

Highlights

Significant events during the quarter

- Jiangsu Sale Update
- Unmarketable Share Sale Facility Launched
- Progress of Development of Sal De Vida

Corporate

Jiangsu Sale Update

On 30 April 2014 the Company announced a binding Share Purchase Agreement with Sichuan Tianqi Lithium Industries (STLI) for the sale of Galaxy Lithium International Limited, the entity which holds the Jiangsu Lithium Carbonate plant. The sale of the Jiangsu Plant is based on an enterprise value of US\$230 million, with STLI assuming US\$108 million of Chinese bank debt at Galaxy Jiangsu and a cash component of US\$122 million, before any working capital adjustments, for the balance. On 13 May 2014 the shareholders of STLI approved the payment of US\$ 12.2 million representing 10% of the cash component by way of a deposit for the purchase. The deposit was received on 20 May 2014. On 20 June 2014, at an EGM, Galaxy shareholders voted overwhelmingly in support of the sale transaction. The transaction continues to proceed through regulatory approval in the PRC and the Company will further update the market as the sale process continues.

Unmarketable Share Sale Facility

As at 18 July 2104, the Company had 11,318 shareholders on its share register. Of these, approximately 6,514 hold parcels of less than \$500.00 in value based on the Galaxy share price of A\$0.055 as at close of trade on 18 July 2014 and are deemed holders of Unmarketable Parcels.

Due to the high proportionate cost for holders to transact these small holdings, the Company has established a share sale facility ("**Facility**") for holders of parcels of Galaxy shares with a market value of less than \$500.00 ("**Unmarketable Parcels**"). This facility enables these small investors to dispose of their shares at a guaranteed price without the issue of brokerage charges outweighing the sales proceeds. The Facility is being established in accordance with the Company's Constitution and the ASX Listing Rules.

For the purposes of establishing holders of Unmarketable Parcels the date has been set at close of trade on Friday, 18 July 2014 ("Record Date"). The price that relevant shareholders will receive for their shares under the Facility will be A\$0.052 based on the GXY volume weighted average trading price for the 5 trading days on the ASX ending on

About Galaxy Resources

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

Since taking over management control in 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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the Record Date. Bell Potter Securities Limited has been engaged to assist the Company with the Facility.

Shareholder Meetings

The Company held the Annual General Meeting and a General Meeting of Shareholders on Friday 20 June 2014. All resolutions that were put to the meetings were passed by the requisite majority on a show of hands.

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 1,300 tons of Lithium Carbonate for Tianqi during the quarter. The corresponding tolling 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

The Sal de Vida project application for obtaining the environmental approvals from Catamarca and Salta provinces are progressing, and the Company looks forward to advising the market on positive developments in the near future.

Engineering and construction

Engineering: Work continues on the planning of the FEED and detailed engineering program. Considering the “modular,” phased development concept, the engineering and construction can be broken down into distinct packages, many of which can be managed by the owner’s team, significantly reducing costs for an overall “EPCM” engineering contractor. A number of the owner’s team will be contracted, as will temporary specialized engineers.

Process test work: Operating on a care and maintenance basis, there were no significant advances in process test works during the quarter. The pilot ponds and pilot plant on site continue to be secured for a later start-up. One of the major expenses for the test work program was maintaining staff in the field. Continuing the effort to reduce costs, the Sal de Vida team looked to specialized process laboratories to refine costs for the process. SGS Lakefield and Hazen research Inc. have both expressed an interest in assisting with ion exchange “IX” and bicarbonate purification (“BiC”) test plans.

Infrastructure: Galaxy personnel were involved in initiatives to reinstate rail access between Pocitos and the Pacific coast in Chile. Pocitos, approximately 110 km by road from the project is located on the rail, and is currently the terminus of the “Puna” gas pipeline. The rail link has been reactivated between Salta and Pocitos, with the connection between Pocitos and the border the only remaining section to be renovated. That work is under way and is expected to be completed in late 2014 or early 2015.

Galaxy has identified a rail-side property at Pocitos and has initiated securing the site for future Company development of a siding and logistics hub.

Access to gas has improved with the advance of a new pipeline extension, linking the present terminal at Pocitos to Salar de Hombre Muerto (the site of the Company’s Sal de Vida project), underway. The extension has reached the location where the spur to the Sal de Vida project will be taken off.

Mt Cattlin and James Bay (100%)

Mt Cattlin and James Bay are being assessed with respect to the optimal short to mid-term strategy for each asset. Necessary activities to maintain the projects in good standing have been undertaken.

Marketing & Sales

Lithium Carbonate Sales

Total lithium carbonate sales for the quarter (April-June 2014) were 101 tonnes of technical grade product. The production and operation focus remained on the Tianqi tolling agreement.

Lithium Carbonate Demand

Sourcing data from the China Automobile industry, for the first half of 2014, China Hybrid Electric Vehicles sales is approximately 8,700 units, and for Electric Vehicles approximately 11,800 units. This is an increase of about 120% compared with the first half of 2013. Also in July the national government declared a moratorium on the vehicle purchase tax for new energy vehicles from 1 September 2014. This is expected to significantly encourage consumers' interest in the purchase of electric vehicles.

Sourcing data from the Roskill report, the demand of lithium carbonate in battery field in Japan will be 13,900 tons in 2014, and increase of 28% from 2013. The increase was driven by increases in electric vehicles sales, as typified by Tesla Motors (which utilises Panasonic cells) and the Nissan Leaf.

Pricing

According to Asia Metal Pty Ltd, during the quarter, technical grade product average price was around US\$6,100/t (inclusive of VAT). The average price of battery grade lithium carbonate in China was around US\$6,600/t. Price are stable as both demand and supply decreased. It will be increased in second half as the supply keeps stable but demand is expected to increase. As a forward looking indicator, the spodumene price again increased from 375us\$/t to 400us\$/t from Jul onwards.

Outlook

The transaction involving the 100% sale of GLIL (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 an increase in shareholder's equity. Upon closing, the entire US\$108 million of Chinese bank debt will have been assumed by the purchaser of Jiangsu and based on the initial cash consideration of US\$122 million, after deducting all remaining interest bearing liabilities at the corporate level, the Company will be holding a pro forma net cash position of approximately A\$62 million.

Following the divestment of the Jiangsu Plant, the Company will have a transformed balance sheet, but will also continue to retain all its exposure to its primary lithium assets – namely the Sal de Vida lithium and potash brine project (96%), Mt Cattlin spodumene mine (100%) and James Bay pegmatite project (100%). Management will continue to work hard to unlock value from these projects and are beginning to focus on the advancement of the Sal de Vida project as a priority.

-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 June 2014

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (6 months) \$A'000
1.1 Receipts from product sales and related debtors	5,276	11,345
1.2 Payments for		
(a) exploration & evaluation	(368)	(886)
(b) development	-	-
(c) production	(6,837)	(12,644)
(d) administration	(1,812)	(2,983)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	132	145
1.5 Interest and other costs of finance paid	(5,188)	(6,544)
1.6 Income taxes paid	-	-
1.7 R&D Refund	-	-
Net Operating Cash Flows	(8,797)	(11,567)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(149)	(1,434)
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	7,699	13,029
Net investing cash flows	7,550	11,596
1.13 Total operating and investing cash flows (carried forward)	(1,247)	29

+ 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)	(1,247)	29
	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	17,065	26,502
1.17	Repayment of borrowings	(17,213)	(26,603)
1.18	Dividends paid	-	-
1.19	Repayment of CB's	-	-
	Payment for call option	-	-
	Net financing cash flows	(148)	(99)
	Net increase/(decrease) in cash held	(1,395)	(70)
1.20	Cash and cash equivalents at beginning of quarter/year to date	4,160	2,840
1.21	Exchange rate adjustments to item 1.20	(55)	(60)
1.22	Cash and cash equivalents at end of quarter	2,710	2,710

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	201
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	118,346	118,346
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	2,556	960
5.2 Deposits at call	1	2
5.3 Bank overdraft	-	-
5.4 Bank Bills	153	3,198
Total: cash and cash equivalents at end of quarter (item 1.22)	2,710	4,160

+ 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 schedule.		
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	1,027,077,829 ¹	1,027,077,829	-
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	4,440	4,440	\$0.08

¹ For voting purposes, the total number of shares presently carrying voting rights in Galaxy Resources Limited is 1,027,077,829. This is made up of 1,016,135,532 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 369,460 Exchangeable Shares were exchanged for Fully Paid Ordinary Shares.

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity and oil and gas exploration entity quarterly report

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>686,866,373</i>	<i>686,866,373</i>	<i>\$0.08</i>	<i>31/12/14</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>25,000,000</i>	<i>25,000,000</i>	<i>\$0.08</i>	<i>31/12/14</i>
7.9	Exercised during quarter	<i>4,440</i>	<i>4,440</i>	<i>\$0.08</i>	<i>31/12/14</i>
7.10	Expired during quarter	<i>1,000,000</i>	-	<i>\$0.60</i>	<i>26/11/14</i>
7.11	Debentures <i>(totals only)</i>	-	-		
7.12	Unsecured notes <i>(totals only)</i>	-	-		

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: Date: 31 July 2014
(Director/Company secretary)
Print name: A L Meloncelli

Notes

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity and oil and gas exploration entity quarterly report

- 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 June 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	80% Interest with Traka Resources.
	P74/309-P74/310	80% Interest with Traka Resources.
<u>West Kundip</u>	L74/47	
	M74/133	
	M74/238	
<u>Canada</u>		
<u>James Bay</u>	Various	

+ See chapter 19 for defined terms.