	- -
7.7	Options <i>(description and conversion factor)</i>			<i>Exercise price</i>	<i>Expiry date</i>
		<i>686,862,802</i>	<i>686,862,802</i>	<i>\$0.08</i>	<i>31/12/14</i>
		<i>12,000,000</i>	-	<i>\$0.08</i>	<i>19/09/16</i>
		<i>750,000</i>	-	<i>\$0.45</i>	<i>17/11/14</i>
		<i>1,600,000</i>	-	<i>\$0.60</i>	<i>26/11/14</i>
		<i>1,800,000</i>	-	<i>\$0.90</i>	<i>26/11/14</i>
		<i>3,600,000</i>	-	<i>\$1.11</i>	<i>22/07/16</i>
		<i>1,200,000</i>	-	<i>\$1.11</i>	<i>Vesting not satisfied</i>
		<i>16,700,000</i>	-	<i>\$1.16</i>	<i>Vesting not satisfied</i>
7.8	Issued during quarter	<i>12,000,000</i>	<i>12,000,000</i>	<i>\$0.08</i>	<i>19/09/16</i>
7.9	Exercised during quarter	<i>3,571</i>	<i>3,571</i>	<i>\$0.08</i>	<i>31/12/14</i>
7.10	Expired during quarter	-	-	-	-
7.11	Debentures <i>(totals only)</i>	-	-		
7.12	Unsecured notes <i>(totals only)</i>	-	-		

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:  Date: 31 October 2014
(Director/Company secretary)

Print name: A L Meloncelli

+ 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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Tenement Schedule as at 30 September 2014

Project	Tenement	Notes (100% interest unless stated)
<u>Argentina</u>		
<u>Sal De Vida</u>	Various	96% (70% Interest upon satisfaction of JV conditions with Kores Consortium).
<u>Australia</u>		
<u>Boxwood Hill</u>	E70/2493 E70/2513-E70/2514 E70/2547	
<u>Ponton</u>	E28/1317 E28/1830	
<u>Shoemaker</u>	E69/1869-1871	20% Interest with General Mining Corporation.
<u>Ravensthorpe</u>		
<u>Bakers Hill</u>	E74/295 E74/299 E74/415	
<u>Floater</u>	E74/400 P74/307-P74/308	
<u>Mt Cattlin</u>	L74/46 L74/48 M74/244	
<u>Sirdar</u>	E74/401 P74/309-P74/310	80% Interest with Traka Resources. 80% Interest with Traka Resources.
<u>West Kundip</u>	L74/47 M74/133 M74/238	
<u>Canada</u>		
<u>James Bay</u>	Various	

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