GALAXY

...meeting a lithium future

Quarterly Report

Significant Events

For the three months ending 30 June 2012

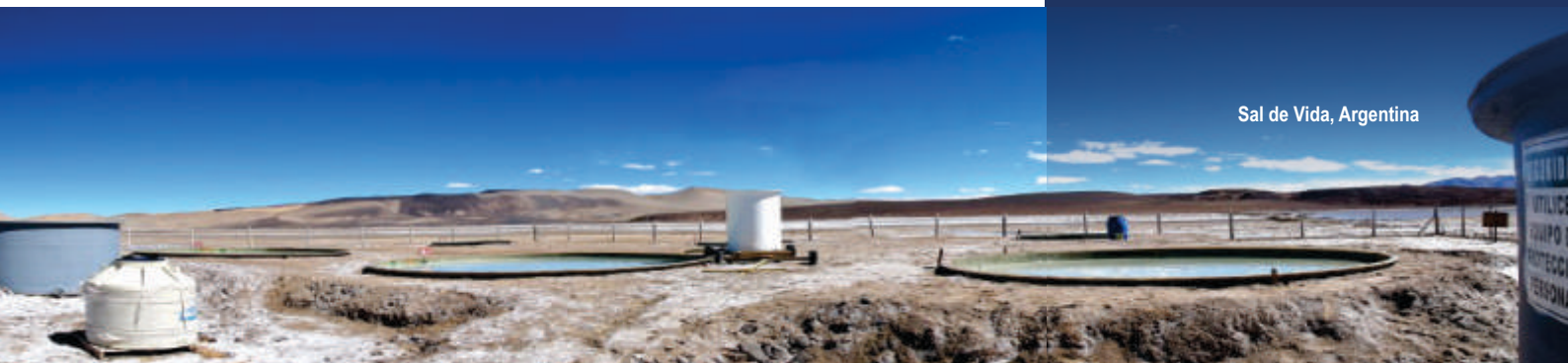
- Merger with Lithium One Inc successfully completed to create a global lithium company
- First lithium carbonate produced at Jiangsu Plant in China
- Jiangsu achieves battery grade lithium carbonate across all grade specifications
- Expect operational cashflows to be positive in Q1, 2013
- Galaxy commences lithium carbonate product sales to technical grade customers during the Quarter
- Temporary halt to Mt Cattlin operations due to 12 months of spodumene stock build up ahead of Jiangsu plant
- Halt at Mt Cattlin will save A$4 million per month of cash burn
- Ramp-up revenues at Jiangsu will not be affected
- Additional A$2.25 million raised through Share Purchase Plan
- Galaxy welcomed global lithium product price increases
- Company cash position (unaudited) A$17.4 million at end-June
- Galaxy has undertakings for additional working capital facilities from several PRC banks for A$45 million during the Jiangsu ramp-up

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. The Company completed a feasibility study for a proposed lithium-ion battery plant, to produce 620,000 battery packs per annum for the electric bike (e-bike) market. The Company also owns the James Bay (100%) Lithium Pegmatite Project in Quebec, Canada.

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.



Sal de Vida, Argentina


Sal de Vida Project, Argentina

Corporate Division

Merger with Lithium One Completed

Galaxy successfully completed its merger with Canada's Lithium One Inc in July 2012, subsequent to the end of the Quarter, after Lithium One and Galaxy shareholders granted approval in June 2012.

Lithium One shares have subsequently been delisted from the TSX and the transfer of Galaxy shares to eligible Lithium One shareholders completed.

Through the merger, Galaxy now has access to a global lithium resource base with assets in four continents. The merger has been strategic to Galaxy's goal of building its lithium resource footprint and furthering its downstream development opportunities. It also represents a significant step for Galaxy in realising its overall vision of becoming a vertically integrated global lithium company.

Post-merger, Galaxy's asset portfolio now includes the Sal de Vida lithium and potash brine project (70%) in Argentina and the James Bay lithium pegmatite project in Quebec (100%).

The flagship Sal de Vida brine project is located in the lithium triangle, which is where Chile, Argentina and Bolivia meet and currently contains the source of 60% of global lithium production. Lithium is found in the brine (salty water) below the dry lake beds (called salars) at high altitude. The existing Sal de Vida team will continue to make progress on a project Definitive Feasibility Study (DFS) for Sal de Vida.

Galaxy now owns 100% of the James Bay lithium pegmatite project in Quebec, having previously owned 20% under a farm-in arrangement with Lithium One. James Bay is an extensive high-grade spodumene pegmatite deposit that occurs at surface and has a NI 43-101 compliant resource of 22.2 Mt at 1.28% Li2O.

Following the merger, Galaxy's global partners are now represented within the top three major lithium battery producing countries in the world, China, Japan and Korea ("Lithium Battery Producing Triangle"). Its partners include the top 13 cathode producers in China, Mitsubishi Corporation (Japan), Korean Resources Corporation (Korea), LG International (Korea) and GS Caltex (Korea).

Together with its processing assets in China, Galaxy now has ample resources to continue to grow its lithium business and drive the long term value of the Company. Galaxy's proven expertise across project development and lithium mining, processing and marketing will allow it to fast track development of Sal de Vida.

Jiangsu Cash Flow Positive in Q1 2013

During the Quarter, Galaxy continued to sell lithium carbonate product from the Jiangsu Plant to technical grade customers. Sales of battery grade lithium carbonate will commence when samples are qualified under long term offtake arrangements. Increased sales of the final lithium carbonate product will boost revenue flows and the expectation is that positive operational cash flows will be achieved during the first quarter of 2013. The Company has undertakings for working capital facilities from several PRC banks to the total of A$45 million for the Jiangsu ramp-up. The Company's cash position (unaudited) at the end of June 2012 was A$17.4 million.

Share Purchase Plan Completed

Galaxy successfully raised A$2.25 million via a Share Purchase Plan ("SPP"), which was launched in conjunction with the A$30 million Placement to support the Company's merger with Lithium One. The Galaxy Board acknowledged the support of its shareholders in the Share Purchase Plan.

Temporary Halt to Mt Cattlin Operations

Subsequent to the Quarter, Galaxy advised that it would be temporarily halting operations at its Mt Cattlin project in Western Australia.

Recently improved spodumene production rates at the Mt Cattlin mine and processing plant, coupled with the Jiangsu Plant being in ramp-up phase, has resulted in a build-up of internal spodumene inventory levels to approximately 12 months' supply of feedstock for the Jiangsu Plant.

The temporary halt to operations at Mt Cattlin will allow for reduction of spodumene stocks to more manageable levels. In addition, the temporary halt, commencing end-July 2012, will result in a reduction in group cash outlays of A$4 million per month. Ramp-up revenues at Jiangsu will not be affected by the pause in operations at Mt Cattlin.

Galaxy believes a pause in operations at Mt Cattlin is the best and most financially prudent way to address this imbalance and difference in start-up profiles of the Mt Cattlin and Jiangsu operations.

Now that the Company is producing final lithium carbonate at Jiangsu, it will not sell any more of its spodumene concentrate to third party competitors, preferring to command a price premium by converting all of its spodumene to lithium carbonate at Jiangsu and to maintain Mt Cattlin production as a fully-integrated feedstock for Jiangsu, as per the Company's strategy. Selling spodumene to competitors who convert to lithium carbonate and then compete with Galaxy's final product is not desired.

Marketing Division

Sales of Lithium Carbonate

Galaxy completed the first sales of lithium carbonate from the Jiangsu Plant in May 2012. The first seven tonnes of Lithium Carbonate ($Li_2CO_3 \geq 99.5\%$) was sold to a Chinese customer as technical grade lithium carbonate, despite meeting battery grade level purity.

Since then, the Company has commenced selling technical grade product at strong pricing levels.

Subsequent to the Quarter, Galaxy advised that lithium carbonate product from Jiangsu had achieved battery grade quality across all specifications (see Figure 1). This means that as well as adhering to the 99.5% purity criteria (as was the case during the Quarter), the production now meets the prescribed tolerances for impurities required by its cathode producing customers. Battery grade lithium carbonate must meet stringent specifications, with allowances for only certain levels of impurities such as calcium, magnesium and sodium.

Sample material will now be delivered to Galaxy's existing clients under offtake framework agreements (13 major battery cathode producers in China and Mitsubishi Corporation of Japan) for qualification testing and confirmation.

Battery grade lithium carbonate commands a significant pricing premium over more common technical and industrial grade material. The achievement of battery grade product is an important milestone in the ramp-up of the Jiangsu Plant and towards the Company's strategy of becoming a dominant player in the lithium-ion battery input market.

The Company is pleased to a have achieved full battery grade specifications so early in the life of the Jiangsu. Achieving product quality design at a complex chemical plant often takes considerable time and the Jiangsu team has worked hard to meet all of the lithium carbonate battery grade specifications so early in the ramp-up cycle.

Figure 1.

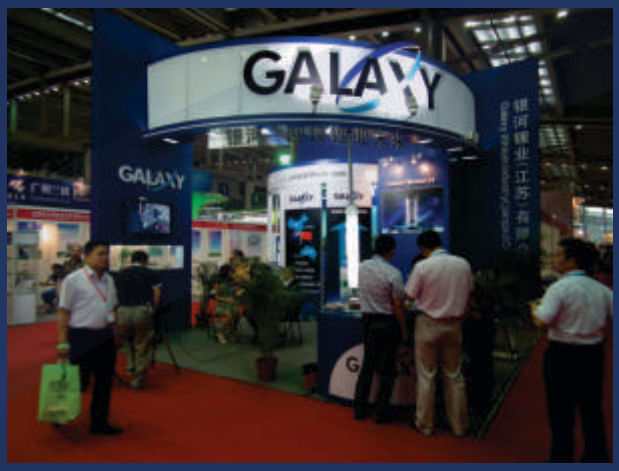
Sample ID	%	ppm											ppm	
	LC	Na	Ca	Mg	Fe	Al	Cu	Mn	Ni	Zn	Pb	Si	Cl	SO_4
Sample 1	99.55	79	24	4	8	5	1	1	1	1	1	10	10	790
Sample 2	99.55	117	22	4	6	5	1	1	1	1	1	10	10	556
Battery Grade Specs	≥99.5	<250	<50	<100	<20	<50	<10	<10	<30	<10	<10	<50	<50	<800

Galaxy Exhibits at CIBF 2012, China

Increasing interest in the lithium industry was demonstrated at the 10th China International Battery Fair (CIBF 2012), held in Shenzhen, China during June where Galaxy was an exhibitor and representative of a high quality supplier of battery grade lithium carbonate. Galaxy's Director of Sales and Marketing, Anand Sheth, said exhibition space at the CIBF grew by 47% over the previous event held in 2010. There were 850 manufacturers, an increase of 27% over the previous CIBF, with an estimated 25,000 visitors.

The exhibition highlighted the latest global developments in lithium battery management systems, lithium battery materials, manufacturing equipment, testing equipment, storage batteries and power battery applications, as well as lithium carbonate supply. Many potential and current offtake cathode makers visited Galaxy's booth and expressed interest in the products and are awaiting samples to commence the qualification process.

Lithium Cathode and Battery Market



Most of the large cathode makers globally produce various types of cathode materials. These are generally LCO, LMO, LNCM and LFP. Umicore and BASF, European cathode makers have acquired licences to produce LFP. LNCM is becoming a more popular cathode material now and is used in electric bikes (e-bikes) due to lower cost than LFP and has higher energy density. LFP is currently higher priced and preferred in energy storage but with increased manufacturing capacities, it is expected to be more competitively priced in the longer term.

Current Chinese cathode market is about 45,000 tpa with:

- LCO 60%-70%
- LMO & LNCM 20-30%
- LFP below 10%

The Secretary General of the Association of China Power Source forecasts a high growth of lithium batteries in the long term after the technology matures and the cost / kwh reduces further. It is a major challenge in the electric vehicle sector. Currently in China, the e-bike is the fastest growing sector followed by energy storage and then the EV segment. Presently approximately 30 million e-bikes are produced per year, with 3%-4% using lithium batteries. However, by 2015, the share of lithium batteries is expected to increase to 15%. Overall, the demand for lithium is forecast to remain robust in the medium to long term.

First Commercial Sale of Spodumene

During the June Quarter, prior to commencement of lithium carbonate production at Jiangsu, the Company sold a shipment of spodumene to a third party Chinese customer, representing the first commercial sale of spodumene product. The sale aided somewhat in reducing high spodumene inventory levels caused by strong production at the Mt Cattlin mine and the ramp-up of the Jiangsu Plant.

Now that the Jiangsu Plant is in production, Galaxy will not sell further consignments of spodumene to lithium carbonate converters who compete with the Company's final product.

Galaxy has made this decision for the following reasons:

1. Integrated Model: In creating a vertically integrated lithium company, the Mt Cattlin operation now exists to be a sole and secure feedstock supplier to the Jiangsu Lithium Carbonate Plant in China. All of Mt Cattlin's spodumene production of 137,000 tpa is required to allow the Jiangsu Plant to reach its production capacity of 17,000 tpa of lithium carbonate.

2. Prices: Lithium carbonate commands a significant price premium to spodumene. It makes financial sense for Galaxy to convert all of its spodumene into lithium carbonate, rather than sell it on market. Galaxy does not derive the full value of its spodumene by selling it as an intermediate product.

3. Lithium Market Competition: Lithium carbonate production commenced at Jiangsu in April 2012. Any consequent sale of spodumene to lithium carbonate converters (Galaxy's competitors) would directly compete with Galaxy's output in the lithium carbonate market.

Resource Division

James Bay - Canada (100%)

DFS Manager, Genivar Inc, completed all of the remaining Spring/Summer environmental surveys at the mine site required for submission of the Environmental Impact Statement. The Notice of Project, which was submitted to the MDDEP (Ministry of Sustainable Development and Environment Protection) in February 2012 has now been assessed and as a result the MDDEP has issued its directives for the level of environmental assessment to be undertaken for the James Bay and Matagami processing plant sites.

Genivar also completed the consultation process with the Eastmain Cree Community in preparation for a social impact study. Further meetings were held with Eastmain Council members and the Cree Grand Council resulted in a Pre-Development Agreement ("PDA") being finalised.

SGS Laboratories at Lakefield, Ontario conducted an initial pilot scale test on the 16 tonne bulk sample prepared earlier in the year, duplicating the Mt Cattlin flowsheet. This has shown that a 6% spodumene concentrate can be produced using the Mt Cattlin flowsheet, but results are awaited for lithium recovery.

Sal de Vida - Argentina (70%)

Galaxy assumed responsibility for the management of former Lithium One staff in Argentina. The process of integrating the two companies got underway with the implementation of an IT and communication strategy. Other activities being undertaken during the quarter include the preparation of an Environmental Impact Statement (EIS) to be submitted to the Catamarca and Salta provincial governments in late July. A three day workshop was held in Buenos Aires in early May to establish the process flowsheets for the lithium carbonate and potassium chloride plants following which early stage engineering design was commenced by Taging in Buenos Aires and Hatch in Brisbane. Drilling of the first pump testing bores began with a total of three test bores to be drilled initially.

Mt Cattlin - Operations

Production at Mt Cattlin was strong in the June Quarter with the processing plant reaching design capability, resulting in record spodumene concentrate production. Productive open pit mining accumulated over a month's supply of run of mine broken ore stocks stockpiled on the ROM pad ready for processing at Quarter-end.

A strong focus on safety being an integral part of daily activities resulted in no Lost time Injuries (LTIs) for the site.

Mining operations continued to progress well, with total material movement of 472,386 BCMs of waste mined and 201,862 tonnes @ 1.22% Li20 of ore recorded for the June Quarter.

Ore was again recovered from the main high grade pegmatite ore zone at Mt Cattlin. This wide (up to 25 metres thick plus), flat lying, ore zone continues to provide the operation with an abundant supply of ore for future processing requirements. With a large portion of the main ore zone now exposed, waste mining concentrated on progressing the cut back in the northern and eastern sections of the 5 year open pit. Run of mine ore stocks remained high at the end of the Quarter, with over a month's supply of feed on the ROM ready for processing, further enhancing the operations ongoing flexibility.

The production performance of the wet plant and concentrator again improved during the Quarter, with ore throughput of 218,856 tonnes. Spodumene concentrate production was much improved compared with the previous Quarter as the processing plant reached design capability. Production totalled 26,967 dry tonnes, due to recent modifications in the wet concentrator plant and more consistent ore feed to the processing plant. The processing plant reached design capacity during the Quarter and record quarterly spodumene concentrate production to date was achieved. At the end of the Quarter the Company had over 30.000 dry tonnes of spodumene stockpiled, ready for shipment to the Jiangsu Plant in China.

As announced subsequent to the Quarter, the Company has temporarily paused operations at Mt Cattlin to allow for the stockpiles of spodumene concentrate to reduce to more manageable levels and for the ramp-up of the Jiangsu Plant to be further progressed. Galaxy's Mt Cattlin team continued to provide feedback to the Ravensthorpe community regarding progress on site through its ongoing quarterly meetings. Galaxy is also providing support for the Starvation Bay to Hopetoun charity walk, taking place in April 2012.

Mt Cattlin Production Statistics	June 2012 Quarter	2012 YTD
Ore Mined (Tonnes)	201,710	419,628
Grade (Li_2O%)	1.22	1.21
Waste Mined (BCM)	472,443	841,254
Ore Treated (Tonnes)	218,856	409,898
Grade (Li_2O%)	1.22	1.22
Spodumene Produced (dry Tonnes)	26,967	48,664

Mt Cattlin - Exploration

Results were received for the infill drilling east of the mine. The results were in line with expectations and are currently being incorporated into the Mount Cattlin geological model.

PONTON RARE EARTHS PROJECT (100%)

The Company submitted a report on potential access routes to the prospective area to the WA Department of Mines and Petroleum (DMP) as part of the application process for the grant of the Ponton Rare Earth Project (Ponton Project) tenement. The Report addressed possible disturbances to vegetation along pre-existing tracks due to the Ponton Project ELA being situated on a Class A nature reserve.

The Company is continuing its discussions with the WA Government for the grant of the Ponton Project tenement.

Chemicals Division

Jiangsu Production Ramping-up

In April, Galaxy announced it had produced first lithium carbonate product at the Jiangsu Plant, which proved the success of the Plant's design and processes. Galaxy's focus now is maintaining plant stability, achieving continuous operation and product quality. A twelve-month ramp-up period is expected to achieve the 17,000 tpa design capacity.

In May, Galaxy announced the sale of the first batch of lithium carbonate product from the Jiangsu Plant, marking the first revenue stream.

Subsequent to the Quarter, Galaxy announced that the lithium carbonate product from the Jiangsu had achieved battery grade quality across all specifications – meeting all the prescribed tolerances for impurities required by battery cathode makers.

The calciner (front end of the plant) feed rate is currently operating at 15 tonnes/hour compared with a design instantaneous rate of 18 tonnes/hour, or 83% of instantaneous design capacity. The calcination and sulphation kilns are performing to expectation, with scope to further increase the feed rate over the next few weeks.

Safety

No Lost Time Injuries (LTIs) were recorded

The leach section of the Jiangsu Plant is operating according to design, recording strong rates of impurity removal (slag, iron, calcium and magnesium). The slag filtration and washing units appear to have sufficient capacity. The ion-exchange plant has successfully reduced calcium levels in the lithium sulphate mother liquor to meet battery grade specifications.

The purification plant has been fully operational and is successfully producing the low impurity final product required by the battery industry. The Jiangsu team is working to get improved back end stability and increasing recovery as part of the ramp-up plan.

Galaxy's Jiangsu team hosted visits from several key offtake customers during the Quarter. The visitors all spoke highly of the state-of-the-art production systems and were impressed with the high level of production management.

Business Readiness

In January 2012, Galaxy announced it would commence a feasibility study to assess the potential to expand into lithium hydroxide production at the Jiangsu Lithium Carbonate Project. Galaxy believes the Jiangsu Plant has extra front-end capacity including calcination and sulphation kiln, leaching and slag filtration.

During the Quarter, Galaxy progressed a feasibility study to assess the potential to expand Galaxy to produce 5,000 tpa of battery grade lithium hydroxide, in addition to the current design of 17,000 tpa of lithium carbonate. This would take total capacity of the Jiangsu project to 22,000 tpa of lithium products. A lithium hydroxide circuit would include construction of a lithium hydroxide production plant on available land next to its existing lithium carbonate facility.

The demand for battery grade lithium hydroxide has been growing strongly and there is limited production capacity around the world. A battery grade lithium hydroxide plant would expand Galaxy's product mix significantly and, at a relatively minimal cost by making use of existing infrastructure, allow the Company to tap into growth in both markets, thereby extending Galaxy's battery sector customer base.

Battery Division

The Company continued to work on building, factory layouts and equipment designs of the revised output forecasts for its proposed Lithium-Ion Battery Project in China's Jiangsu Province. An Environmental Impact Assessment Report (EIAR) submitted by the Company on revised output and revised method of waste treatment was accepted and approved by the Environment Protection Board (EPB) of China. The Company also submitted and received approval for Safety Impact Assessment Report (SIAR) from the Jiangsu Safety Board.

With the recent completion of the Lithium One acquisition, the Board has decided to focus more on building out the resource base - as such, the Company is contemplating joint-venturing or divesting the Battery Project. The Company has begun discussions with a number of potential JV partners. To date, the Project has made significant progress on the design for a Lithium-Ion Battery Plant which has capacity to produce 620,000 e-bike battery packs per annum, with relevant environmental and safety regulatory applications already accepted and approved.

Jiangsu Lithium Carbonate Plant, China

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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 June 2012

Consolidated statement of cash flows

		Current quarter $A'000	Year to date (6 months) $A'000
Cash flows related to operating activities			
1.1	Receipts from product sales and related debtors	5,688	7,033
1.2	Payments for (a) exploration & evaluation	(172)	(1,170)
	(b) development		
	(c) production	(19,092)	(31,434)
	(d) administration	(5,434)	(9,924)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	117	222
1.5	Interest and other costs of finance paid	(2,771)	(2,771)
1.6	Income taxes paid		
1.7	Other (provide details if material)		
	Net Operating Cash Flows	(21,664)	(38,044)
	Cash flows related to investing activities		
1.8	Payment for purchases of:		
	(a) prospects		
	(b) equity investments		
	(c) other fixed assets	(22,284)	(37,664)
	(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)	-	5
	Net investing cash flows	(22,284)	(37,659)
1.13	Total operating and investing cash flows (carried forward)	(43,948)	(75,703)

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	(43,948)	(75,703)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	30,147	30,147
1.15	Proceeds from borrowings	18,548	43,675
1.16	Proceeds from convertible bonds		
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other (interest and principal paid from restricted cash)		
	Net financing cash flows	48,695	73,822
	Net increase (decrease) in cash held	4,747	(1,881)
1.20	Cash at beginning of quarter/year to date	10,886	17,997
1.21	Exchange rate adjustments to item 1.20	1,723	1,240
1.22	**Cash at end of quarter**	17,356*	17,356*

*Total undertaking by PRC banks of working capital of A$45m

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	1,081
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	100,730*	78,430*
3.2	Credit standby arrangements	-	-

*As at 30 June 2012, RMB 346 million had been drawn down of an approved RMB 448 million fixed asset facility. An additional RMB 157 million was drawn down of an approved RMB 198 million working capital facility. Therefore, the amount avaialble is 143m RMB (A$22m).

In addition to this, Galaxy has access to a further working capital facility with a local Chinese bank for 150m RMB (A$23m).

Estimated cash outflows for next quarter

		$A'000
4.1	Exploration and evaluation	500
4.2	Development	-
4.3	Production	12,000
4.4	Administration	3,000
	Total	15,500

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	8,064	10,659
5.2	Deposits at call	9,292	227
5.3	Bank overdraft	-	-
5.4	Other (provide details)	-	-
	Total: cash at end of quarter (item 1.22)	17,356	10,886

+ 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**	364,425,203	364,425,203	-	-

+ See chapter 19 for defined terms.

7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	41,098,203	41,098,203	$0.77	$0.77
7.5	**+Convertible debt securities** (*description)*	615 (face value of $100,000 per bond). Unsecured, subordinated 8% per annum. A$1.136 conversion price.	-	-	-
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	-	-	-	-
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	1,000,000	-	$1.00	30/06/12
7.11	**Debentures** *(totals only)*				
7.12	**Unsecured notes** *(totals only)*				

Compliance statement

+ See chapter 19 for defined terms.

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 July 2012
(~~Director/~~Company secretary)

Print name: A L Meloncelli

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 June 2012

Project	Tenement	Notes
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	E74/334	
	E74/398	
Bakers Hill	E74/287	
	E74/295	
	E74/299	
	E74/415	
	P74/278	
	P74/336	
Floater	E74/400	
	P74/307-P74/308	
McMahon	M74/165	
	M74/184	
	P74/334	
Mt Cattlin	L74/46	
	M74/244	
Sirdar	E74/401	80% Interest with Traka Resources.
	P74/309-P74/310	80% Interest with Traka Resources.
West Kundip	M74/133	
	M74/238	
James Bay	Various	20% Interest with Lithium One Inc.

+ See chapter 19 for defined terms.