Quarterly Report

...meeting a lithium future

For the three months ending 30 September 2012

Significant Events

- Lithium carbonate production increases at Jiangsu
- Excellent quality performance with lithium carbonate achieving battery-grade specifications
- Jiangsu on track to be cash flow positive in Q1, 2013
- Sales Revenue of A$3.7 million (inclusive of VAT) commences for the quarter
- Development strategy and rationale for Sal De Vida outlined
- Sal de Vida DFS progressed
- Sal de Vida Environmental Impact Statement submitted
- Successful brine pump testing completed at Sal de Vida
- Working capital loan to China Construction Bank successfully re-financed
- Sales of battery grade lithium carbonate from Jiangsu Plant commences

Corporate Division

Development Strategy and Rationale for Sal de Vida

During the Quarter, the Company outlined the development strategy for its Sal de Vida lithium and potash brine project ("Sal de Vida") in Argentina. Galaxy acquired a 70% stake in the highly prospective Sal de Vida project following its merger with Lithium One Inc. Sal de Vida offers Galaxy geographical, process and cost base diversification from its existing assets in Australia and China. Its favourable brine chemistry and prime location mean it is expected to become Galaxy's next flagship asset.

Galaxy's plans for Sal de Vida include development of evaporation ponds and a battery grade lithium carbonate plant. The Company's preference is to advance Sal de Vida's development to be prepared ahead of anticipated spikes in demand for lithium carbonate, as demand for lithium-ion batteries for electronics, electric vehicles and battery storage grows.

The lithium battery sector continues to be consumer driven and, in the last few years, has experienced consistent growth of around 20-25% per annum. The utilisation of lithium-ion batteries continues to grow and, significantly, the size of lithium-ion batteries is also increasing to fit larger electric vehicles and energy storage units. For example, the amount of lithium carbonate in one electric car is in the region of 3,000 times more than that of a laptop lithium-ion battery.

Galaxy Resources Ltd ("Galaxy") is an Australian-based global lithium company with lithium production facilities, hard rock mines and brine assets in Australia, China, Canada and Argentina. The Company is an integrated lithium mining, chemicals and battery company listed on the Australian Securities Exchange (Code: GXY) and is a member of the S&P/ASX 300 Index.

Galaxy wholly owns the Mt Cattlin project near Ravensthorpe in Western Australia where it mines lithium pegmatite ore and processes it on site to produce a spodumene concentrate and tantalum by-product. At full capacity, Galaxy will process 137,000 tpa of spodumene concentrate which will feed the Company's wholly-owned Jiangsu Lithium Carbonate Plant in China's Jiangsu province. The Jiangsu Plant has commenced production and will produce 17,000 tpa of battery grade lithium carbonate, the largest producer in the Asia Pacific region and the fourth largest in the world.

Galaxy is also advancing plans to develop the Sal de Vida (70%) lithium and potash brine project in Argentina situated in the lithium triangle (where Chile, Argentina and Bolivia meet) which is currently the source of 60% of global lithium production. Sal de Vida has excellent promise as a future low cost brine mine and lithium carbonate processing facility.

Lithium compounds are used in the manufacture of ceramics, glass, electronics and are an essential cathode material for long life lithium-ion batteries used to power e-bikes and hybrid and electric vehicles. Galaxy is bullish about the global lithium demand outlook and is positioning itself to achieve its goal of being involved in every step of the lithium supply chain.

While lithium carbonate prices are already increasing, Galaxy forecasts exponential growth (a 'hockey stick' growth profile) in lithium demand in the next five years, driven by the lithium-ion battery sector. The lithium battery industry today is worth US$11 billion and expected to grow to US$43 billion by 2020. Consequently, lithium carbonate feedstock demand is also expected to increase 2-3 times by the end of the current decade.

Galaxy also recognises that development lead times on lithium mines and projects can be in the vicinity of 4-5 years. Galaxy therefore needs to advance the development of Sal de Vida to be positioned and ready for the anticipated demand growth. This timeframe would allow Galaxy to fully benefit from the potential demand and lock in long term off take contracts.

Galaxy believes that those lithium companies with operating projects in place in anticipation of this potential demand will be in the best position to benefit.

Galaxy sees very strong growth ahead in the lithium sector and wants to develop Sal de Vida in anticipation of that forecast demand. The Company's diversification strategy has been to acquire and develop both hard rock and brine lithium operating assets in various geographies. The proposed acquisition of Talison Lithium (a hard rock concentrate producer) by Rockwood Lithium (a brine based lithium chemical producer) for C$724 million vindicates Galaxy's strategy and its view of the long term growth in this market.

The development of Sal de Vida would give Galaxy a presence in three continents - Australia, Asia and South America and see it establish itself as a global miner and producer of lithium products. Through the Company's Jiangsu Lithium Carbonate Plant ("Jiangsu"), Galaxy is already set to become the largest producer of battery grade lithium carbonate in the Asia Pacific region once it reaches design capacity.

In addition, Galaxy has representation in the world's top three lithium battery producing countries - China, Japan and Korea. Galaxy's global partners include the top 13 cathode producers in China, Mitsubishi Corporation (Japan), Korean Resources Corporation (Korea), LG International (Korea) and GS Caltex (Korea).

Although the company is progressing early-stage plans at Sal de Vida, the Board has resolved not to make a final investment decision for full scale commitment to Sal de Vida until the Jiangsu Plant achieves positive cash flow on a sustainable basis.

Sal de Vida Flag Ship Asset

Galaxy spent a number of years looking for a high quality, undeveloped lithium brine project with the aim of adding extra lithium resources and lithium carbonate capabilities to its asset portfolio in anticipation of growing lithium demand. Sal de Vida's potential production profile is 25,000 tpa of battery grade lithium carbonate and 107,000 tpa of potash (KCl) by-product for the fertiliser industry. In addition to the 17,000 tpa design capacity of Jiangsu, Galaxy would produce 42,000 tonnes of lithium carbonate per annum from 2016 onwards. (Figure 1.)

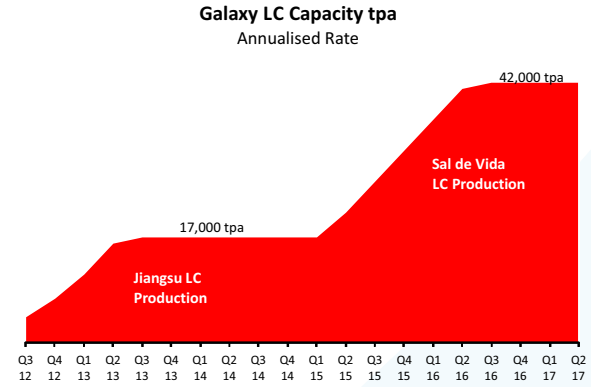


Figure 1: An increased production profile will allow Galaxy to capitalise on forecast demand growth in the lithium-ion battery sector.

The Sal de Vida brine chemistry is highly favourable, with high levels of lithium and potash, and low levels of magnesium and sulphate impurities. Sal de Vida is situated in the renowned 'lithium triangle' at the meeting point of Argentina, Chile and Bolivia. It is located adjacent to FMC Lithium's El Fenix lithium operation in the Salar del Hombre Muerto, which has been in operation for the last 15 years.

Sal de Vida Project - Argentina

The Sal de Vida Pre-Feasibility Study ("PFS") completed in October 2011 estimated a net present value for the project of US$1.07 billion. The average operating cost was estimated at US$1,537 per tonne of finished lithium carbonate, generating a net pre-tax cash flow of US$139 million per annum. Galaxy is completing a Definitive Feasibility Study ("DFS") on the Sal de Vida project and is expected to complete the study in Q1 2013.

Finance Update

During the Quarter, Galaxy announced that the initial repayment of the Company's working capital loan to China Construction Bank Limited ("CCB") had been successfully re-financed to September 2013. Galaxy had previously stated that it was in the process of negotiating with CCB to refinance the repayment in its condensed consolidated interim financial reports for the quarter and half year ended 30 June 2012. The first repayment of A$9.4 million (RMB 60 million) is now due in September 2013.

Safety & Environment

There were two lost time injuries recorded for the group during the Quarter. The LTIs involved minor injuries – one in Argentina and another in China. There were no environmental incidents recorded for the Quarter.

Resource Division

Sal de Vida Project

The Sal de Vida DFS continues to progress well and is expected to be completed in Q1 2013.

Argentinean engineering firm TAGING S.A. ("TAGING"), which specialises in Argentinian mining projects with extensive experience in lithium brine projects, has been appointed to complete the DFS. International engineering company Hatch Ltd ("Hatch") is providing specialist process input for Galaxy during the DFS process. Hatch was the designer and EPCM contractor for the Jiangsu Plant and also has extensive lithium brine and operational experience in South America.

A number of lithium experts to bolster the existing Sal de Vida project team were appointed during the Quarter. Most notable is the appointment of lithium industry veteran Dr Vijay Mehta as Senior Technical Advisor. Dr Mehta has 45+ years of experience in brine based lithium processing technology, including 30 years at FMC Lithium, where he developed the lithium plant at FMC's Hombre Muerto Salar project, which adjoins Sal de Vida.

Brine Pump Testing at Sal de Vida

Key Technical Team includes Dr Vijay Mehta – Senior Technical Advisor, Jerome Lukes – Senior Technical Engineer, David Butts – Pond Operation & Design, Dr Greg Sheehan – Process Operation and Design, Dr Jingyuan Liu – GM Business Readiness. Key Project Management includes Iain Scarr – General Manager Argentina, Terry Stark - Project Director, Ernest Burga - Engineering Project Manager.

Salar Hombre Muerto - Sal de Vida Project

Environmental Impact Statement

The Environmental and Social Impact Statement ("EIS") for Sal de Vida was submitted to the Provincial Environmental Agencies of Salta and Catamarca as the Project straddles both provincial boundaries. The EIS has provided assessment of the potential environmental impacts of the Project. The Project involves construction of evaporation ponds over a 20 square kilometre area in the northern basin of the salt pan. The core part of the Project includes a lithium carbonate precipitation and purification plant producing battery grade lithium carbonate. A separate potash plant producing fertiliser grade potash (potassium chloride) is also planned.

Sal de Vida Project

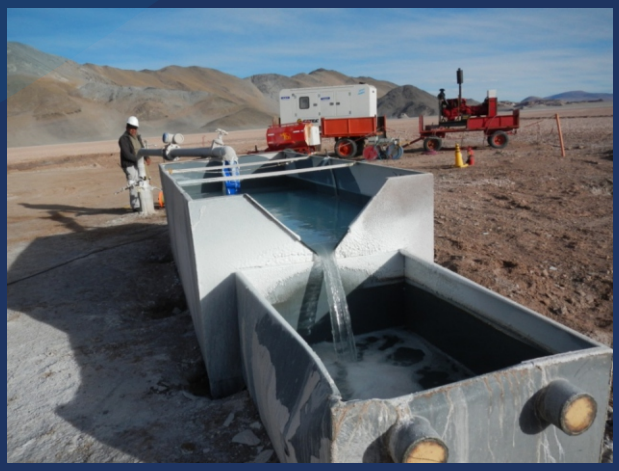
Successful Brine Pump Testing

The Company successfully completed a long term pumping test on the first proposed production well at Sal de Vida. The successful test involved pumping brine from the production well at a constant rate and without faults or blockages, over a 30 day period. The pumping of the brine to solar ponds is a critical part of a lithium brine operation. Once the brine evaporates, concentrated lithium brine is harvested and further processed into lithium carbonate. The pump test results will be used to demonstrate capability for the long term supply of brine and lithium concentrate to the lithium carbonate plant Galaxy plans to build on the Sal de Vida site.

The initial well at Sal de Vida is demonstrates the potential for long term supply to proposed solar ponds and lithium carbonate and potash production plants, utilising only a fraction of the currently estimated extractable resource. The tested well was set at a depth of 53 metres and pumped brine to the solar ponds at a rate of 16 litres per second. The maximum drawdown at the pumped well was less than 7 metres at end of the test period. The average lithium content of pumped water was approximately 760 milligrams per litre (mg/L); average potassium content was approximately 8800 mg/L reflecting the reserve grades. The brine composition did not change appreciably throughout the test.

Definitive Feasibility Study

Fresh water exploration has commenced with several fresh water exploration wells being drilled at Los Patos River delta. The Boron solvent extraction test work is progressing well with excellent efficiency being achieved from the brine. Boron is an impurity in the brine which has to be removed prior to lithium carbonate precipitation. Similar calcium and magnesium removal test work has also been completed and is demonstrating good results. Potash flotation testing conducted in Canada has also demonstrated higher-than-expected recoveries and supports the assumptions in the definitive feasibility study.

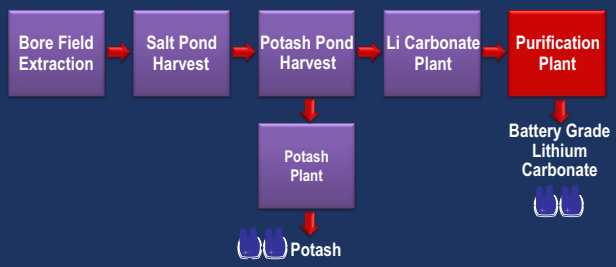


Engineering is progressing well with final process flow diagrams generated in preparation for the procurement packages. The valuable learnings from the Company's Jiangsu operation have been incorporated including the purification technology. The purification technology is used to upgrade lithium carbonate's purity to 'battery grade' (99.5% purity, or above) meaning it can be used by battery cathode producers for the manufacture of lithium-ion batteries. Because of its high value application, battery grade lithium carbonate receives a significant price premium to more common technical grades.

Galaxy developed and patented the purification technology in 2010 and has successfully proven the technology at its wholly-owned Jiangsu Plant in China. Jiangsu's lithium carbonate met all battery grade specifications in July 2012 and initial sales of battery grade lithium carbonate commenced during the Quarter.

Galaxy plans to develop a battery grade lithium carbonate plant at the Sal de Vida site, which will mirror the purification plant design at Jiangsu. Galaxy's purification technology is designed to be applied to either hard rock or brine based lithium carbonate production processes. The DFS currently underway on Sal de Vida will incorporate utilisation of the purification technology in its flow sheet. (Figure 2.)

Figure 2 – Sal de Vida process flow with purification plant



Galaxy's technology will enable it to become the first lithium company in South America to produce battery grade lithium carbonate directly from a brine salar site. Currently, South American brine lithium producers have to upgrade their lithium carbonate to battery grade standard by sending the product off site or overseas.

Appointment of Sal de Vida Site Director

Subsequent to the Quarter, the Company appointed Mr Daniel Chavez Diaz as Site Director of Sal de Vida Project in Argentina. Mr Chavez Diaz is a chemical engineer and highly experienced management executive who has spent the last 20 years working for lithium giant FMC Corporation ("FMC"). Since 2007, Mr Chavez Diaz has been President of FMC subsidiary Minera del Altiplano S.A., and has been responsible for overseeing FMC's lithium production facilities in Argentina.

Mr Chavez Diaz has also been General Manager of FMC's El Fenix lithium operation in the Salar del Hombre Muerto. El Fenix includes evaporation ponds, lithium chloride and carbonate plants and shares the same salar (salt pan) as Sal de Vida. Other previous management roles at El Fenix include Operations Director, Plant Manager and Production Manager. He holds a chemical engineering degree from Universidad Nacional de Salta, an Executive Master of Business Administration degree, and is currently the President of Unión Industrial de Salta.

Mr Chavez Diaz will lead the Sal de Vida team in developing Galaxy's planned lithium brine operation and lithium carbonate plant. Galaxy is very pleased to have secured someone with Mr Chavez Diaz's lithium industry experience and, most importantly, in-country experience. Mr Chavez Diaz has many years of experience liaising with provincial and federal authorities, as well as establishing and operating businesses in Argentina. He is a noteworthy addition to the Sal de Vida team.

Mt Cattlin - Operations

The Galaxy Board reached a decision to temporarily halt production at the Mt Cattlin Operation from the end of July 2012. The combination of Mt Cattlin's recent strong performance, coupled with the Jiangsu Plant being in a 12-month ramp-up phase, resulted in a build-up of internal spodumene inventory levels of approximately 12 months' supply of feedstock ahead of the Jiangsu Plant.

The plan remains to pause production until stockpiles for the Jiangsu Plant have been reduced to about 2-3 months' supply. The suspension of spodumene production will not affect the company's revenue as it begins to sell the value-added lithium carbonate product from the Jiangsu Plant.

All Galaxy's Mt Cattlin Operation employees have been retained and will concentrate on process upgrade projects and maintenance activities to enable re-start of the operation once spodumene inventory levels are re-balanced. Mining contractor, Orionstone and subcontractor TDS were successfully demobilised from site during July and early August, the whole process being undertaken in a professional and incident free manner.

A total of 35,274 tonnes of spodumene product was shipped to the Jiangsu Lithium Carbonate Plant in China and 86 tonnes of tantalite concentrate was sold to Global Advanced Metals during the September Quarter.

Mt Cattlin Production Statistics	Sep 2012 Quarter	2012 YTD
Ore Mined (Tonnes)	35,284	454,912
Grade (Li_2O%)	1.42	1.22
Waste Mined (BCM)	84,250	925,505
Ore Treated (Tonnes)	43,107	453,004
Grade (Li_2O%)	1.34	1.23
Spodumene Produced (dry Tonnes)	5,382	54,047

Mt Cattlin continues to provide feedback to the community regarding the Company's progress on site through quarterly meetings, and through the local community newsletter, and is actively involved with organised community and charity events. Positive feedback has been received from the community, and from affected contract employees, regarding the assistance packages provided by the Company to assist with the relocation of contract employees, during the temporary halt to operations at Mt Cattlin.

Chemicals Division

Jiangsu - Operations

The Company's Jiangsu lithium carbonate operations progressed its 12 month ramp-up phase during the Quarter with overall production of 599 tonnes over the period. Production met sales demand for the Quarter determined by the customer product qualification ramp-up profile. Total sales for the Quarter were 586 tonnes, recording revenue of RMB 23.4 million (inclusive of VAT) (A$3.7 million)*.

Quality performance has been excellent with the Jiangsu Plant achieving battery grade quality across all specifications, meeting the Plant's design. This means that as well as adhering to the 99.5% purity criteria, the production met the prescribed tolerances for impurities required by Galaxy's cathode producing customers.

During the Quarter, some modifications were made to the front end of the Plant, including the calciner and sulphation kilns. Temporary lifters were installed in the calciner to provide better spodumene pre-heating and heat transfer within the kiln. These modifications have been successful at reducing kiln off gas temperatures thereby allowing increased kiln feed rates. In August, the calcination kiln and subsequent sulphation process operated at the design feed rate of 18 tphr for a short period. The temporary lifters will be replaced with a permanent system during the next Quarter.

Jiangsu Production Statistics	Sep 2012 Quarter	2012 YTD
Total LC Production	599	752

Several incidents of calciner kiln sinter contributed to downtime of the kiln and some limits to production during the period. This has been an expected part of the ramp-up process and further optimisation of burner configuration will improve this area.

Areas of high wear, including slurry pumps and the sulphation pug mixer, were improved during the Quarter giving the plant better stability. In the first three weeks in October, the kiln ran consistently with 90% reliability due to the improvements made in the Plant.

Jiangsu Lithium Carbonate Plant


Final Battery Grade Product at Jiangsu

The focus during the Quarter has been to improve the stability, on line rate and utilisation of the back end of the Plant. Improvements to the belt filtration operation were achieved with the design two belt filters on line and much improved water balance and total dissolved solid levels in the waste water.

Process improvement changes were made in the precipitation and purification areas to improve scaling and operational issues. Some tank rubber liners were replaced to improve product quality and process operability. A new pneumatic conveying system to replace the current drag chain conveyors was installed during the Quarter which has improved both the quality performance and operability of the product end of the Plant.

Sodium sulphate by-product is now achieving good quality and is sold to the textile and detergent industry. Slag sales also continued during the Quarter.

Sales & Marketing

Total sales during the Quarter were 586 tonnes of both technical and battery grade product. The sales strategy for the ramp-up of the Jiangsu Plant centered around selling mainly technical grade product until the battery grade product could be qualifiied.

The battery grade lithium carbonate qualification process continued with potential battery cathode customers. Production samples have now been sent to over 50 potential customers in China for the product testing and qualification process. As part of the vigorous qualification process, the whole upstream chain and customers, including the final lithium battery customers, are involved in the qualification acceptance process.

Feedback from the market has been extremely positive so far. The majority of samples have so far passed the first stage testing process, and potential customers have commenced taking either larger test samples or commenced trail supply. Late in the Quarter, sales of battery grade product commenced, with 46 tonnes sold to lithium cathode customers.

* Specific details regarding pricing, sales volume, product split and cost structure is subject to confidentiality obligations of sales contracts and competitor sensitivity


Lithium Carbonate Drying Plant - Jiangsu

Quality

Production quality continues to be good adhering to the 99.5% purity criteria and meeting the prescribed tolerances for impurities required by its cathode producing customers. Achieving product quality design and production output at a complex chemical plant often takes considerable time however the progress made in the Quarter and to date has exceeded the Company's expectations.

The quality of the battery grade lithium carbonate is on par with Galaxy's major competitors in China, and better than its competitors in some of the impurity levels like Sodium (Na), Magnesium (Mg) and Sulphates (SO4). The table below shows the comparative analyses of some of the major suppliers of lithium carbonate.

	Impurity levels (ppm)													
Competitor	Na	K	Ca	Mg	Fe	Al	Cu	Mn	Ni	Zn	Pb	Si	SO_4	Cl
PRC 1	200	5	10	30	2	16	1	1	1	1	1	28	800	10
PRC 2	180	10	25	35	8	1	1	1	1	3	1	8	830	12
Sth Am 1	570	29	94	83	5	9	1	1	1	1	1	110	240	92
Sth Am 2	260	10	70	50	2	7	1	1	1	1	1		800	60
Galaxy	20	5	28	5	6	5	1	1	1	2	1	10	480	10
Battery Grade Specs	≤250	≤10	≤50	≤100	≤20	≤50	≤10	≤10	≤30	≤10	≤10	≤50	≤800	≤50

Market Outlook

Lithium demand in the first half of the year remained robust and the supply and demand relatively balanced. The main demand was from the battery segment. Chinese demand in H1 2012 was approximately 10% higher than same period last year and the forecast for the balance of the year is considered to be higher.

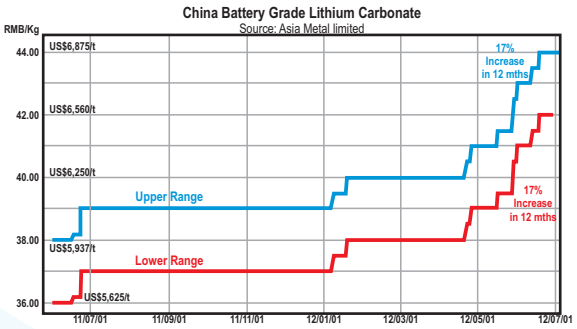
Pricing

Prices for both technical and battery grade lithium carbonate in China have risen significantly on the back of tight demand and supply fundamentals.

Chinese lithium carbonate producers lifted domestic lithium carbonate prices during the Quarter and the uncontracted spot price for battery grade lithium carbonate in China hit levels of up to RMB 45,000/tonne (inclusive of VAT) or approximately US$ 7,000/tonne in the months preceding the Quarter. The Company also reported that technical grade lithium carbonate prices had followed the same trend with uncontracted spot prices up to RMB 40,000/tonne or approx US$ 6,250/tonne.

Lithium market watcher, Asia Metal Pty Ltd, said in a note published in the Quarter that the "mainstream price of battery grade lithium carbonate rose to about RMB 42,000-44,000/tonne (US$ 6,650-6,960/tonne inclusive of VAT) and for small orders, many suppliers have sold at prices as high as RMB 45,000/tonne (US$ 7,120/tonne).

The following graph shows battery grade lithium carbonate prices in China tracked by Asian Metal Ltd in 12 months to July 2012, demonstrating a 17% increase in prices on the same time the previous year.




State of the Art Packaging at Jiangsu

The price increases in China follow the increases in global lithium product prices, including lithium carbonate, announced by major producers Rockwood Lithium and FMC Lithium this year.

- Rockwood Lithium announced in early May 2012 to lift global lithium salts prices by 22% or US$1,000 per metric tonne, effective 1 July 2012.
- FMC Lithium announced a price increase of 20% on 23 June 2011 and then another increase by $1,000/tonne on 18 June 2012.
- Talison Lithium (spodumene supplier) announced a spodumene price increase of 15% in December 2011 and a further 10% increase on 12 July 2012.

Galaxy has been pleased to see such buoyant battery grade lithium carbonate prices in China, which will ultimately translate into higher revenues from its Jiangsu operations. With Jiangsu to reach full capacity in 2013, Galaxy is well placed to take advantage of the strong lithium market outlook.


Sulphation Kiln - Jiangsu


Calcination Plant - Jiangsu

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Rule 5.3

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001, 01/06/10.

Name of entity

Galaxy Resources Limited

ABN

11 071 976 442

Quarter ended ("current quarter")

30 September 2012

Consolidated statement of cash flows

		Current quarter $A'000	Year to date (9 months) $A'000
Cash flows related to operating activities			
1.1	Receipts from product sales and related debtors	(1,345)[b]	5,688[b]
1.2	Payments for (a) exploration & evaluation	(2,203)	(3,373)
	(b) development		
	(c) production	(11,534)[c]	(42,968)
	(d) administration	(10,181)[d]	(20,105)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	95	317
1.5	Interest and other costs of finance paid	(319)	(3,090)
1.6	Income taxes paid		
1.7	Other (provide details if material)		
	Net Operating Cash Flows	(25,487)	(63,531)
	Cash flows related to investing activities		
1.8	Payment for purchases of:		
	(a) prospects		
	(b) equity investments		
	(c) other fixed assets	(10,625)	(48,289)
	(d) intangibles		
1.9	Proceeds from sale of:		
	(a) prospects		
	(b) equity investments		
	(c) other fixed assets		
1.10	Loans to other entities		
1.11	Loans repaid by other entities		
1.12	Other (provide details if material)	(2)	3
	Net investing cash flows	(10,627)	(48,286)
1.13	Total operating and investing cash flows (carried forward)	(36,114)	(111,817)

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	(36,114)	(111,817)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	600	30,747
1.15	Proceeds from borrowings	19,860	63,535
1.16	Proceeds from convertible bonds		
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other (Cash acquired from merger)	6,191	6,191
	Net financing cash flows	26,651	100,473
	Net increase (decrease) in cash held	(9,463)	(11,344)
1.20	Cash at beginning of quarter/year to date	17,356	17,997
1.21	Exchange rate adjustments to item 1.20	(2,813)	(1,573)
1.22	**Cash at end of quarter**	5,080[a]	5,080[a]

a Total undertaking by PRC banks of working capital of A$17m
b Revenues for Lithium Carbonate sales are currently being offset against fixed assets under construction in accordance with accounting standards (A$3.1m during the quarter).
c Mt Cattlin costs will be reduced in the next quarter due to the temporary closure during the current period.
d Includes change of control payments and transaction costs for the L1 merger of approximately $6m (YTD).

Payments to directors of the entity and associates of the directors Payments to 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	585
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

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

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	113,711*	96,531*
3.2	Credit standby arrangements	-	-

*As at 30 September 2012, RMB 633 million had been drawn down of approved RMB 746 million facilities. Therefore, the amount avaialble is 113m RMB (A$17m).

Estimated cash outflows for next quarter

		$A'000
4.1	Exploration and evaluation	500
4.2	Development	-
4.3	Production (net of revenues)	4,000
4.4	Administration	4,000
	Total	8,500

Reconciliation of cash

Reconciliation of cash 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	3,548	8,064
5.2	Deposits at call	1,532	9,292
5.3	Bank overdraft	-	-
5.4	Other (provide details)	-	-
	Total: cash at end of quarter (item 1.22)	5,080	17,356

+ See chapter 19 for defined terms.

Changes in interests in mining tenements – refer attached tenement schedule

		Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed				
6.2	Interests in mining tenements acquired or increased				

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	**Preference +securities** *(description)*				
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3	**+Ordinary securities**	506,359,341[1]	506,359,341	-	-

[1] For voting purposes, the total number of shares presently carrying voting rights in Galaxy Resources Limited is 506,359,341. This is made up of 492,773,833 Fully Paid Ordinary Shares and 13,585,508 Special Voting Shares (which, effectively, may be voted by the holders of the remaining un-exchanged 13,585,508 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.

+ See chapter 19 for defined terms.

7.4	Changes during quarter (a) Increases through issues	127,811,590 Fully Paid Ordinary Shares 14,122,588 Exchangeable Shares (in Galaxy Lithium One Inc), exchangeable into 14,122,588 Fully Paid Ordinary Shares[2] 14,122,588 Special Voting Shares[3]	141,934,138[4]	127,032,369 Fully Paid Ordinary Shares, 14,122,588 Exchangeable Shares and 14,122,588 Special Voting Shares issued pursuant to the terms of the merger with Lithium One Inc 779,221 Fully Paid Ordinary Shares issued in lieu of cash for corporate advisory services	$0.77 $0.77
	(b) Decreases through returns of capital, buy-backs				
7.5	**+Convertible debt securities** (*description)*	615 Convertible Bonds (face value of $100,000 per bond). Unsecured, subordinated 8% per annum. A$1.136 conversion price. 9 Convertible Notes (combined value of C$5 million). Unsecured. Coupon 8% per annum. Convertible at C$0.612 into one Fully Paid Ordinary Share and 0.5 Options.	-	-	-

[2] At the time of release of this Appendix 5B 537,080 Exchangeable Shares have been exchanged for Fully Paid Ordinary Shares. Accordingly, 13,585,508 Exchangeable Shares are still to be exchanged.

[3] Although 14,122,588 Special Voting Shares are on issue, only 13,585,508 Special Voting Shares can be voted by the holders of the 13,585,508 un-exchanged Exchangeable Shares.

[4] At the time of the issue of 127,032,369 Fully Paid Ordinary Shares, 14,122,588 Exchangeable Shares and 14,122,588 Special Voting Shares as consideration for the merger with Lithium One Inc, 40 Exchangeable Shares had been exchanged for Fully Paid Ordinary Shares.

+ See chapter 19 for defined terms.

7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	9 Convertible Notes	-	Issued pursuant to the terms of the merger with Lithium One Inc	-
7.7	**Options** *(description and conversion factor)*	750,000 3,350,000 5,350,000 1,800,000 3,000,000 3,600,000 1,900,000 39,100,000	- - - - - - - -	*Exercise price* *$0.45* *$0.60* *$0.60* *$0.90* *$0.96* *$1.11* *$1.11* *$1.16*	*Expiry date* *17/11/14* *26/11/14* *Vesting not satisfied* *26/11/14* *Vesting not satisfied* *22/07/16* *Vesting not satisfied* *Vesting not satisfied*
7.8	Issued during quarter	-	-	-	-
7.9	Exercised during quarter				
7.10	Expired during quarter		-		
7.11	**Debentures** *(totals only)*				
7.12	**Unsecured notes** *(totals only)*				

Compliance statement

1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).

2 This statement does /~~does not*~~ *(delete one)* give a true and fair view of the matters disclosed.

Sign here: ..... Date: **31 October 2012**
(~~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 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, 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 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.

5 **Accounting Standards** ASX will accept, for example, the use of International Accounting 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.

+ See chapter 19 for defined terms.

Tenement Schedule as at 30 September 2012

Project	Tenement	Notes (100% interest unless stated)
Argentina		
Sal De Vida	Various	70% Interest upon satisfaction of JV conditions with Kores Consortium.
Australia		
Boxwood Hill	E70/2493	
	E70/2513-E70/2514	
	E70/2547	
Connolly	E69/1878	
Ponton	E28/1317	
	E28/1830	
Shoemaker	E69/1869-1871	20% Interest with General Mining Corporation.
Ravensthorpe		
Aerodrome	E74/398	
Bakers Hill	E74/287	
	E74/295	
	E74/299	
	E74/415	
Floater	E74/400	
	P74/307-P74/308	
McMahon	M74/165	
	M74/184	
	P74/334	
Mosaic	M74/136	
Mt Cattlin	L74/46	
	L74/48	
	M74/244	
Sirdar	E74/401	80% Interest with Traka Resources.
	P74/309-P74/310	80% Interest with Traka Resources.

+ See chapter 19 for defined terms.

West Kundip	L74/47	
	M74/133	
	M74/238	
Canada		
James Bay	Various	