GALAXY RESOURCES LIMITED

ABN 11 071 976 442

CONSOLIDATED FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2017

www.galaxylithium.com

CORPORATE DIRECTORY

BOARD OF DIRECTORS

Mr Martin Rowley	(Independent Non-Executive Chairman)
Mr Anthony Tse	(Managing Director)
Mr Jian-Nan Zhang	(Independent Non-Executive Director)
Mr Peter Bacchus	(Independent Non-Executive Director)
Mr John Turner	(Independent Non-Executive Director)
Ms Florencia Heredia	(Independent Non-Executive Director)

CHIEF FINANCIAL OFFICER

Mr Alan Rule

COMPANY SECRETARY

Mr John Sanders

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

Level 4 / 21 Kintail Road
Applecross WA, 6153
Australia
Phone: + 61 8 9215 1700
Fax: + 61 8 9215 1799
Emails: reception@galaxylithium.com (General Enquiries)
Info: ir@galaxylithium.com (Investor Relations and Media Enquiries)
Website: www.galaxylithium.com

SHARE REGISTRIES

Computershare Investor Services Pty Ltd
Level 11, 72 St Georges Terrace
Perth Western Australia 6000
Australia
Phone: 1300 557 010 (within Australia)
Phone: + 61 3 9415 5000 (outside Australia)
Fax: + 61 8 9323 2033
Website: www.computershare.com

Computershare Investor Services Inc.
100 University Avenue, 8th Floor
Toronto Ontario M5J 2Y1
Canada
Phone: 1 800 564 6253 (within Canada and the United States)
Phone: +1 514 982 7555 (international direct dial)
Fax: +1 866 249 7775
Website: www.computershare.com

LEGAL ADVISERS

Steinepreis Paganin (Australia)
Level 4, The Read Buildings
16 Milligan Street
Perth Western Australia 6000
Australia

Fasken Martineau DuMoulin LLP (Canada)
The Stock Exchange Tower
Suite 3700, 800 Square Victoria
Montréal Quebec H4Z 1E9
Canada

AUDITORS

PricewaterhouseCoopers
Level 15, 125 St Georges Terrace
Perth Western Australia 6000
Australia

AUSTRALIAN BUSINESS NUMBER

11 071 976 442

STOCK EXCHANGE LISTING

ASX Code: GXY

TABLE OF CONTENTS

Your directors present their report on the consolidated financial statements of Galaxy Resources Limited ("**Company**") and the entities it controlled ("**Group**") during the year ended 31 December 2017.

DIRECTORS

The following persons were directors of the Company during the whole of the financial period and up to the date of this report except where indicated:

MARTIN ROWLEY

Chairman, Independent Non-Executive Director

Mr Rowley was a co-founder of TSX listed First Quantum Minerals Ltd and until June 2017 was that company's Executive Director, Business Development. First Quantum is one of the world's largest copper production companies and the owner of the Ravensthorpe nickel project in Western Australia with a market capitalisation over A$14 billion. He was previously non-executive Chairman and director of Lithium One Inc., which was acquired by the Company by way of a Plan of Arrangement in July 2012. He is also non-executive Chairman and a director of Forsys Metals Corp, a TSX-listed company in the uranium sector. Appointed as Chairman and Director on 28 November 2013.

Special Responsibilities: Member of the Remuneration and Nomination Committee and Audit and Risk Committee.
Directors Interests: 4,519,346 fully paid ordinary shares and 4,000,000 options.
Current Directorships: Forsys Metals Corp.
Past Directorships (last 3 years): First Quantum Minerals Ltd.

ANTHONY TSE

Managing Director

Mr Tse has been an Executive Director since 13 October 2010 and was appointed Managing Director on 11 June 2013. Mr Tse has over 20 years of corporate experience in numerous high-growth industries such as technology, media and in resource and commodities – primarily in senior management, corporate finance and M&A roles across Greater China and Asia Pacific. His previous management roles include various positions in the STAR Group (News Corporation), the Deputy General Manager of TOM Online, Director of Corporate Development at the TOM Group (CK Hutchison Group), President of China Entertainment Television (a joint venture between TOM and Time Warner), and CEO of CSN Corp.

Special Responsibilities: Nil.
Directors Interests: 4,743,729 fully paid ordinary shares, 2,000,000 share appreciation rights and 4,000,000 options.
Current Directorships: Nil.
Past Directorships (last 3 years): Nil.

JIAN-NAN (GEORGE) ZHANG

Independent Non-Executive Director

Mr Zhang is the Deputy General Manager of Fengli Group (Australia) Pty Ltd, a subsidiary of the Fengli Group in China, which is a leading private industrial group in China, with diversified interests in iron and steel, commodities trading, shipping and wharf operation related businesses. He was previously Managing Director of Winly Trade & Investment in China.

Appointed as a Director on 28 November 2013.

Special Responsibilities: Member of the Remuneration and Nomination Committee and the Audit and Risk committee.
Directors Interests: 425,097 fully paid ordinary shares and 500,000 options.
Current Directorships: Nil.
Past Directorships (last 3 years): Nil

PETER BACCHUS

Independent Non-Executive Director

Mr Bacchus is Chairman and Chief Executive Officer of Bacchus Capital Advisers Ltd, an M&A and merchant banking boutique based in London. Prior to establishing Bacchus Capital, he served as European Head of Investment Banking at US investment bank Jefferies, Global Head of Mining & Metals at Morgan Stanley, and Head of Investment Banking, Industrials and Natural Resources at Citigroup, in Asia and Australia.

Mr Bacchus has over 20 years' experience in investment banking with a focus on the global natural resources sector and has, over this period, led a large proportion of the transformational transactions in the industry. Mr Bacchus is also a non-executive director of UK-listed mining group Kenmare Resources plc, and South African and US listed Gold Fields, and is Chairman of Space for Giants, an African-focused conservation charity.

He is a member of the Institute of Chartered Accountants, England & Wales and holds an MA in Economics from Cambridge University, United Kingdom.

Appointed as a Director on 3 January 2017.

Special Responsibilities: Chairman of the Audit and Risk Committee and member of the Remuneration and Nomination Committee.
Directors Interests: 50,182 fully paid ordinary shares and 275,000 options.
Current Directorships: Gold Fields Limited, Kenmare Resources plc.
Past Directorships (last 3 years): NordGold plc.

JOHN TURNER

Independent Non-Executive Director

Mr Turner is the leader of Fasken Martineau's Global Mining Group. Fasken Martineau is a leading international business law and litigation firm with eight offices with more than 700 lawyers across Canada and in the UK and South Africa. Fasken Martineau's Global Mining Group has been ranked number one globally eight times since 2005, including for 2016.

Mr Turner has been involved in many of the leading corporate finance and merger and acquisition deals in the resources sector primarily through companies active in Africa, Latin America, Eastern Europe, Canada and Australia. Mr Turner has also successfully acted for the financial arranger or sponsor of several global major resource projects.

Mr Turner is a recipient of the Queen's Golden Jubilee Medal for his services in the autism sector.

Appointed as a Director on 3 January 2017.

Special Responsibilities: Chairman of the Remuneration and Nomination Committee and a member of the Audit and Risk committee.
Directors Interests: 25,000 fully paid ordinary shares and 500,000 options.
Current Directorships: Nil.
Past Directorships (last 3 years): Nil.

FLORENCIA HEREDIA

Independent Non-Executive Director

Ms Heredia has more than 25 years of experience in the mining industry. She is an expert in mining law with extensive experience advising financial institutions and companies in complex mining transactions in Argentina and has repeatedly represented lenders in all mining project finance arranged in Argentina. She completed her law degree with honours (summa cum laude) from "Universidad Católica Argentina" in 1991 and completed a Masters degree in Business Law with honours (summa cum laude) from "Universidad Austral" in 1995. She also has an honours degree (summa cum laude) on corporate sustainability from Instituto de Estudios para la Sustentabilidad Corporativa. She has been a researcher in the Doctorate program of "Universidad Austral" in the areas of natural resources and environmental law. The principal focus of Ms Heredia's practice is natural resources, infrastructure and environmental law and finance law related to these areas, assisting multiple companies established in Argentina.

Ms Heredia is an active member of the International Bar Association, where she held the position of Chair of the Mining Law Committee (2014-2015) and is currently council member of SEERIL (Section on Energy, Environment, Natural Resources and Infrastructure Law). Ms Heredia is also an active member of the RMMLF where she held the position of Secretary of the Board (2014-2016). For the past 20 years Ms Heredia has been repeatedly cited as a leading practitioner in Natural Resources law by, among others, Chambers & Partners, Who's Who Legal and Latin Lawyer 250, including being named "Mining Lawyer of the Year" in 2013, 2015 and 2016 by Who's Who Legal and one of the highlighted women in the Women in Law reviews.

She is currently a senior partner of the leading Argentinian legal firm Allende & Brea.

Appointed as a Director on 2 January 2018.

Special Responsibilities: Nil.
Directors Interests: Nil.
Current Directorships: Nil.
Past Directorships (last 3 years): Nil.

Ms Xi Xi was appointed as a Non-Executive Director of the Company on 15 May 2017 and resigned 11 September 2017.

Mr John Sanders was appointed as Company Secretary on 11 July 2017 to replace Mr Simon Robertson who stepped down.

Meetings of Directors

The number of directors' meetings (including committees of directors) and number of meetings attended by each of the directors of the Company during the year are:

Name	Board Meetings		Audit and Risk Management Committee Meetings		Nomination and Remuneration Committee Meetings	
	Held	Attended	Held	Attended	Held	Attended
Martin Rowley	5	5	3	3	2	2
Anthony Tse	5	5	n/a	n/a	n/a	n/a
Jian-Nan Zhang	5	5	3	3	2	2
Peter Bacchus	5	5	3	3	2	2
John Turner	5	5	2	2	2	2
Xi Xi	1	1	n/a	n/a	n/a	n/a

PRINCIPAL ACTIVITIES

The principal activities of the entities within the Group are:

- Production of lithium concentrate; and
- Exploration for minerals in Australia, Canada and Argentina.

OPERATING RESULTS FOR THE PERIOD

The Group's profit after tax for the year to 31 December 2017 was \$166,000 (31 December 2016: profit \$122,706,000).

DIVIDENDS FOR THE PERIOD

No dividends have been paid by the Company during the year ended 31 December 2017, nor have the Directors recommended that any dividends be paid. (2016: none).

REVIEW OF OPERATIONS

Mt Cattlin Operations

The Company wholly owns the Mt Cattlin spodumene project, located two kilometres north of the town of Ravensthorpe in Western Australia.

The Mt Cattlin mine operations include open-pit mining of a flat-lying pegmatite ore body. The flat-lying nature of the ore body allows mining to proceed at a reasonably constant strip ratio once the ore is uncovered. Mining is carried out using excavator and truck operations, delivering to a conventional crushing and Dense Media Separation ("DMS") gravity recovery circuit. Contract mining is used for grade control drilling and earthmoving operations (drilling, blasting, load, haul and ancillary work) for the open-cut mining operation.

The crushing plant consists of a 3-stage crushing circuit producing a -6mm product from ROM ore at a treatment rate of 1.6 million tonnes per annum. The crushing plant provides feed to a fine ore bin and this fine ore bin feeds the concentrator on a continuous 24 hour per day basis.

The concentrator consists of reflux classifier, dual size steam, two stages of DMS cyclones, with mechanical attritioning of the intermediate sink product. The final spodumene concentrate is stacked on a pad adjacent to the plant area, drained and prepared for trucking to the Esperance port.

Operations at Mt Cattlin remain Lost Time Incident ("LTI") free since refurbishment and restart of production.

During the year, the Mt Cattlin operations transitioned into commercial production with ramp up and commissioning of the plant completed at the end of April.

Set out below is a summary of the production and sales statistics for the year:

	Units	Q1 2017	Q2 2017	Q3 2017	Q4 2017	YTD 2017	QoQ Change
Waste Mined	*bcm*	143,300	460,850	472,732	499,288	1,576,170	↑ 6%
Ore Mined	*bcm*	87,922	110,788	139,944	137,989	476,643	↓ 1%
Total Material Mined	*bcm*	231,222	571,638	612,676	637,277	2,052,813	↑ 4%
Ore Mined	*wmt*	233,193	303,394	390,092	395,036	1,321,715	↑ 1%
Grade	*%*	0.96	1.12	1.20	1.19	1.14	↓ 0.01
Ore Treated	*wmt*	253,156	334,036	369,981	414,192	1,371,365	↑ 12%
Ore Feed Grade	*%*	1.02	1.15	1.30	1.27	1.20	↓ 0.03
Concentrate Produced	*dmt*	23,467	32,998	47,075	52,139	155,679	↑ 11%
Recovery	*%*	53	52	57	58	56	↑ 1
Concentrate Sold	*dmt*	23,455	30,135	41,834	58,094	153,518	↑ 39%
Concentrate Grade Sold	*%*	5.38	5.77	5.74	5.75	5.69	↑ 0.01
Moisture	*%*	1.80	2.12	1.69	1.73	1.81	↑ 0.04
Mica Content	*%*	1.88	1.96	1.10	2.11	1.77	↑ 1.01
Production Cash Costs	*A$/dmt*	502	524	405	423	451	↑ 4%
Production Cash Costs	*US$/dmt*	380	393	320	325	346	↑ 2%
Realized Selling Price	*A$/dmt*	719	961	1,062	1,125	1,014	↑ 6%
Realized Selling Price	*US$/dmt*	542	722	843	868	783	↑ 3%

Mining operations achieved full production levels during the year, with total material movement of 2,052,813 bank cubic metres ("**bcm**") of waste and ore, including 1,321,715 wet metric tonnes ("**wmt**") of ore at an average grade of 1.14% Li_2O. Mining activities were concentrated on the northern and western sides of the pit and run of mine ore stocks were as planned at the end of the quarter.

Spodumene production for the year was 155,679 dry metric tonnes ("**dmt**"). The performance of the redesigned Mt Cattlin plant reached steady state operations in the June quarter with performance since then above the budgeted target of 50-55%.

There were eleven shipments of lithium concentrate during the year totaling 153,518 dmt, with all shipments at product grade and specifications well above contract requirements and with moisture and mica content levels well below contract requirements.

In November, the Company entered into new binding long term offtake contracts with multiple customers throughout Asia contracts for 100% of the planned production of lithium concentrate from Mt Cattlin for 5 years commencing 2018. Pricing is on either a CIF (cost plus insurance and freight) or CFR (cost plus freight) basis and will be subject to an annual pricing review between the Company and its customers in Q4 of each calendar year. The parties have agreed the pricing for FY 2018 with the headline pricing achieved higher than FY 2017 pricing. Annual volumes are subject to standard commercial terms with delivery on a +/- 10% basis. The Company has also agreed for a portion of the Mt Cattlin lithium concentrate sold under these offtake agreements to be converted on its behalf into lithium carbonate or hydroxide. This will allow the Company to commence selling its own lithium chemical products into the end-user market, which is currently exhibiting a robust demand and pricing environments.

The Company entered into a 5-year contract for a semi-permanent crushing facility owned and operated by a contractor to satisfy its longer term crushing operations.

The technical and financial evaluation was completed for the construction of an ultra fines DMS circuit, a secondary float re-crush circuit and a final product optical sorter that will target further increasing recoveries to between 70-75%. Construction and commissioning is expected to be completed in Q3 2018.

Sal De Vida

The Sal de Vida (Salt of Life) deposit is one of the world's largest and highest quality undeveloped lithium brine deposits with significant expansion potential. The JORC-compliant ore reserve estimate of 1.1 million tonnes of retrievable lithium carbonate equivalent and 4.2 million tonnes of potassium chloride (potash or KCl) equivalent supports total annual production over a 40 year period.

The Sal de Vida Project is located in north-west Argentina in what is known as the 'Lithium Triangle', home to more than 60 per cent of the world's annual production of lithium from brines in the Salar de Atacama and the Salar del Hombre Muerto. The Salar lies approximately 1,400 kilometres north-west of Buenos Aires at an altitude of 4,025 metres. The property is accessible from the city of Salta via an all-seasons road, and there is a major powerline 115 kilometres away.

The development of Sal de Vida, when completed, will include evaporation ponds, a battery grade lithium carbonate plant and a potash plant.

In 2016, the Company engaged Techint, one of the largest engineering and construction firms in Argentina to assist in the formal review on the economics for the Definitive Feasibility Study ("DFS") of the Sal de Vida Project. The revision to the DFS reaffirmed the strong potential for a low cost and long life operation. The revised DFS estimated a post-tax net present value ("NPV") of US$1.416 billion at an 8% discount rate. Sal de Vida has the potential to generate average annual revenues of US$354 million and average operating cash flow of US$273 million. Average operating costs have been estimated at US$3,369 per tonne before potash credits and US$2,959 per tonne after potash credits to produce battery grade lithium carbonate. The revised total capital cost was estimated at US$376 million. The capital costs that related to the potash plant and related infrastructure were approximately US$34 million, with operating cost credit of approximately US$410 per tonne of lithium carbonate produced. The revised DFS provided for the option of deferring the capital commitment on building the potash circuit subject to potash price market conditions at the time.

The following key milestones were achieved during the year:

- Applied for an extension of its Environmental Permit by the Mining Secretary of Catamarca. The renewal of this permit will allow the project to move towards the next stage of development.
- In February, the Company confirmed appointments to the Development team, bringing on board industry professionals with a combined 200 years of experience with the leading global lithium producers SQM, FMC and Rockwood. This team of highly credentialed industry specialists have the expertise and proven track record of developing lithium brine projects over the past couple of decades and cover all the major technical disciplines required for the project including processing and chemical plant operations, engineering and construction, as well as hydro-geology.
- Commenced development work for the initial production wells and planned evaporation ponds, both of which will be utilised as part of the future full scale production operations. To facilitate the overall increased level of activity at the project, an existing camp facility in the area was acquired and will be refurbished to accommodate up to 80 construction and project development staff.
- Field drilling of the initial two production wells was completed. Following the completion of the first drill hole for a planned production well in early April, a second drill hole, located on Sal de Vida property in the northern basin of the lithium-rich Salar del Hombre Muerto, was completed to a depth of 300 metres. The Salar del Hombre Muerto is one of the world's leading lithium deposits and is the same location where FMC Lithium has been operating for the past twenty years.
- Pump tests on the first completed production bore (announced in April 2017) yielded encouraging results, with continuous brine flow rates of more than 25 litres per second being achieved. These results exceed the values that were assumed in the DFS as the required minimum flow rate for each well in the production phase of the project.
- Design and planning activities relating to the establishment of a temporary construction camp have been completed. The camp will incorporate numerous renewable energy systems to power and heat the facilities at its remote location in the Puna. Final approvals from relevant regulatory departments are expected shortly, and the refurbishment and establishment of the camp is expected to be undertaken in 2018.

The Company's local Argentine subsidiary has established a presence in San Fernando, the capital city of Catamarca Province and will be using this local office as a base to coordinate recruitment and other human resource initiatives in the regional community. Members of the local team were also actively engaged in field visits to surrounding communities and key stakeholders, such as that at Cienaga Redonda, which is adjacent to the planned project development site location.

In line with a long-standing commitment to the local communities, the Company has engaged with numerous local service providers, and the Catamarca government, to discuss and identify training opportunities for specific job vacancies that the Company plans to fill during the remainder of the year. The Company has taken proactive steps to develop a comprehensive training program for those positions to be filled once construction and operational activities commence. Training opportunities will be available for roles at the Sal de Vida Project, including laboratory technicians and various heavy equipment operators

The Company has been advancing discussions with potential offtake and/or joint venture partners on the project, and currently has progressing dialogue with a number of potential strategic partners and customers, for financing and offtake.

James Bay

The James Bay lithium pegmatite project in Quebec, Canada contains an ore resource stands at 40.8 Mt @1.40% Li_20, all classified as Indicated (JORC 2012). The Project is located in northwest Quebec, two kilometres south of the Eastmain River and 100 kilometres east of James Bay.

The proximity of the James Bay project to local infrastructure, including the accessible road networks, water and power supply are all natural advantages and key to the development of James Bay. The James Bay project is located 0.5km from a full-service road stop with helicopter access, fuel, motel and restaurant services, which is situated 380km away from the mining town of Matagami (where numerous services relating to construction and mining are available) and just over 800km from Montreal in the north-west region of Québec Province, Canada. The Project is readily accessible by paved road as the James Bay Highway bisects the property 3 and the airstrip is only 15 kilometres away.

The James Bay deposit occurs at surface, comprises of several swarms of pegmatite dykes and resource modelling indicates that the resource is amenable to open pit extraction. The topography is gently rolling to flat lying with much of it covered by muskeg. Outcrops are common, usually occurring as mounds or ridges above the surrounding plain. Surface mapping identified 15 different pegmatite swarms, each consisting of up to seven dykes. The individual pegmatite bodies are mainly irregular dykes or lenses attaining up to 60 metres in width and over 100 metres in length. The pegmatite outcrops form a discontinuous band or "corridor" approximately four kilometres long and 300 metres wide, cutting the host rock at a low angle and cross-cutting the regional foliation at a high angle. Spodumene crystals at James Bay are relatively coarse, usually more than 5cm in length and sometimes exceeding one metre.

In March, a ~33,000 metre diamond drilling program commenced with the aim of extending the existing resource contained in numerous outcropping spodumene-bearing pegmatites at James Bay. The program's objective was a thorough and multi-facetted diamond-drilling campaign which will result in completion of the Feasibility Study ("FS"), which was suspended in 2012. The drilling work was focused on exploring and developing the lithium resource contained in numerous outcropping spodumene-bearing pegmatites and aims to almost triple the aggregate 14,000 metres of depth drilled so far on the project, with drill holes at a deeper depth and closer proximity.

In November 2017, the Company announced a significant mineral resource upgrade to 40.8 Mt @1.40% Li_20, all classified as Indicated (JORC 2012) resulting from the 2017 drilling campaign:

Classified Recoverable James Bay Mineral Resource November 2017 - JORC 2012			
JORC Classification	Million Metric Tonnes	Grade (Li_2O) %	Contained Metal (t)
Indicated	40.82	1.40	571,200
Inferred	-	-	-
Total	40.82	1.40	571,200

The mineral resource estimate was completed by SRK Consulting (Canada) Inc. who are independent of the Company for both JORC 2012 and Canadian NI-43-101 reporting standards. Refer to the ASX announcement dated 4 December 2017 for further details.

The current mineral resource is west of the James Bay Road and remains open to the east and the west at depths greater than -335m below surface. Numerous untested pegmatite's outcrop and sub-crop elsewhere within the claim area of the project. Further drilling for infrastructure sterilization has commenced and metallurgical test work for process design is progressing in Perth, Western Australia

During the December quarter, the James Bay Project Notice was submitted to both the Federal Government of Canada and the Quebec Government for determination. The Project Notice submission marks the start of the regulatory process aimed at securing the necessary mining and infrastructure licenses. It also advises the Government of the proposed scale, scope and timeline of the James Bay Project so that it may set the appropriate levels of regulatory assessment. The preparation and submission of this project description is the initial step in the environmental impact assessment process, where the Company advises in writing, the relevant Québec ministry (Ministère du Développement durable, de l'Environnement et de la Lutte contre les changements climatiques, or "MDDELCC") and the Canadian Environmental Assessment Agency ("CEAA"), of its intention to undertake the project. The project description also allows the relevant government agencies involved to determine the type of environmental study to be conducted and to issue a formal notice indicating the nature, area and scope of the study expected from the project promoter. The Project Notice outlines the general characteristics of the project.

The project team is focused on concluding the activities required for the Feasibility Study ("FS"), both for the upstream mine and concentrator plant, as well as a downstream lithium conversion facility.

Corporate

Equity raising

In February 2017, the Company received commitments to subscribe for $61 million worth of ordinary shares via a private placement to domestic and international institutional investors ("**Placement**"). The Placement consisted of the issue of 1,130 million new fully paid shares at a price of $0.54 per share, representing a 9.2% discount to the Company's closing price on 29 February 2017, of $0.595. The capital raising was significantly oversubscribed, with strong support shown by both existing shareholders and in particular new overseas investors.

The proceeds of the Placement, together with existing funds available to the Company, served to strengthen the Company's balance sheet and increase its financial flexibility to progress its development work at the Sal de Vida and James Bay projects, as well as for general corporate purposes.

New debt facility

In February 2017, the Group entered into an agreement with BNP Paribas for a new secured debt facility for up to US$40 million, with the principal purpose of repaying in full the outstanding balance due to OCP Asia and for general corporate requirements.

Key terms were:

- Facility A – US$10 million Term loan, maturing 31 January 2018
- Facility B – US$15 million Bridge loan, repayable on or before 31 December 2017
- Facility C – US$15 million Revolving loan, maturing 31 January 2018 - yearly extensions of 12 months subject to renewal conditions

After the Group completed the equity capital fundraising of $61 million only tranches A and C of the BNP Paribas facility were executed, resulting in a total US$25 million facility. As at 31 December 2017, the facility had been repaid in full.

Settlement of legal dispute – Tianqi

During the June quarter, Galaxy Lithium Australia Limited (a wholly owned subsidiary of the Company) received US$2.1 million in full and final settlement of the legal proceedings arising from a dispute concerning the Amended and Restated Share Purchase Agreement originally made on 29 April 2014, amended and restated with effect from 16 January 2016 with Galaxy Lithium Australia Limited, Galaxy Resources Limited, Tianqi HK Co., Limited ("**Tianqi**") and Sichuan Tianqi Lithium Industries, for the sale of Galaxy Lithium Australia Limited's shares in Galaxy Lithium International Limited, the entity which held the Jiangsu Lithium Carbonate plant, to Tianqi. Refer to note 11(a) of the consolidated financial statements for the year ended 31 December 2016 for further details of the dispute that is now settled.

Share Consolidation

At the Company's Annual General Meeting held on 18 May 2017, shareholders approved the consolidation of the issued capital of the Company on the basis of 1 share for every 5 shares held.

New Directors appointed

Mr Peter Bacchus and Mr John Turner were appointed as Independent Non-Executive Directors of the Company with effect from 3 January 2017. Ms Xi Xi was appointed as an Independent Non-Executive Director of the Company with effect from 15 May 2017 and resigned on 11 September 2017. Ms Florencia Heredia was appointed as an Independent Non-Executive Director of the Company with effect from 2 January 2018.

EVENTS SUBSEQUENT TO REPORTING DATE

Other than the matter set out below, in the interval between the end of the year and the date of this report there has not arisen any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years:

- On 2 January 2018, Ms Florencia Heredia was appointed as an Independent Non-Executive Director of the Company; and
- On 3 January 2018, a total of 2,242,171 fully paid ordinary shares were issued as non-cash consideration utilizing the cashless exercise facility in relation to the exercise of 2,475,000 unlisted options exercisable at $0.365 per share.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The Company and Group intend to continue to seek ways of unlocking and realising value from the existing assets of Sal de Vida and James Bay and to seek new investment opportunities in the lithium sector.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Consolidated Entity holds various environmental licences and authorities, issued under Australian law, to regulate its mining, exploration and chemicals activities in Australia. These licences include conditions and regulation in relation to specifying limits on discharges into the environment, rehabilitation of areas disturbed during the course of mining and exploration activities and the storage of hazardous substances.

There have been no material breaches of the Group's licences and all mining, exploration and chemicals activities have been undertaken in compliance with the relevant environmental regulations.

INSURANCE OF OFFICERS

During the year, the Company incurred premiums of $122,850 (2016: $102,848) to insure the directors, secretary and/or officers of the Company.

The liability insured is the indemnification of the Company against any legal liability to third parties arising out of any Directors or Officers duties in their capacity as a Director or Officer other than indemnification not permitted by law.

No liability has arisen under this indemnity as at the date of this report.

PROCEEDINGS ON BEHALF OF THE COMPANY

There are no proceedings on behalf of the Company under section 237 of the *Corporations Act 2001* in the year ended 31 December 2017 or at the date of this report.

NON-AUDIT SERVICES

During the year PricewaterhouseCoopers ("PwC"), the Group's auditor, has performed certain other services in addition to their statutory duties.

The board has considered the non-audit services provided during the year by the auditor and is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services were subject to the corporate governance procedures adopted by the Group and have been reviewed by the audit committee to ensure they do not impact the integrity and objectivity of the auditor; and
- the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Group, acting as an advocate for the Group or jointly sharing risks and rewards.

Details of amounts paid or payable to PwC can be found at note 24.

REMUNERATION REPORT – AUDITED

The remuneration report is set out under the following main headings:

A Principles of compensation
B Details of remuneration
C Service agreements
D Share-based compensation
E Additional disclosures relating to key management personnel

The information provided within this remuneration report includes remuneration disclosures that are required under section 300A of the Corporations Act.

A. Principles of compensation

Remuneration is referred to as compensation throughout this report.

Key Management Personnel ("KMP") have authority and responsibility for planning, directing and controlling the activities of the Company and the Group, including directors of the Company and other executives. KMP comprise the directors of the Company and senior executives for the Group.

Compensation levels for key management personnel of the Group are competitively set to attract and retain appropriately qualified and experienced directors and executives. The remuneration committee obtains independent advice on the appropriateness of compensation packages of the Group given trends in comparative companies both locally and internationally and the objectives of the Group's compensation strategy.

The compensation structures explained below are designed to attract suitably qualified candidates, reward the achievement of strategic objectives and achieve the broader outcome of creation of value for shareholders. The compensation structures take into account:

- the capability and experience of the key management personnel;
- the key management personnel's ability to control the relevant segments' performance;
- the Group's performance including the achievement of various corporate goals.

Compensation packages include a mix of fixed and variable compensation and short-term and long-term performance-based incentives that are assessed on a periodic basis.

In addition to their salaries, the Group also provides non-cash benefits to its KMP and contributes to post-employment superannuation plans on their behalf.

Fixed compensation

Fixed compensation consists of base compensation (which is calculated on a total cost basis and includes any fringe benefits tax charges related to employee benefits including motor vehicles), as well as employer contributions to superannuation funds.

Performance linked compensation

Shareholders approved the establishment of the Galaxy Resources Limited Long Term Incentive Plan ("LTIP") on 29 May 2016. The purpose of the LTIP is to reward employees, contractors, consultants and Directors of the Company for successful management and development of the Company, assist in retention and motivation of employees and Directors and provide incentive to employees and Directors to grow shareholder value. Refer to Note 23 for details of options issued under the LTIP.

The fair value of services received in return for share options granted is measured by reference to the fair value of the share options granted. The estimate of the fair value of these share options granted is measured using generally accepted valuation techniques including Black Scholes and Monte-Carlo (K1) simulations. The Company has applied an appropriate probability weighting to factor the likelihood of the satisfaction of non-vesting conditions.

Consequences of performance on shareholder wealth

The Remuneration and Nomination Committee takes into account the performance of the Group over a number of years when recommending the overall level of KMP compensation.

Non-executive directors

Total cash salaries and fees for all non-executive directors, last voted upon by shareholders at the 22 December 2010 General Meeting, is not to exceed $800,000 per annum and is set based on advice from external advisors with reference to fees paid to other non-executive directors of comparable companies.

Effective 1 January 2017 the Chairperson receives US$300,000 (2016: US$120,000), non-Executive Director $100,000 per annum (2016: $50,000) all inclusive of superannuation. Directors' fees cover all main board activities and memberships of committees.

B. Details of remuneration

	2017 $	2016 $
Total remuneration received, or due and receivable, by KMP of the Group	10,234,340	1,407,147

The details of remuneration of the KMP and specified executives of the Group are set out in the following tables. The key management personnel of the Group during the year ended 31 December 2017 are the following:

Name	Role	Period of employment
Non – Executive Directors		
Martin Rowley	Non-Executive Director	Full year
Jian-Nan Zhang	Non-Executive Director	Full year
Peter Bacchus	Non-Executive Director	From 2 January 2017
John Turner	Non-Executive Director	From 2 January 2017
Xi Xi	Non-Executive Director	From 15 May 2017 and resigned 11 September 2017
Executives		
Anthony Tse	Managing Director and CEO	Full year
Mark Pensabene	Chief Operating Officer ("COO")	From 6 February 2017
Nicholas Rowley	Director Corporate Development	Full year
Alan Rule	Chief Financial Officer ("CFO")	From 10 April 2017

Remuneration for the Year Ended 31 December 2017

	Short –term benefits		Post-employment benefits	Share-based payments		
Name	Cash salary & fees $	Other $	Superannuation $	Options $	SARS $	Total Remuneration $
Non – Executive Directors						
Martin Rowley	392,796	-	-	2,395,989	-	2,788,785
Jian-Nan Zhang	91,324	-	8,676	299,499	-	399,499
Peter Bacchus	99,178	-	-	299,499	-	398,677
John Turner	99,178	-	-	299,499	-	398,677
Xi Xi	31,861	-	-	-	-	31,861
Executives						
Anthony Tse	519,124	-	-	2,395,989	-	2,915,113
Mark Pensabene (i)	316,346	-	19,404	672,785	305,809	1,314,344
Nicholas Rowley	235,001	-	19,832	672,785	-	927,618
Alan Rule (ii)	211,154	-	14,738	672,785	161,089	1,059,766
Total	1,995,962	-	62,650	7,708,830	466,898	10,234,340

(i) commenced employment on 6 February 2017
(ii) commenced employment on 10 April 2017

Remuneration for the Year Ended 31 December 2016

Name	Short –term benefits		Post-employment benefits	Share-based payments		
	Cash salary & fees	Other	Superannuation	Shares	SARS	Total Remuneration
	$	$	$	$	$	$
Executives						
Anthony Tse	401,959	-	-	-	-	401,959
Charles Whitfield	198,123	335,827	-	-	-	533,950
Rowen Colman	97,542	-	-	-	-	97,542
Nicholas Rowley	112,500	15,000	12,113	-	-	139,613
Non – Executive Directors						
Martin Rowley	161,150	-	-	-	-	161,150
Jian-Nan Zhang	45,662	-	4,338	-	-	50,000
Michael Fotios	-	-	-	22,933	-	22,933
Total	1,016,936	350,827	16,451	22,933	-	1,407,147

C. Service Agreements

ANTHONY TSE

Term of Agreement – Mr Tse's Service Agreement is for an unlimited tenure.

Agreement

Under the terms of the agreement, Mr Tse receives fees of US$400,000 (2016: US$300,000) per annum paid monthly. This was reviewed by the Board effective 1 January 2017. Remuneration is based on market factors.

Termination

Termination of the service agreement can occur with immediate effect by notification from either party.

MARK PENSABENE

Term of Agreement – Mr Pensabene's Employment contract is for an unlimited tenure.

Agreement

Under the terms of the contract, Mr Pensabene receives a salary of $350,000 excluding superannuation per annum. Remuneration is based on market factors and reviewed annually.

Termination

Termination of the Employment contract can occur by either party giving 6 months' notice.

NICHOLAS ROWLEY

Term of Agreement – Mr Rowley's Employment contract is for an unlimited tenure.

Agreement

Under the terms of the contract, Mr Rowley receives a salary of $235,000 excluding superannuation per annum. Remuneration is based on market factors and reviewed annually.

Termination

Termination of the Employment contract can occur by either party giving 1 months' notice.

ALAN RULE

Term of Agreement – Mr Rule's Employment contract is for an unlimited tenure.

Agreement

Under the terms of the contract, Mr Rule receives a salary of $300,000 excluding superannuation per annum. Remuneration is based on market factors and reviewed annually.

Termination

Termination of the Employment contract can occur by either party giving 6 months' notice.

D. Share-based compensation

i. Shares issued

No shares were issued to KMP during the financial year ended 31 December 2017 (2016: Nil).

ii. Options issued

12,500,000 options were issued to KMP during the financial year ended 31 December 2017 (2016: 24,750,000: Nil). Details as follows:

Options	Date options granted	Number of options issued	Issue price $	Value of options issued $
Directors				
Martin Rowley	18 May 2017	4,000,000	2.78	$3,575,000
Anthony Tse	18 May 2017	4,000,000	2.78	$3,575,000
Peter Bacchus	18 May 2017	500,000	2.78	$446,875
John Turner	18 May 2017	500,000	2.78	$446,875
Jian-Nan Zhang	18 May 2017	500,000	2.78	$446,875
Other KMP				
Mark Pensabene	30 May 2017	1,000,000	2.78	$1,012,750
Alan Rule	30 May 2017	1,000,000	2.78	$1,012,750
Nicholas Rowley	30 May 2017	1,000,000	2.78	$1,012,750
	Total	12,500,000		

iii. Share appreciation rights issued

3,000,000 (600,000 post consolidation) share appreciation rights (SARS) were issued to KMP during the financial year ended 31 December 2017 (2016: Nil).

SARS	Date SARS granted	Number of SARS issued (Post consolidation)	Issue price (post consolidation) $	Value of SARS issued $
Other Key Management Personnel				
Mark Pensabene	9 November 2016	400,000	1.765	$294,900
Alan Rule	11 April 2017	200,000	2.358	$394,400

E. Additional disclosures relating to KMP

The movement during the financial year in the number of options over ordinary shares and number of ordinary shares in the Company held directly, indirectly or beneficially by each KMP, including their related parties, is as follows:

Shares	Balance at 1 January 2017	Exercise of options/ SARS	Consolidation	Net change other	Acquisitions/ Disposals	Balance at 31 December 2017
Directors						
Martin Rowley	20,498,170	369,712	(16,398,536)	-	50,000	4,519,346
Anthony Tse	23,518,644	-	(18,814,915)	-	40,000	4,743,729
Peter Bacchus	-	50,182	-	-	-	50,182
John Turner	-	-	-	-	25,000	25,000
Jian-Nan Zhang	1,794,411	46,214	(1,435,528)	-	20,000	425,097
Other KMP						
Mark Pensabene (i)	-	-	-	32,500	-	32,500
Alan Rule (ii)	-	-	-	-	-	-
Nicholas Rowley	2,000,000	-	(1,600,000)	-	(200,000)	200,000
Total shares	47,811,225	466,108	(38,248,979)	32,500	(65,000)	9,995,854

(i) commenced employment on 6 February 2017
(ii) commenced employment on 10 April 2017

Unlisted options	Balance at 1 January 2017	Granted as remuneration	Exercised/ expired	Consolidation	Balance as 31 December 2017	Vested and exercisable at 31 December 2017
Directors						
Martin Rowley	-	4,000,000	-	-	4,000,000	1,800,000
Anthony Tse	1,000,000	4,000,000	(200,000)	(800,000)	4,000,000	1,800,000
Peter Bacchus	-	500,000	(225,000)	-	275,000	-
John Turner	-	500,000	-	-	500,000	225,000
Jian-Nan Zhang	-	500,000	-	-	500,000	225,000
Other KMP						
Mark Pensabene	-	1,000,000	-	-	1,000,000	450,000
Alan Rule	-	1,000,000	-	-	1,000,000	450,000
Nicholas Rowley	-	1,000,000	-	-	1,000,000	450,000
Total options	1,000,000	12,500,000	(425,000)	(800,000)	12,275,000	5,400,000

Share appreciation rights (SARS)	Balance at 1 January 2017	Granted as remuneration	SARS converted	Consolidation	Balance as 31 December 2017	Vested and exercisable at 31 December 2017
Directors						
Martin Rowley	2,000,000	-	(400,000)	(1,600,000)	-	-
Anthony Tse	10,000,000	-	-	(8,000,000)	2,000,000	2,000,000
Jian-Nan Zhang	250,000	-	(50,000)	(200,000)	-	-
Other KMP						
Mark Pensabene	-	2,000,000	-	(1,600,000)	400,000	200,000
Alan Rule	-	1,000,000	-	(800,000)	200,000	-
Nicholas Rowley	1,000,000	-	(200,000)	(800,000)	-	-
Total SARS	13,250,000	3,000,000	(650,000)	(13,000,000)	2,600,000	2,200,000

End of Remuneration Report

ROUNDING OF AMOUNTS

The Company is of a kind referred to in "*ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*", issued by the Australian Securities and Investment Commission, relating to the 'rounding off' of amounts in the Directors' Report and accompanying Financial Report. Amounts in the Directors' Report have been rounded off in accordance with that Rounding Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

LEAD AUDITOR'S INDEPENDENCE DECLARATION

In accordance with section 307C of the *Corporations Act 2001*, the directors received the attached independence declaration set out on page 14 and forms part of the directors' report for the year ended 31 December 2017.

Signed in accordance with a resolution of the Directors.

Anthony Tse
Chief Executive Oficer &
Managing Director

Dated at Perth on 22 March 2018.

Auditor's Independence Declaration

As lead auditor for the audit of Galaxy Resources Limited for the year ended 31 December 2017, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Galaxy Resources Limited and the entities it controlled during the period.

N Henry.

Nick Henry
Partner
PricewaterhouseCoopers

Perth
22 March 2018

PricewaterhouseCoopers, ABN 52 780 433 757
Brookfield Place, 125 St Georges Terrace, PERTH WA 6000, GPO Box D198, PERTH WA 6840
T: +61 8 9238 3000, F: +61 8 9238 3999, www.pwc.com.au

CONSOLIDATED INCOME STATEMENT AND STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 $'000	2016 $'000
Income Statement for the period			
Operating sales revenue	3	125,603	-
Cost of sales	3	(92,078)	-
Gross profit		33,525	-
Other income	3	2,519	4,468
Other expenses	3	(24,092)	(13,103)
Impairment reversal of property, plant and equipment	16	-	75,691
Profit before income tax and net finance expenses		11,952	67,056
Finance income	3	536	29
Finance expenses	3	(6,323)	(9,065)
Profit before taxation		6,165	58,020
Income tax (expense)/benefit	19	(5,999)	64,686
Net Profit after tax for the period		166	122,706
Net Profit after tax attributable to:			
Owners of Galaxy Resources Limited		166	122,788
Non-controlling interests		-	(82)
		166	122,706
Other comprehensive Income/(Loss) for the period			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation differences – foreign operations		(5,110)	(3,974)
Revaluation of available for sale financial assets		16,899	(1,898)
Income tax relating to revaluation of available-for-sale financial assets		(5,070)	438
Other comprehensive Income/(Loss) for the period		6,719	(5,434)
Total comprehensive Income for the period		6,885	117,272
Total comprehensive Income for the period attributable to:			
Owners of Galaxy Resources Limited		6,885	117,494
Non-controlling interests		-	(222)
		6,885	117,272
Earnings per share for income from continuing operations attributable to the ordinary equity holders of the Company			
Basic income per share (cents per share)	4	0.042	8.33
Diluted income per share (cents per share)	4	0.042	8.09
Earnings per share for income attributable to the ordinary equity holders of the Company			
Basic income per share (cents per share)	4	0.042	8.33
Diluted income per share (cents per share)	4	0.042	8.09

The above Consolidated Statement of Profit and Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Note	2017 $'000	2016 $'000
CURRENT ASSETS			
Cash and cash equivalents	6	59,743	9,327
Other receivables and prepayments	10	17,748	2,163
Inventories	11	11,477	11,457
Total Current Assets		88,968	22,947
NON-CURRENT ASSETS			
Property, plant and equipment	16	321,644	343,468
Exploration and evaluation assets	17	130,722	123,183
Available-for-sale financial assets	13	20,302	-
Deferred tax asset	19	53,619	64,686
Total Non-Current Assets		526,287	531,337
Total Assets		615,255	554,284
CURRENT LIABILITIES			
Trade and other payables	12	30,504	14,082
Deferred income	14	-	18,374
Provisions	18	503	177
Interest bearing liabilities	5	-	40,242
Total Current Liabilities		31,007	72,875
NON-CURRENT LIABILITIES			
Trade and other payables	12	2,230	-
Provisions	18	10,660	8,423
Total Non-Current Liabilities		12,890	8,423
Total Liabilities		43,897	81,298
Net Assets		571,358	472,986
EQUITY			
Contributed equity	9 a)	787,408	694,332
Reserves	9 b)	8,333	4,169
Accumulated Losses		(224,383)	(225,515)
Total Equity		571,358	472,986

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017

	Contributed Equity $'000 *Note 9(a)*	Reserves $'000	Accumulated losses $'000	Total $'000	Non-controlling interest $'000	Total equity $'000
Balance at 1 January 2016	459,217	(6,631)	(353,963)	98,621	4,180	102,801
Profit	-	-	122,788	122,788	(82)	122,706
Other comprehensive loss	-	(5,294)	-	(5,294)	(140)	(5,434)
Total comprehensive income (loss)	-	(5,294)	122,788	117,494	(222)	117,272
Transaction costs arising on share issue	(19)	-	-	(19)	-	(19)
GMM Acquisition	230,903	11,312	-	242,214	-	242,214
Transfer of reserve upon forfeit of options	-	(5,660)	5,660	-	-	-
Transfer of reserve upon exercise of option	932	(932)	-	-	-	-
Exercise of share options	1,710	-	-	1,710	-	1,710
Share-based payment transactions	1,589	7,417	-	9,006	--	9,006
Acquisition of non-controlling interest	-	3,958	-	3,959	(3,959)	-
Balance at 31 December 2016	694,332	4,169	(225,515)	472,986	-	472,986
Profit	-	-	166	166	-	166
Other comprehensive income	-	6,719	-	6,719	-	6,719
Total comprehensive income	-	6,719	166	6,885	-	6,885
Placement	61,020	-	-	61,020	-	61,020
Transaction costs arising on share issue	(2,611)	-	-	(2,611)	-	(2,611)
Exercise of share options	18,488	-	-	18,488	-	18,488
Transfer of reserve upon exercise of option	13,606	(13,606)	-	-	-	-
Transfer of reserve upon forfeit of options	-	(966)	966	-	-	-
Share-based payment transactions	2,573	12,017	-	14,590	-	14,590
Balance at 31 December 2017	787,408	8,333	(224,383)	571,358	-	571,358

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

	Note	2017 $'000	2016 $'000
Operating activities			
Receipts from customers		104,169	9,159
Payments to suppliers, contractors and employees		(47,082)	(6,538)
Net cash inflow from operating activities	7	57,087	2,621
Investing activities			
Interest received		398	28
Sales proceeds from pre-production		12,849	-
Payments for property, plant and equipment		(35,839)	(21,435)
Proceeds from sale of other non-current assets		2,416	1,500
Proceeds/(payment) for available-for-sale assets		(3,404)	27
Cash acquired through acquisition		-	6,534
Payments for exploration and evaluation assets		(11,574)	(1,717)
Net cash (outflow) from investing activities		(35,154)	(15,063)
Financing activities			
Net proceeds from issue of shares, net of transaction costs		76,333	1,710
Bank charges, withholding tax and interest paid		(1,326)	(4,529)
Proceeds from borrowings		13,083	22,200
Repayments of borrowings		(57,582)	(2,302)
Transaction costs related to loans and borrowings		(702)	-
Net cash inflow from financing activities		29,806	17,079
Net increase in cash and cash equivalents		51,739	4,637
Cash and cash equivalents at the beginning of the period		9,327	4,761
Effect of foreign exchange rate changes		(1,323)	(71)
Cash and cash equivalents at the end of the period	6	59,743	9,327

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

Contents

1. GENERAL INFORMATION

Galaxy Resources Limited ("Company") is a company incorporated and domiciled in Australia and is a public company listed on the Australian Stock Exchange (trading under the symbol 'GXY'). The consolidated financial statements of the Company for the year ended 31 December 2017 comprise the Company and the entities it controlled ("Group").

The Group is primarily involved in mineral exploration and processing.

The Company's registered office and its principal place of business is Level 4, 21 Kintail Road, Applecross, WA.

a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the *Corporations Act 2001*, Accounting Standards and Interpretations, and complies with other requirements of the law. Accounting Standards include Australian Accounting Standards ("AASB's"). Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Company and the Group comply with International Financial Reporting Standards ("IFRS") and interpretations adopted by the International Accounting Standards Board ("IASB").

The financial statements were authorised for issue by the Board of Directors on 22 March 2018.

b) Basis of Preparation of Accounts

The financial report has been prepared on an accruals basis and is based on historical cost, except for the revaluation of certain financial instruments that are measured at fair values as explained in the accounting policies. Costs are based on the fair values of the consideration given in exchange for assets.

c) Functional and presentation currency

All amounts are presented in Australian dollars, which is the Company's functional and presentation currency, unless otherwise stated.

d) Use of estimates and judgements

The preparation of financial statements in conformity with AASBs, requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the consolidated financial statements are described in note 29.

e) Rounding of amounts

All amounts in the financial statements have been rounded to the nearest thousand dollars, except as indicated, in accordance with the "*ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*", issued by the Australian Securities and Investment Commission.

2. SEGMENT INFORMATION

a) Description of segments

During the period the Group has managed its businesses by geographic location, which resulted in four operating and reportable segments which consist of its Corporate, Australian, Argentinian and Canadian operations as set out below. This is consistent with the way in which information is reported internally to the Group's Managing Director (Chief Operating Decision Maker – "CODM") for the purposes of resource allocation and performance assessment.

- The Australian operation includes the development and operation of the Mt Cattlin spodumene mine and exploration for minerals.
- The Argentinian operation includes the development of the Sal de Vida project and exploration for minerals.
- The Canadian operation includes the development of the James Bay project and exploration for minerals.

For the purposes of resource allocation and performance assessment, the Group's Managing Director monitors the results and assets attributable to each reportable segment on the following basis:

- Segment results are measured by allocating EBITDA (defined as earnings before tax, depreciation and amortisation) to the reportable segments according to the geographic location in which they arose or relate to.
- Segment assets include property, plant and equipment and exploration and evaluation assets. The geographical location of the segment assets is based on the physical location of the assets.

b) Segment information provided to the CODM

The Group uses segment EBITDA defined as earnings before interest, tax, depreciation and amortisation, as a key measure of its financial performance. The reconciliation of segment EBITDA to the net profit before tax is as follows:

	Revenue $'000	Segment EBITDA $'000	Finance income $'000	Finance expenses $'000	Depreciation and amortisation $'000	Profit before income tax $'000
2017						
Corporate	-	(19,984)	175	(6,309)	(80)	(26,198)
Australia	125,603	60,340	361	-	(27,797)	32,904
Argentina	-	31	-	(3)	(128)	(100)
Canada	-	(415)	-	(11)	(15)	(441)
Total	125,603	39,972	536	(6,323)	(28,020)	6,165
2016						
Corporate	-	(6,965)	29	(9,057)	(63)	(16,056)
Australia	-	(1,546)	-	(4)	75,695	74,145
Argentina	-	-	-	-	(25)	(25)
Canada	-	(40)	-	(4)	-	(44)
Total	-	(8,551)	29	(9,065)	75,607	58,020

	Total Liabilities $'000	Total Assets $'000	Movement in non-current segment assets during the year $'000
2017			
Corporate	5,743	1,593	664
Australia	31,998	352,938	17,544
Argentina	373	117,228	5,930
Canada	5,783	9,832	7,238
Total	43,897	481,591	31,376
2016			
Corporate	7,068	1,854	82
Australia	29,432	360,437	288,493
Argentina	56	115,893	1,057
Canada	4,500	2,087	108
Total	41,056	480,271	289,740

c) Reconciliation of reportable segment profit or loss, assets and liabilities and other material items

Inter-segment revenue for the period ended 31 December 2017 is $Nil (31 December 2016: $Nil). The reconciliation between reportable segment assets and liabilities and the Group's consolidated total assets and liabilities as at the end of the period is as follows:

	2017 $'000	2016 $'000
Assets		
Total assets for reportable segments	481,591	480,271
Unallocated:		
Cash and cash equivalents	59,743	9,327
Available-for-sale financial assets	20,302	-
Deferred tax asset	53,619	64,686
Consolidated total assets	615,255	554,284
Liabilities		
Total liabilities for reportable segments	43,897	41,056
Unallocated		
Interest bearing liabilities	-	40,242
Consolidated total liabilities	43,897	81,298

3. REVENUE AND EXPENSES

	2017 $'000	2016 $'000
Operating sales revenue		
Sale of Spodumene concentrate *(a)*	124,851	-
Other revenue	752	-
	125,603	-
Cost of Sales		
Mining costs	(16,096)	-
Processing costs	(22,807)	-
Transport costs	(5,546)	-
Administration and other site costs	(2,979)	-
Royalties	(7,703)	-
Agent fees	(6,242)	-
Depreciation and amortisation	(27,797)	-
Net inventory movement	(2,908)	-
	(92,078)	-
Other income		
Settlement of legal action following sale of discontinued operations	2,519	-
Realised gain on available-for-sale financial assets	-	4,455
Other income	-	13
	2,519	4,468
Other expenses		
Administration expenses	(6,450)	(5,056)
Corporate employment expenses	(4,740)	(2,295)
Depreciation	(223)	(88)
Net foreign exchange loss	(331)	(367)
Rehabilitation expense	(317)	-
Impairment of exploration and evaluation	(5)	(38)
Acquisition transaction costs	-	(4,747)
Share based payment expense	(12,017)	(234)
Other expenses	(9)	(278)
	(24,092)	(13,103)
Finance income		
Interest income	536	29
	536	29
Finance expenses		
Interest and finance expense on borrowings	(1,337)	(3,311)
Amortisation of capitalised finance costs	(4,951)	(5,731)
Bank charges	(35)	(23)
	(6,323)	(9,065)

(a) The transition date from pre-production to commercial production at Mt Cattlin was 1 May 2017. Accordingly, for the purposes of preparing the financial report the net outcome is that:

- all sales proceeds from the sale of 40,052 dmt of spodumene (totaling $30.9 million before repayment of customer prepayments of $18.5 million) less pre-production cash and non-cash costs (totaling $32.6 million) resulted in a net $7.4 million cost, associated with lithium spodumene produced prior to 1 May 2017 has been added to the carrying value of the property, plant and equipment as pre-production expenditure and has therefore not been recognised in the Profit & Loss; and
- Lithium spodumene produced and sold after 1 May 2017 totaling 113,467 dmt has been recognised as revenue in the Profit & Loss.

4. EARNINGS PER SHARE

The calculation of basic profit or loss per share for each year was based on the profit or loss attributable to ordinary shareholders and using a weighted average number of ordinary shares outstanding during the year.

	2017	2016 Post consolidation	2016 Pre-consolidation
Basic profit per share (cents)	0.042	41.65	8.33
Diluted profit per share (cents)	0.042	40.45	8.09
Profit attributable to the ordinary shareholders of the Company ($'000)	166	122,788	122,788
Basic profit per share (cents) from continuing operations	0.042	41.65	8.33
Diluted profit loss per share (cents) from continuing operations	0.042	40.45	8.09
Profit attributable to the ordinary shareholders of the Company from continuing operations ($'000)	166	122,788	122,788
Weighted average number of shares			
Weighted average number of ordinary shares used in calculating basic earnings per share	392,357,873	294,878,020	1,474,390,098
Effect of share options	2,137,090	4,621,314	23,106,568
Effect of share appreciation rights	2,186,594	4,042,648	20,213,239
Weighted average number of ordinary shares used in calculating diluted earnings per share	396,681,557	303,541,982	1,517,709,905

5. INTEREST BEARING LIABILITIES

	2017 $'000	2016 $'000
Current		
Secured loan facility	-	44,698
Capitalised finance costs	-	(4,456)
	-	40,242

BNP Paribas – Secured Loan

In February 2017, the Group entered into an agreement with BNP Paribas for a new secured debt facility for up to US$40 million, with the principal purpose of repaying in full the outstanding balance due to OL Master (Singapore) Pte ("OCP") and for general corporate requirements.

The key terms of this facility were:

d) Facility A – US$10 million Term loan, maturing 31 January 2018
e) Facility B – US$15 million Bridge loan, repayable on or before 31 December 2017
f) Facility C – US$15 million Revolving loan, maturing 31 January 2018 - yearly extensions of 12 months subject to renewal conditions

After the Company completed the equity capital fundraising of $61 million only tranches A and C of the BNP Paribas facility were executed, resulting in a total US$25 million facility. US$10 million was drawn down and fully repaid during the year. The secured loan facility is recognised and measured at amortised cost.

OCP – Secured Loan

The OCP facility was repaid in full in February 2017.

Summary of movement in interest bearing liabilities:

	Secured loan facility '$000	Capitalised finance costs '$000	Total '$000
Balance 31 December 2015	31,000	(2,707)	28,293
Initial recognition	16,000	(7,480)	8,520
Interest and financing expense	3,264	5,731	8,995
Interest repayments	(3,369)	-	(3,369)
Accrued interest	105	-	105
Repayment	(2,302)	-	(2,302)
Balance 31 December 2016	44,698	(4,456)	40,242
Initial recognition	13,082	(495)	12,587
Interest and financing expense	1,337	4,951	6,288
Interest repayments	(1,091)	-	(1,091)
Accrued interest	(159)	-	(159)
Repayment	(57,583)	-	(57,583)
Foreign exchange	(284)	-	(284)
Balance 31 December 2017	-	-	-

6. CASH AND CASH EQUIVALENTS

	2017 $'000	2016 $'000
Current		
Cash at bank and on hand	59,743	9,327

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 15.

7. RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2017 $'000	2016 $'000
Profit for the year	166	122,706
Adjustments for:		
Funds received on settlement with Tianqi	(2,519)	-
Depreciation and amortisation	28,020	88
Net finance costs	6,852	9,389
Impairment reversal	5	(75,653)
Share-based payments	12,016	234
Realised gain on available-for-sale assets	-	(4,455)
Transaction costs on GMM Acquisition	-	4,747
Net inventory movement	2,908	-
Deferred tax on available for sale assets	(5,070)	-
Deferred income to investing activities	18,374	-
Adjustment to rehabilitation provision	(1,979)	
	58,617	(65,649)
Change in trade and other receivables	(14,994)	2,967
Change in payables	278	6,938
Change in inventories	(19)	220
Change in prepayments	(591)	(29)
Change in provisions and employee benefits	2,563	154
Change in deferred tax assets	11,067	(64,686)
	(1,696)	(54,437)
Net cash inflow from operating activities	57,087	2,621

8. NON-CASH FINANCING AND INVESTING ACTIVITIES

	Note	2017 $'000	2016 $'000
GMM acquisition consideration		-	246,458
Warrants issued to lenders in conjunction with financing arrangements		-	7,160
Issuance of shares and warrants to contractors in conjunction with the recommissioning of Mt Cattlin and exploration and evaluation activities		-	1,589
Issuance of shares to advisors of GMM for settlement of transaction advice services	*23(a)*	2,573	1,710

9. EQUITY

a) Contributed equity

(i) Share capital

	2017 Shares	2016 Shares	2017 $'000	2016 $'000
Fully paid ordinary shares	405,022,009	1,832,545,826	787,408	694,332

(ii) Movement in ordinary share capital

	Number of shares (Post-consolidation)	Number of shares (Pre-consolidation)	$'000
Balance 1 January 2016	252,886,637	1,264,433,185	459,218
Employee exercise of SARS	2,270,652	11,353,259	288
Employee exercise of options	7,400,000	37,000,000	2,354
Acquisition of GMM	103,091,251	515,456,257	230,902
Payments to contractors / suppliers	860,625	4,303,125	1,589
Transaction costs	-	-	(19)
Balance at 31 December 2016	366,509,165	1,832,545,826	694,332
Placement	22,600,000	113,000,000	61,020
Exercise of warrants	10,000,000	30,000,000	25,377
Exercise of options	4,881,982	4,881,982	6,715
Shares issued in lieu of services – non-cash	1,029,306	5,146,528	2,573
Transaction costs	-	-	(2,611)
Share consolidation 5 for 1 – approved at AGM on 18 May 2017	1,556[(i)]	(1,580,552,327)	-
Balance at 31 December 2017	405,022,009	405,022,009	787,408

(i) Rounding on consolidation

(iii) Unlisted Options on issue

At 31 December 2017, the Company had the following unlisted options on issue:

Grant date	Options outstanding	Vesting conditions	Non-vesting conditions	Contractual life of option	Exercise price
08/08/2016	2,475,000	Fully vested	None	Expire 21 September 2018	$0.365
18/05/2017	4,050,000	Fully vested (Tranche A & B)	None	Expire 14 June 2020	$2.780
18/05/2017	5,225,000	Tranche C – F	None	Expire 14 June 2020	$2.780
30/05/2017	2,695,000	Fully vested (Tranche A & B)	None	Expire 14 June 2020	$2.780
30/05/2017	3,630,000	Tranche A - F	None	Expire 14 June 2020	$2.780
31/10/2017	450,000	Fully vested (Tranche A & B)	None	Expire 14 June 2020	$2.780
31/10/2017	550,000	Tranche C - F	None	Expire 14 June 2020	$2.780
19/12/2017	400,000	Tranche C - F	None	Expire 14 June 2020	$2.780
Total	19,475,000				

Tranche	%	Vesting Condition
A	25	Upon the Company achieving a closing Share price on the ASX of at least $3.15 (on a post Consolidation basis) for 30 consecutive trading days
B	20	Upon the Company's Mt Cattlin project achieving 160,000 metric tonnes per annum equivalent production of lithium concentrate for 3 consecutive months
C	20	Upon the Company achieving earnings before interest, tax, depreciation and amortisation (EBITDA) of at least $50 million over a trailing 12 month period commencing 1 June 2017
D	15	Upon the Directors of the Company making a decision to develop either of the Company's Sal de Vida Project or James Bay Project
E	10	14 June 2018 being 12 months continuous employment or service from date Option is granted
F	10	14 June 2019 being 24 months continuous employment or service from date Option is granted

(iv) Share Appreciation Rights ("SARs") on issue

At 31 December 2017, the Company had the following SAR's on issue:

Grant date	SARs outstanding	Vesting conditions	Expiry Date
19/06/2016	2,000,000	Various	5-7 years
10/11/2016	100,000	Various	1-2 years
9/11/2016	200,000	Fully vested	16/11/2022
9/11/2016	200,000	Continuous employment at 16 November 2018	16/11/2023
11/04/2017	100,000	Continuous employment at 2 April 2018	2/04/2023
11/04/2017	100,000	Continuous employment at 2 April 2019	2/04/2024
12/04/2017	100,000	Fully vested	4/04/2023
12/04/2017	100,000	Continuous employment at 4 April 2019	4/04/2024
14/06/2017	200,000	14 September 2017	14/09/2022
16/8//2017	100,000	18 August 2017	23/8/2022
16/8/2017	100,000	10 April 2019	10/4/2024
Total	3,300,000		

b) Reserves

The following table shows the movements in reserves during the current and prior year. A description of the nature and purpose of each reserve is provided below the table.

	Equity-settled payments reserve $'000	Foreign currency translation reserve $'000	Fair value reserve $'000	Capital reserve $'000	Total reserves $'000
Balance at 1 January 2016	8,485	(16,578)	1.460	-	(6,633)
Foreign currency translation differences	-	(3,834)	-	-	(3,834)
Change in fair value of available for sale financial assets	-	-	(1,460)	-	(1,460)
Total comprehensive loss	-	(3,834)	(1,460)	-	(5,294)
Transactions with owners in their capacity as owners:					
Acquisition of GMM	10,259	-	-	1,053	11,312
Share-based payment transactions	7,417	-	-	-	7,417
Transfer of reserve upon exercise of share options	(932)	-	-	-	(932)
Transfer of reserve upon forfeit of options	(5,660)	-	-	-	(5,660)
Acquisition of non-controlling interest	-	-	-	3,959	3,959
Balance at 31 December 2016	19,569	(20,412)	-	5,012	4,169

	Equity-settled payments reserve $'000	Foreign currency translation reserve $'000	Fair value reserve $'000	Capital reserve $'000	Total reserves $'000
Balance at 1 January 2017	19,569	(20,412)	-	5,012	4,169
Foreign currency translation differences	-	(5,110)	-	-	(5,110)
Change in fair value of available for sale financial assets	-	-	16,899	-	16,899
Income tax relating to revaluation of available-for-sale financial assets	-	-	(5,070)	-	(5,070)
Total comprehensive income	-	(5,110)	11,829	-	6,719
Transactions with owners in their capacity as owners:					
Share-based payment transactions	12,016	-	-	-	12,016
Transfer of reserve upon exercise of share options	(6,007)	-	-	-	(6,007)
Transfer of reserve upon exercise of share warrants	(7,160)	-	-	-	(7,160)
Transfer of reserve upon exercise of share SARS	(438)	-	-	-	(438)
Transfer of reserve upon forfeit of options	(966)	-	-	-	(966)
Balance at 31 December 2017	17,014	(25,522)	11,829	5,012	8,333

Nature and purpose of reserves

Equity-settled payment reserve

The equity-settled payments reserve comprises the portion of the grant date fair value of unexercised share options granted to employees and financiers of the Company that has been recognised in accordance with the accounting policy adopted for share-based payments in note 30(l).

Foreign currency translation reserve

The foreign currency reserve comprises all foreign exchange differences arising from the translation of the consolidated financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 30(k).

Fair value reserve

The fair value reserve comprises the cumulative net change in fair value of available-for-sale financial assets until the investments are derecognized or impaired.

Capital reserve

The capital reserve comprises transactions with owners to acquire non-controlling interests.

10. TRADE AND OTHER RECEIVABLES

	2017 $'000	2016 $'000
Current		
Trade receivables	15,140	178
Other receivables (a)	1,704	1,690
Prepayments	489	223
Security bonds	415	72
	17,748	2,163

(a) Other receivables comprise mainly GST/VAT receivable.

11. INVENTORIES

	2017 $'000	2016 $'000
Current		
Consumables	2,109	844
Spodumene ore	9,368	10,613
	11,477	11,457

12. TRADE AND OTHER PAYABLES

	2017 $'000	2016 $'000
Current		
Trade payables	26,500	7,159
Transaction costs payable	3,513	4,747
Payroll tax and other statutory payables	284	145
Accrued interest payable	-	217
Other payables	207	1,814
	30,504	14,082
Non-Current		
Trade payables	2,230	-
	2,230	-

Trade and other payables mainly represent amounts owing for general expenses and accrued interest on loans. The Company also accrued for operating expenses on Mt Cattlin and transaction costs on the GMM acquisition. Some of the GMM acquisition costs were settled in 2017 and the Company expects the remaining costs to be settled within one year. Non-current payables relate to a deferred payable to a contractor for services rendered in relation to the Mt Cattlin mine.

13. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2017 $'000	2016 $'000
Equity securities held at fair value	20,302	-

As at 31 December 2017 the Group's available-for-sale financial assets included 340,376,062 shares and 5,000,000 unlisted options in Lepidico Limited which were revalued on the basis of a significant increase in their market fair value.

14. DEFERRED INCOME

	2017 $'000	2016 $'000
Spodumene concentrate prepayments	-	18,374

Deferred income represents payments collected but not earned at the end of the reporting period. These payments are recognised as revenue when the goods are delivered. The balance relates to a total of US$14.5 million in prepayments, a portion of which was acquired through the GMM acquisition. This prepayment was settled in May 2017.

15. FINANCIAL RISK MANAGEMENT

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and quantitative disclosures.

Market risk is the risk that changes in market prices, such as commodity prices, foreign exchange rates, interest rates and equity prices, will affect the Group income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. Management is responsible for establishing procedures which provide assurance that major business risks are identified, consistently assessed and appropriately mitigated. The Group has developed a framework for a risk management policy and internal compliance and control system which covers organisation, financial and operational aspects of the Group's activities.

The Group's Audit and Risk Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

(a) Credit risk

Credit risk is the risk of financial loss to the Group if a counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's cash and cash equivalents and receivable financial assets. Other receivables predominantly relate to security deposits and GST/VAT refunds. Management do not consider this receivable balance is subject to any material credit risk.

The Group limit their exposure to credit risk by only investing in liquid securities and only with counterparties and financial institutions that have credit ratings of between A2 and A1+ from Standard & Poor's and P-1 from Moody's, with more weighting given to investments in the higher credit ratings. Given these credit ratings, management does not expect any counterparty to fail to meet its obligations.

The Group's cash and cash equivalents are placed with various financial institutions consistent with sound credit ratings, and management consider the Group's exposure to credit risk is low.

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk is represented by the carrying amount of each financial asset as follows:

	Note	Carrying amount	
		2017 $'000	2016 $'000
Trade and other receivables	*10*	17,259	1,940
Cash and cash equivalents	*6*	59,743	9,327
		77,002	11,267

(b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The following are the undiscounted contractual maturities of financial liabilities, including estimated interest payments:

31 December 2017

	Carrying amount $'000	Undiscounted contractual cash outflows $'000	Within 1 year or on demand $'000	More than 1 year but less than 2 years $'000	More than 2 years but less than 5 years $'000	More than 5 years $'000
Trade and other payables	32,734	32,734	30,504	2,230	-	-
Secured loan facility	-	-	-	-	-	-
Total	32,734	32,734	30,504	2,230	-	-

The Company has an undrawn debt facility with BNP of US$1,666,666 ($2,136,751) available at year end.

31 December 2016

	Carrying amount $'000	Undiscounted contractual cash outflows $'000	Within 1 year or on demand $'000	More than 1 year but less than 2 years $'000	More than 2 years but less than 5 years $'000	More than 5 years $'000
Trade and other payables	14,082	14,082	14,082	-	-	-
Secured bank loans	40,242	45,575	45,575	-	-	-
Total	54,324	59,657	59,657	-	-	-

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

(c) Foreign exchange risk

The Group is exposed to currency risk on cash and cash equivalents and on borrowings that are denominated in a currency other than the respective functional currencies of the Company or its subsidiaries. The currencies in which these transactions primarily are denominated in are USD.

At any point in time the Group may monitor and manage its estimated foreign currency exposure in respect of cash and cash equivalents, other receivables and interest bearing liabilities. The Group ensures that the net exposure is kept to an acceptable level by buying or selling foreign currency at spot rates where necessary to address short-term imbalances.

The Group's exposure to foreign currency risk at each balance date was as follows. For presentation purposes, the amounts of the exposure are shown in Australian dollars translated using the spot rate at each balance sheet date.

Group	2017 USD $'000	2017 AUD $'000	2016 USD $'000	2016 AUD $'000
Cash and cash equivalents	39,754	50,967	165	229
Accounts receivable	11,431	14,655	-	-
Balance sheet exposure	51,185	65,622	165	229

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2017	2016	2017	2016
1 AUD:USD	0.767	0.744	0.780	0.720

Sensitivity analysis

A 10% strengthening of the Australian dollar against the following currencies would have (increased)/decreased equity and profit/loss for the year by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	2017		2016	
Effect in Australian dollars	Equity	Profit for the period	Equity	Profit for the period
USD $'000	-	3,900	-	21

A 10% weakening of the Australian dollar against the above currencies would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

(d) Interest rate risk

Throughout the year, the Group may monitor and manage its interest rate exposure on future borrowings. The Group's main interest rate risk arises from cash at bank and interest bearing liabilities, which are held at variable rates that expose the Group to cash flow interest rate risk.

The Group's interest-bearing cash at bank and liabilities and the respective interest rates as at each balance sheet date are set as below:

Group	2017 $'000	2016 $'000
Cash and cash equivalents	$59,743	$9,327
- Interest rate	0% to 1.75%	0% to 0.70%
Interest bearing liabilities	-	$44,698
- Interest rate	-	8% to 10%

Sensitivity analysis

A general increase/decrease of 100 basis points in interest rates of variable rate instruments prevailing at each balance sheet dates, with all other variables held constant, would increase/(decrease) the Group's loss after tax and equity by the amounts shown below:

	Year Ended 31 December 2017 $'000	Year Ended 31 December 2016 $'000
Cash and cash equivalents		
Increase of 100 basis points	(60)	(93)
Decrease of 100 basis points	60	93

The Group's fixed rate borrowings and receivables are carried at amortised cost. They are therefore not subject to interest rate risk as defined in AASB 7, since neither the carrying amount nor the future cash flows will fluctuate because of a change in market interest rates.

(e) Fair value hierarchy

Financial instruments are carried at fair value. The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that is not based on observable market data.

Group	2017			2016		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
	$'000	$'000	$'000	$'000	$'000	$'000
Available-for-sale financial assets	20,302	-	-	-	-	-

(f) Price Risk

The group's exposure to equity securities arises from investments held by the group and classified in the balance sheet as available-for-sale. The group's equity investments are publicly traded on the Australian Stock Exchange with the exception of unlisted options.

Sensitivity Analysis

A general increase/decrease in the securities of 10% at balance sheet dates, with all other variables held constant, would increase/(decrease) the Group's loss after tax and equity by the amounts shown below:

	2017		2016	
	Equity	Profit for the period	Equity	Profit for the period
	$'000	$'000	$'000	$'000
Increase of 10%	2,030	-	-	-
Decrease of 10%	-	(2,030)	-	-

(g) Fair values of financial instruments carried at other than fair value

All of the other financial assets and liabilities are carried at amounts that are not materially different from their fair values.

16. PROPERTY, PLANT AND EQUIPMENT

	Land $'000	Plant & Equipment $'000	Mine development expenditure $'000	Total $'000
Cost				
Balance at 1 January 2016	1,412	127,552	17,708	146,671
Additions	-	28,744	-	28,744
Disposals	-	(63,364)	(8,854)	(72,218)
Foreign exchange movement	-	(66)	-	(66)
GMM Acquisition	-	35,564	222,523	258,087
Balance at 31 December 2016	1,412	128,430	231,377	361,219
Additions	-	10,058	9,624	19,682
Disposals	-	(25)	-	(25)
Foreign exchange movement	-	(199)	-	(199)
Balance at 31 December 2017	1,412	138,264	241,001	380,677
Accumulated Depreciation				
Balance at 1 January 2016	-	127,279	17,708	144,986
Depreciation	-	88	-	88
Impairment reversal	-	(64,070)	(11,621)	(75,691)
Disposals	-	(45,910)	(5,689)	(51,599)
Foreign exchange movement	-	(34)	-	(34)
Balance at 31 December 2016	-	17,353	398	17,751
Depreciation	-	14,162	27,184	41,346
Disposals	-	(15)	-	(15)
Foreign exchange movement	-	(49)	-	(49)
Balance at 31 December 2017	-	31,451	27,582	59,033
Net book value				
At 31 December 2016	1,412	111,077	230,979	343,468
At 31 December 2017	1,412	106,813	213,420	321,644

17. EXPLORATION AND EVALUATION ASSETS

	Australia-Other $'000	Australia-Mt Cattlin $'000	Argentina-Sal de Vida $'000	Canada-James Bay $'000	Total $'000
Cost:					
Balance at 1 January 2016	-	3,669	118,444	1,892	124,005
Additions	38	1,713	1,050	108	2,909
Impairment	(38)	-	-	-	(38)
Foreign exchange movement	-	-	(3,782)	89	(3,693)
Balance at 31 December 2016	-	5,382	115,712	2,089	123,183
Additions	53	380	4,441	6,820	11,694
Acquisitions	-	50	601	-	651
Impairment	(5)	-	-	-	(5)
Foreign exchange movement	-	-	(4,851)	50	(4,801)
Balance at 31 December 2017	48	5,812	115,903	8,959	130,722

18. PROVISIONS

	2017 $'000	2016 $'000
Total provisions		
Current	503	177
Non-current	10,660	8,423
Total	11,163	8,600

Movement in provisions	Rehabilitation $'000	Employee Benefits $'000	Onerous Contracts $'000	Total $'000
Balance at 1 January 2016	7,174	15	37	7,226
Movement in provision	1,026	191	(37)	1,180
FX movement	194	-	-	194
Balance at 31 December 2016	8,394	206	-	8,600
Movement in provision	2,296	326	-	2,622
FX movement	(59)	-	-	(59)
Balance 31 December 2017	10,631	532	-	11,163

Non-current provisions mainly relate to the Group's rehabilitation obligations in Australia and Canada.

Australia

A provision of $5,999,777 (2016: $4,020,301) is recognised in respect of the rehabilitation obligations for Mt Cattlin.

The Mt Cattlin plant was placed on care and maintenance in March 2013. During the financial year the Mt Cattlin plant has been recommissioned with production re-commencing. Accordingly, the rehabilitation provision has been updated to reflect the current state of the project.

Canada

A provision of $4,631,873 (2016: $4,374,138) is recognised in respect of the restoration of the tailings site at a former Lithium 1 mining site in Canada. The timing and amount of the rehabilitation is subject to negotiations with government authorities in Quebec.

19. INCOME TAX

A reconciliation of income tax benefit applicable to accounting profit/(loss) before income tax at the statutory income tax rate to income tax expense at the Group's effective income tax rate for the years ended 31 December 2017 and 31 December 2016 is as follows:

	2017 $'000	2016 $'000
Accounting profit before income tax	6,165	58,020
At the statutory income tax rate of 30% (2016:30%) (i)	(1,849)	(17,406)
Deductible balancing adjustment/(non-deductible expenses)	(3,930)	3,222
Tax effect on temporary differences brought to account	(507)	18,382
Tax losses brought to account as a deferred tax asset	-	63,081
Utilisation of deferred tax asset previously recognised	434	-
Non-assessable income	356	-
Under provision in prior year	(503)	(2,593)
Income tax (expense)/benefit	(5,999)	64,686

(i) The statutory tax rate applicable to the Company and the Australian subsidiary was 30% during 2017 and 2016. No provision for Australian taxation was made during the Relevant Period for the Company and the Australian subsidiaries.

Tax Consolidation

The Company and its 100% owned controlled Australian entities have formed a tax consolidated group. Members of the tax consolidated group have entered into a tax sharing arrangement in order to allocate income tax expense to the Australian wholly owned controlled entities on a pro-rate basis. The agreement provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. At balance date, the possibility of default is remote. The head entity of the tax consolidated group is Galaxy Resources Limited.

Tax Effect accounting by members of the tax consolidated group

Members of the tax consolidated group have entered into a tax funding agreement. The tax funding agreement provides for the allocation of current taxes to members of the tax consolidated group. Deferred taxes are allocated to members of the tax consolidated group in accordance with a group allocation approach which is consistent with the principles of AASB 112 Income Taxes. The allocation of taxes under the tax funding agreement is recognised as an increase/decrease in the controlled entities intercompany accounts with the tax consolidated group head company, Galaxy Resources Limited.

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Tax losses	(73,226)	(72,436)	-	-	(73,226)	(72,436)
Inventories	(328)	(961)	-	-	(328)	(961)
Property, plant and equipment	-	-	16,414	8,790	16,414	8,790
Exploration, evaluation and development expenditure	-	-	1,038	1,615	1,038	1,614
Provisions	(1,359)	(1,133)	-	-	(1,359)	(1,132)
Other	(251)	(713)	-	-	(251)	(713)
Borrowing costs	-	(66)	-	-	-	(66)
Unrealised foreign exchange losses (gains)	(977)	-	-	218	(977)	218
Investments	-	-	5,070	-	5,070	-
Net tax (assets)/liabilities	(76,141)	(75,309)	22,522	10,622	(53,619)	(64,686)

Deferred tax assets of $53.6 million (2016: $64.7 million) have been recognised in relation to unused tax losses, due to taxable income being forecast in the future from the Mt Cattlin operations.

20. COMMITMENTS AND CONTINGENCIES

a) Capital commitments

Mining tenements

In order to maintain current rights of tenure to mining tenements, the Group will be required to perform minimum exploration work to meet the minimum expenditure requirements. This expenditure will only be incurred should the Group retain its existing level of interest in its various exploration areas and provided access to mining tenements is not restricted. These obligations will be fulfilled in the normal course of operations, which may include exploration and evaluation activities. Prior year comparatives related to exploration work to meet minimum expenditure requirements on Western Australian tenements only.

The estimated exploration expenditure commitment for the ensuing years, but not recognised as a liability in the statement of financial position is as follows:

	2017 $'000	2016 $'000
Within one year	11,452	300
More than one year but less than five years	24,148	294
	35,600	594

b) Non-cancellable operating leases

	2017 $'000	2016 $'000
Within one year	347	171
More than one year but less than five years	774	34
	1,121	205

The Group is the lessee in respect of some properties and items of plant and machinery and office equipment held under operating leases. The leases typically run for an initial period of 3 years, with an option to renew the lease when all terms are terminated. None of the leases includes contingent rentals.

c) Contingent assets and liabilities

The Group had no material contingent liabilities or contingent assets at 31 December 2017 (31 December 2016: Disputed items with Sichuan Tianqi Lithium Industries, refer 2016 Annual report for details) or at the date of this report.

The Group occasionally receives claims arising from its activities in the normal course of business. It is expected that any liabilities arising from such claims would not have a material effect on the Group's operating results or financial performance.

21. EVENTS SUBSEQUENT TO REPORTING DATE

Other than the matter set out below, in the interval between the end of the year and the date of this report there has not arisen any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years:

g) On 2 January 2018, Ms Florencia Heredia was appointed as an Independent Non-Executive Director of the Company; and

h) On 3 January 2018, a total of 2,242,171 fully paid ordinary shares were issued in relation to the exercise of 2,475,000 unlisted options exercisable at $0.365 per share. The options were converted utilising the cashless exercise facility whereby the holder is allocated shares equivalent to the net value of the options calculated as the market value of the exercisable shares on the date of exercise less their exercisable consideration.

22. RELATED PARTY TRANSACTIONS

Key management personnel remuneration

	2017 $	2016 $
Salaries and other short-term emoluments	1,995,962	1,367,763
Contributions to retirement benefit schemes	62,650	16,451
Share-based payments	8,175,728	22,933
	10,234,340	1,407,147

An amount of $50,000 was paid to Bacchus Capital Advisers Ltd for financial services rendered. Bacchus Capital Advisers are a related party of Peter Bacchus.

An amount of $10,171 (CA$10,000) was paid to New Haven Learning Centre for sponsorship of an event. New Haven Learning Centre are a related party of John Turner.

An amount of $154,331 was paid to Fasken Martineau DuMoulin LLP for legal services. Fasken Martineau DuMoulin LLP are a related party of John Turner.

Detailed remuneration disclosures are provided in the remuneration report on pages 9 to 13.

23. SHARE BASED PAYMENTS

(a) Shares

i. Financier shares

No shares were issued to Financiers during the year (2016: 720,000 being 3,600,000 pre-consolidation)

ii. Shares in lieu of payment

1,029,306 (5,146,528 pre-consolidation) shares were issued to consultants in lieu of cash settlement for outstanding invoices (2016: 140,625 being 703,125 pre-consolidation). The market value of these shares at the date of grant was $2,573,264 (2016: $275,000).

(b) Options and warrants

i. Director options

9,500,000 unlisted options were issued to Directors during the year pursuant to shareholder approval at the AGM held on 18 May 2017 (2016: 4,950,000, 24,750,000 pre-consolidation), with the vesting conditions:

Tranche	%	Vesting Condition
A	25	Upon the Company achieving a closing Share price on the ASX of at least $3.15 (on a post Consolidation basis) for 30 consecutive trading days
B	20	Upon the Company's Mt Cattlin project achieving 160,000 metric tonnes per annum equivalent production of lithium concentrate for 3 consecutive months
C	20	Upon the Company achieving earnings before interest, tax, depreciation and amortisation (EBITDA) of at least $50 million over a trailing 12 month period commencing 1 June 2017
D	15	Upon the Directors of the Company making a decision to develop either of the Company's Sal de Vida Project or James Bay Project
E	10	12 months continuous employment or service from date the option is granted
F	10	24 months continuous employment or service from date the option is granted

Number	9,500,000
Dividend yield (%)	0%
Expected volatility (%)	75%
Risk free interest rate (%)	1.76%
Expected life of options (years)	3.08 years
Option exercise price ($)	$2.780
Share price at grant date ($)	$2.175

The unlisted options granted to Directors have been valued at $8,490,625 and will be expensed to the profit or loss over the period that the employees unconditionally become entitled to exercise the options. The valuation was calculated using a Monte Carlo model for Tranche A and a Black Scholes model for Tranches B-F with the assumptions used for valuing the options issued to Directors above.

ii. Employee Options

8,000,000 unlisted options were issued to employees during the year pursuant to the terms of the Employee Option Plan approved by shareholders at the AGM held on 18 May 2017. (2016: Nil)

Tranche 1 (Number)	6,600,000
Dividend yield (%)	0%
Expected volatility (%)	75%
Risk free interest rate (%)	1.67%
Expected life of options (years)	3.04 years
Option exercise price ($)	$2.780
Share price at grant date ($)	$2.350

The vesting conditions are the same as the vesting conditions of unlisted options issued to Directors set out above.

The unlisted options granted to employees have been valued at $6,684,150 and will be expensed to the profit or loss over the period that the employees unconditionally become entitled to exercise the options. The valuation was calculated using a Monte Carlo model for Tranche A and a Black Scholes model for Tranches B-F with the assumptions used for valuing the options issued above.

Tranche 2 (Number)	1,000,000
Dividend yield (%)	0%
Expected volatility (%)	70%
Risk free interest rate (%)	1.96%
Expected life of options (years)	2.62 years
Option exercise price ($)	$2.780
Share price at grant date ($)	$3.450

The vesting conditions are the same as the vesting conditions of unlisted options issued to Directors set out above.

The unlisted options granted to employees have been valued at $1,736,000 and will be expensed to the profit or loss over the period that the employees unconditionally become entitled to exercise the options. The valuation was calculated using a Monte Carlo model for Tranche A and a Black Scholes model for Tranches B-F with the assumptions used for valuing the options issued above.

Tranche 3 (Number)	400,000
Dividend yield (%)	0%
Expected volatility (%)	70%
Risk free interest rate (%)	2.09%
Expected life of options (years)	2.49 years
Option exercise price ($)	$2.780
Share price at grant date ($)	$3.950

The vesting conditions are the same as vesting conditions C - F of the unlisted options issued to Directors set out above.

The unlisted options granted to employees have been valued at $846,800 and will be expensed to the profit or loss over the period that the employees unconditionally become entitled to exercise the options. The valuation was calculated a Black Scholes model.

iii. Consultant options

No Consultant options were issued during the year (2016: 5,050,000 being 25,250,000 pre-consolidation))

iv. Lender warrants

No Lender Warrants were issued during the year (2016: 10,000,000 being 50,000,000 pre-consolidation)

v. Summary of options and warrants granted

	2017		2016	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
	$	'000	$	'000
Outstanding at the beginning of the year	0.28	75,800	0.22	43,850
Exercised during the year	0.61	(32,975)	0.05	(37,000)
Forfeited during the year	1.16	(210)	1.13	(5,800)
Consolidated	-	(40,640)	-	-
Granted during the year	2.78	17,500	0.26	74,750
Outstanding at the end of the year	2.47	19,475	0.28	75,800
Exercisable at the end of the year	2.16	9,670	0.26	74,750

vi. Summary of options and warrants outstanding at end of year

Grant date	Options outstanding	Vesting conditions
08/08/2016	2,475,000	Fully vested
18/05/2017	4,050,000	Fully vested (Tranche A & B)
18/05/2017	5,225,000	Tranche C - F
30/05/2017	2,695,000	Fully vested (Tranche A & B)
30/05/2017	3,630,000	Tranche C-F
31/10/2017	450,000	Fully vested (Tranche A & B)
31/10/2017	550,000	Tranche C - F
19/12/2017	400,000	Tranche C - F
Total	19,475,000	

Tranche	%	Vesting Condition
A	25	Upon the Company achieving a closing Share price on the ASX of at least $3.15 (on a post Consolidation basis) for 30 consecutive trading days
B	20	Upon the Company's Mt Cattlin project achieving 160,000 metric tonnes per annum equivalent production of lithium concentrate for 3 consecutive months
C	20	Upon the Company achieving earnings before interest, tax, depreciation and amortisation (EBITDA) of at least $50 million over a trailing 12 month period commencing 1 June 2017
D	15	Upon the Directors of the Company making a decision to develop either of the Company's Sal de Vida Project or James Bay Project
E	10	12 months continuous employment or service from date the option is granted
F	10	24 months continuous employment or service from date the option is granted

vii. Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of the share options granted. The estimate of the fair value of these share options granted is measured using generally accepted valuation techniques including Black Scholes and Monte-Carlo (Tranche A) simulations. The Company has applied an appropriate probability weighting to factor the likelihood of the satisfaction of vesting conditions.

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. Changes in the subjective input assumptions could materially affect the fair value estimate.

Probability applied to the non-vesting conditions is based on management's judgement which was formed in consideration of all the facts and circumstances that were available to management at the grant date of each class of share options. Such facts and circumstances included the overall economic conditions, lithium market condition, the Company's business plan and management's industry experience. Changes in the subjective probability ratios applied could materially affect the fair value estimate.

Certain share options were granted under service and non-market performance conditions. These conditions have not been taken into account in the grant date fair value measurement. There were no market conditions associated with the share option grants, except for class Tranche A which has been taken into account in measuring the grant date fair value.

(c) Share appreciation rights ("SARS")

i. Employee SARS

4,400,000 SARS (1,200,000 post consolidation) were issued to employees during the year pursuant to the terms of the Galaxy Resources Long Term Incentive Plan ("LTIP") approved by shareholders at the AGM held on 29 May 2015 (2016: 200,000 being 1,000,000 pre-consolidation).

The value of the SARS issued was calculated using Black Scholes models with the following assumptions:

	Tranche 1	Tranche 2	Tranche 3	Tranche 4	Tranche 5
Number	1,000,000	1,000,000	2,000,000	200,000	200,000
Number (post consolidation)	200,000	200,000	400,000	200,000	200,000
Dividend yield (%)	-	-	-	-	-
Expected volatility (%)	75%	75%	75%	75%	70%
Risk free interest rate (%)	2.06%	2.04%	2.17%	1.97%	2.20%
Expected life of options (years)	5.98-6.98	5.98-6.98	6.02-7.02	5.25	5.02-6.65
Option exercise price – post consolidation ($)	$2.358	$2.475	$1.765	$2.010	$2.220
Share price at grant date ($)	$2.200	$2.100	$1.500	$1.755	$1.925
Value per tranche ($)	$294,900	$274,700	$394,400	$212,800	$229,900
Value of SARS expensed during the period	$161,089	$184,420	$305,809	$212,800	$144,917

ii. Summary of SARS granted

	2017		2016	
	Weighted average exercise price	Number of SARS	Weighted average exercise price	Number of SARS
	$	'000	$	'000
Outstanding at the beginning of the year	0.04	22,825	0.03	34,100
Granted during the year	2.78	4,400	0.32	1,000
Exercised during the year	0.04	(2,465)	0.03	(12,200)
Consolidated during the year	-	(21,460)	-	-
Expired during the year	-	-	0.03	(75)
Outstanding at the end of the year	0.87	3,300	0.04	22,825
Exercisable at the end of the year	0.56	2,600	0.02	13,500

(d) Recognised share based payment expense in profit or loss

Total expenses arising from share based payment transactions recognised during the year:

	2017 $	2016 $
Recognised as employment costs in the profit or loss:		
Expense arising from directors, or their nominees options and SARS	5,690,474	-
Expense arising from employee shares and SARS	6,325,880	234,000
	12,016,354	234,000
Recognised as finance costs in the profit or loss:		
Expense arising from financier shares and warrants	-	5,731,000
	-	5,731,000
Total share based payments expense	12,016,354	5,965,000

24. AUDITOR'S REMUNERATION

During the year, the following fees were paid or payable for services provided by the auditor of the parent:

	Audit services 2017 $	Taxation & other services 2017 $	Total 2017 $	Audit services 2016 $	Taxation & other services 2016 $	Total 2016 $
Auditors of the Group						
- PwC Australia	281,322	247,656	529,978	230,000	75,790	305,790
- PwC Netherlands	-	5,390	5,390	-	5,425	5,425
- PwC Hong Kong	11,373	165,094	176,467	-	89,650	89,650
- PwC Canada	-	41,315	41,315	-	20,809	20,809
- PwC USA	-	17,003	17,003	-	16,502	16,502
- PwC Argentina	-	-	-	-	-	-
Total paid to PwC for the provision of services	292,695	476,458	769,153	230,000	208,175	438,176

25. DEED OF CROSS GUARANTEE

Pursuant to Class Order 98/1418, relief has been granted to Galaxy Lithium Australia Limited ("GLAL"), Galaxy Lithium Pty Ltd ("GLPL") and General Mining Corporation Limited ("GMM") from the Corporations Act 2001 requirements for the preparation, audit and lodgment of a financial report. As a condition of the Class Order, the Company and GLAL ("Closed Group") entered into a Deed of Cross Guarantee on 19 September 2011. A variation deed was entered into on 20 December 2016 between the Company, GLPL, GLAL and GMM. The effect of this deed is that the Company has guaranteed to pay any deficiency in the event of winding up of these controlled entities or if they do not meet their obligations under the terms of overdrafts, loans, leases or other liabilities subject to the guarantee. The controlled entities have also given a similar guarantee in the event that the Company is wound up or if it does not meet its obligations under the terms of overdrafts, loans, leases or other liabilities subject to the guarantee.

A consolidated statement of profit or loss and other comprehensive income and consolidated statement of financial position, comprising the Company and the controlled entities which are party to the Deed, after eliminating all transactions between the parties to the Deed of Cross Guarantee, for the year ended 31 December 2017 is set out as follows:

Consolidated statement of profit or loss and other comprehensive income

	2017 $'000	2016 $'000
Revenue	125,603	-
Finance income	459	29
Other income	2,519	13
Expenses		
Operating costs	(92,078)	(278)
Administration costs	(6,264)	(5,009)
Employment costs	(16,757)	(2,529)
Depreciation	(80)	(63)
Finance costs	(6,229)	(9,058)
Foreign exchange loss	(2,191)	(323)
Reversal of Impairment on property, plant and equipment	-	75,691
Impairment of exploration and evaluation	(5)	(38)
Realised gain on available-for-sale assets	-	4,455
Transaction costs on GMM acquisition	-	(3,931)
Profit before taxation	4,977	58,959
Income tax (expense)/benefit	(5,999)	64,686
(Loss)/Profit for the year	(1,022)	123,645
Other comprehensive income/(loss)	11,829	(1,460)
Total comprehensive income for the year	10,807	122,185

Consolidated statement of financial position

	2017 $'000	2016 $'000
CURRENT ASSETS		
Cash and cash equivalents	58,711	9,181
Other receivables and prepayments	17,240	2,125
Inventories	11,477	11,457
Total Current Assets	87,428	22,763
NON-CURRENT ASSETS		
Property, plant and equipment	319,954	340,625
Exploration and evaluation assets	5,859	5,382
Available-for-sale financial assets	20,302	-
Other receivables and prepayments	35,352	34,141
Investments in subsidiaries	86,105	86,105
Deferred tax asset	53,619	64,686
Total Non-Current Assets	521,191	530,939
Total Assets	608,619	553,702
CURRENT LIABILITIES		
Trade and other payables	28,949	14,193
Deferred income	-	18,374
Provisions	481	177
Interest bearing liabilities	-	40,242
Total Current Liabilities	29,430	72,986
NON-CURRENT LIABILITIES		
Trade and other payables	2,230	-
Provisions	6,028	4,050
Total Non-Current Liabilities	8,258	4,050
Total Liabilities	37,688	77,036
Net Assets	570,931	476,666
CAPITAL AND RESERVES		
Contributed equity	787,408	694,332
Reserves	33,855	24,581
Accumulated losses	(250,332)	(242,247)
Total Equity	570,931	476,666

26. PARENT ENTITY DISCLOSURE

As at, and throughout the financial year ended 31 December 2017, the parent company of the Group was Galaxy Resources Limited.

	2017 $'000	2016 $'000
Result of the parent entity		
Profit for the year	89,633	53,065
Other comprehensive income/(loss)	11,829	(1,460)
Total comprehensive income for the year	101,462	51,605
Financial Position of parent entity at year end		
Current Assets	3,047	6,432
Total Assets	576,611	421,428
Current Liabilities	5,661	45,413
Total Liabilities	5,689	45,413
Total equity of the parent entity comprising of:		
Contributed Equity	787,408	694,332
Reserves	33,855	24,581
Accumulated losses	(250,341)	(342,929)
Total Equity	570,922	375,985

Parent entity guarantees in respect of the debts of its subsidiaries

The parent entity has entered into a Deed of Cross Guarantee with the effect that the Company guarantees debts in respect of its Australian subsidiaries. Refer to note 25 for further details.

27. BUSINESS COMBINATION

On 30 May 2016 the Company announced an on-market takeover bid of GMM which resulted in the Company obtaining control of GMM on 28 July 2016. GMM shareholders received 1.65 new Company shares for every 1 GMM share held, totaling $231.7 million consideration. In addition, the Company was obliged to replace GMM options, which were valued at $10.2 million in value using a Black/Scholes valuation. The acquired business contributed a net loss before tax of $369,535 for the period 28 July to 31 December 2016. Had GMM been acquired on 1 January 2016, the Company would have recognised an additional loss before tax of $2,520,085.

The acquisition accounting balances relating to the takeover of GMM were finalised and no adjustments were made to the provisional numbers disclosed in the financial statements for the year ended 31 December 2016.

There were no acquisitions in the year ended 31 December 2017.

28. INTERESTS IN OTHER ENTITIES

Investments in subsidiaries

The following list contains the particulars of all of the subsidiaries of the Company:

Name of company	Place of incorporation/ establishment and operation	Type of legal entity	Interest as at 31 December		Principal activity
			2017	2016	
Galaxy Lithium Australia Limited	Australia	Limited company	100%	100%	Mining of Mt Cattlin spodumene
Galaxy Lithium Proprietary Limited	Australia	Limited company	100%	100%	Dormant
General Mining Corporation Limited	Australia	Limited company	100%	100%	Mining of Mt Cattlin spodumene
Golden Cross Company Limited Liability Company	Mongolia	Limited company	100%	100%	Dormant
Galaxy Resources International Limited	Hong Kong	Limited company	100%	100%	Investment holding company
Galaxy Resources Share Plan Proprietary Limited	Australia	Limited company	100%	100%	Dormant
Galaxy Lithium (Canada) Inc.	Canada (Quebec)	Limited company	100%	100%	Exploration of James Bay spodumene deposits
Galaxy Lithium Holdings BV	The Netherlands	Limited company	100%	100%	Investment holding company
Galaxy Lithium (US) Inc.	United States (Delaware)	Limited company	100%	100%	Investment holding company
Galaxy Lithium One (Quebec) Inc.	Canada (Quebec)	Limited company	100%	100%	Investment holding company
Galaxy Lithium One Inc.	Canada (Quebec)	Limited company	100%	100%	Investment holding company
Galaxy Lithium (Ontario) Inc.	Canada (Ontario)	Limited company	100%	100%	Exploration of James Bay spodumene deposits
Galaxy Lithium (BC) Limited	Canada (Ontario)	Limited company	100%	100%	Investment holding company
Galaxy Lithium Holdings Limited Liability Company	United States (Delaware)	Limited company	100%	100%	Dormant
Galaxy Lithium (Colorado) Inc.	United States (Colorado)	Limited company	100%	100%	Investment holding company
Galaxy Lithium (Sal de Vida) S.A.	Argentina (Salta)	Stock Company	100%	100%	Exploration and Development of Sal de Vida Project

29. ACCOUNTING JUDGEMENTS AND ESTIMATES

(a) Critical judgements

Impairment of assets, reversal of impairments on assets

The recoverable amount of each non-financial asset or Cash Generating Unit ("CGU") is determined as the higher of the value-in-use and fair value less costs of disposal, in accordance with the Group's accounting policies (see note 30(e)). Determination of the recoverable amount of an asset or CGU based on a discounted cash flow model, requires the use of estimates and assumptions, including: the appropriate rate at which to discount the cash flows, the timing of cash flow and expected life of the relevant area of interest, exchange rates, commodity prices, ore reserves, future capital requirements and future operating performance.

Changes in these estimates and assumptions impact the recoverable amount of the asset or CGU, and accordingly could result in an adjustment to the carrying amount of that asset or CGU.

(b) Estimates and assumptions

(i) Ore reserves

Economically recoverable ore reserves represent the estimated quantity of product in an area of interest that can be expected to be profitably extracted, processed and sold under current and foreseeable economic conditions. The Group determines and reports ore reserves under the standards incorporated in the Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves, 2012 edition (the JORC Code). The determination of ore reserves includes estimates and assumptions about a range of geological, technical and economic factors, including: quantities, grades, productions techniques, recovery rates, production costs, transport costs, commodity demand, commodity prices and exchange rates. Changes in ore reserves impact the assessment of recoverability of exploration and evaluation assets, property, plant and equipment, the carrying amount of assets depreciated on a units of production basis, provision for site restoration and the recognition of deferred tax assets, including tax losses.

(ii) Exploration and evaluation assets

Determining the recoverability of exploration and evaluation assets capitalised in accordance with the Group's accounting policy (see note 30c)) requires estimates and assumptions as to future events and circumstances, in particular, whether successful development and commercial exploration, or alternatively sale, of the respective areas of interest will be achieved. Critical to this assessment is estimates and assumptions as to ore reserves (see note 29(b)(i) above), the timing of expected cash flows, exchange rates, commodity prices and future capital requirements. Changes in these estimates and assumptions as new information about the presence or recoverability of an ore reserve becomes available, may impact the assessment of the recoverable amount of exploration and evaluation assets. If, after having capitalised the expenditure under the accounting policies, a judgment is made that the recovery of the expenditure is unlikely, an impairment loss is recorded in the profit or loss in accordance with accounting policy (see note 30(e)).

(iii) Provision for rehabilitation

Determining the cost of rehabilitation, decommissioning and restoration of the area disturbed during mining activities in accordance with the Group's accounting policy (see note 30(i)), requires the use of significant estimates and assumptions, including: the appropriate rate at which to discount the liability, the timing of the cash flows and expected life of the relevant area of interest, the application of relevant environmental legislation, and the future expected costs of rehabilitation, decommissioning and restoration.

Changes in the estimates and assumptions used to determine the cost of rehabilitation, decommissioning and restoration could have a material impact on the carrying value of the site restoration provision and related asset. The provision recognised for each site is reviewed at each reporting date and updated based on the facts and circumstances available at the time.

(iv) Share based payments

The fair value of employee share options and share appreciation rights is measured using Black Scholes and Monte-Carlo simulation. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, the risk-free interest rate (based on government bonds) and probability applied to the non-vesting conditions (based on management's judgement formed in consideration of all the available facts and circumstances).

Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value. Any different estimates and assumptions affecting the measurement inputs would have resulted in different grant date fair values, which would have changed equity settled share-based payments expense. Subsequent changes to this estimate could have a significant effect on share based payment expense and the associated equity-settled payments reserve.

(v) Business combinations

Business combinations are accounted for using the acquisition method. The consideration transferred for the acquisition comprises the fair value of the assets transferred, liabilities incurred and the equity interests issued by the group. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair value at the acquisition date.

The financial assets and liabilities acquired are assessed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's accounting policies and other pertinent conditions as at the acquisition date to finalise the fair value of identifiable assets and liabilities.

(vi) Recoverability and measurement of current and deferred tax assets

Recognition of deferred tax assets, including those related to tax losses, depends on the management's expectation of future taxable profit that will be available against which the tax losses can be utilized. Actual utilization of tax losses will be dependent on the Company passing the continuity of ownership test. If the Company fails this test, then the same business test criteria will have to be met. Failure to meet the criteria of either test will put at risk tax losses recognised as deferred tax assets of $53.6 million (2016: $64.7 million).

30. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by Group entities.

a) Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries ("**Group**"). Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in the net assets (excluding goodwill) of the consolidated subsidiaries are identified separately from the Group's equity therein. Non-controlling interests consist of the fair value of those interests at the date of the original business combination and the non-controlling interest's share of the changes in equity since the date of the combination.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

b) Financial instruments

(i) Non-derivative financial assets

The Group initially recognises loans and receivables and deposits at fair value on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially at fair value on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial assets: cash and cash equivalents, available-for-sale financial assets and loans and receivables.

Financial assets at fair value through profit or loss

A financial asset is classified as fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Attributable transaction costs are recognised in profit or loss when incurred. These assets are initially measured at fair value and changes thereafter are recognised in profit or loss.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Loans and receivables comprise trade and other receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less.

Available–for-sale financial assets

The Group's investments in equity securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses, are recognised in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognised, the cumulative gain or loss in equity is reclassified to profit or loss.

c) Exploration and evaluation assets

Exploration for and evaluation of mineral resources is the search for mineral resources after the Group has obtained legal rights to explore in a specific area, as well as the determination of the technical feasibility and commercial viability of extracting the mineral resources. Accordingly, exploration and evaluation assets are those expenditures incurred by the Group in connection with the exploration for and evaluation of minerals resources before the technical feasibility and commercial viability of extracting a mineral resource are demonstrable.

Accounting for exploration and evaluation assets is assessed separately for each 'area of interest'. An 'area of interest' is an individual geological area which is considered to constitute a favourable environment for the presence of a mineral deposit or has been proved to contain such a deposit.

Expenditure incurred on activities that precede exploration and evaluation of mineral resources, including all expenditure incurred prior to securing legal rights to explore an area, is expensed as incurred. For each area of interest the expenditure is recognised as an exploration and evaluation asset where the following conditions are satisfied:

a) The rights to tenure of the area of interest are current; and
b) At least one of the following conditions is also met:
   i) The expenditure is expected to be recouped through successful development and commercial exploitation of an area of interest, or alternatively by its sale; or
   ii) Exploration and evaluation activities in the area of interest have not, at reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of 'economically recoverable reserves' and active and significant operations in, or in relation to, the area of interest are continuing.

Economically recoverable reserves are the estimated quantity of product in an area of interest that can be expected to be profitably extracted, processed and sold under current and foreseeable conditions.

Intangible exploration and evaluation assets include:

- Acquisition of rights to explore;
- Topographical, geological, geochemical and geophysical studies;
- Exploratory drilling, trenching, and sampling;

- Activities in relation to evaluating the technical feasibility and commercial viability of extracting the mineral resource; and
- General and administrative costs allocated to, and included in, the cost of exploration and evaluation assets only to the extent that those costs can be related directly to the operational activities in the area of interest to which the exploration and evaluation assets relate. In all other instances, these costs are expensed as incurred.

Tangible exploration and evaluation assets include piping and pumps, tanks, exploration vehicles and drilling equipment, drilling rights, acquired rights to explore, exploratory drilling costs and trenching and sampling costs.

Exploration and evaluation assets are transferred to development expenditure, which is disclosed as a component of property, plant and equipment, once technical feasibility and commercial viability of an area of interest is demonstrable. Exploration and evaluation assets are assessed for impairment at that stage, and any impairment loss is recognised, prior to being reclassified.

The carrying amount of the exploration and evaluation assets is dependent on successful development and commercial exploitation, or alternatively, sales of the respective area of interest.

Exploration and evaluation assets are assessed for impairment if sufficient data exists to determine technical feasibility and commercial viability or facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

Impairment testing of exploration and evaluation assets

Exploration and evaluation assets are tested for impairment when any of the following facts and circumstances exist:

- The term of exploration licence in the specific area of interest has expired during the reporting period or will expire in the near future, and is not expected to be renewed;
- Substantive expenditure on further exploration for and evaluation of mineral resources in the specific area are not budgeted nor planned;
- Exploration for and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the decision was made to discontinue such activities in the specified area; or
- sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation assets is unlikely to be recovered in full from a successful development or by sale.

Where a potential impairment is indicated, an assessment is performed for each CGU which is no larger than the area of interest.

d) Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation and impairment losses. The cost of self-constructed assets includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located and borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment. Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within profit or loss.

Subsequent costs

The Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in profit or loss as an expense as incurred.

Assets under construction

Assets under construction represent property, plant and equipment under construction and are stated at cost less impairment losses. Cost comprises direct costs of construction. Depreciation of these costs commences when substantially all of the activities necessary to prepare the assets for their intended use are complete.

Development expenditure

Development expenditure relates to costs incurred to access a mineral resource. It represents those costs incurred after the technical feasibility and commercial viability of extracting the mineral resource has been demonstrated and an identified mineral reserve is being prepared for production (but is not yet in production).

Significant factors considered in determining the technical feasibility and commercial viability of the project are the completion of a feasibility study, the existence of sufficient proven and probable reserves to proceed with development and approval by the board of directors to proceed with development of the project.

Development expenditure is capitalised as either a tangible or intangible asset depending on the nature of the costs incurred.

Development expenditure includes the following:

- Reclassified exploration and evaluation assets;
- Direct costs of construction;
- Pre-production stripping costs; and
- An appropriate allocation of overheads and borrowing costs incurred during the development phase.

Capitalisation of development expenditure ceases once the mining property is capable of commercial production, at which point it is depreciated in accordance with accounting policy set out below in this note. Any development expenditure incurred once a mine property is in production is immediately expensed to profit or loss except where it is probable that future economic benefits will flow to the entity, in which case it is capitalised as property, plant and equipment.

Depreciation

Depreciation is recognised in profit or loss over the estimated useful life of each part or item of property, plant and equipment or over the remaining life of mine. Development expenditure is depreciated or amortized over the remaining life of mine. The estimated life of mine is based upon geological resources and is reviewed on an annual basis.

• Freehold land	Not depreciated
• Plant and equipment	3 – 20 years and units of production
• Development expenditure	Units of production basis over the total estimated measured and indicated resources related to the area of interest

De-recognition

Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit or loss in the period the item is derecognized.

e) Impairment of assets

Financial assets measured at amortized cost

The Group considers evidence of impairment for financial assets measured at amortized cost (loans and receivables) at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss recognised previously in profit or loss. Changes in cumulative impairment losses attributable to application of the effective interest method are reflected as a component of interest income. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its related CGU exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The Group's corporate assets do not generate separate cash inflows and are utilized by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated to reduce the carrying amounts of assets in the CGU on a pro rata basis.

Reversal of impairment for property, plant and equipment

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortisation, if no impairment loss had been recognised.

f) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in, first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. Cost also may include transfers from other comprehensive income of any gain or loss on qualifying cash flow hedges of foreign currency purchases of inventories.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

g) Revenue recognition

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. For spodumene concentrate sales, the above conditions are generally satisfied when title passes to the customer, typically on the bill of lading date when ore is delivered to the vessel. Accordingly, revenue from sales of spodumene concentrate is recognised on the bill of lading date at an invoiced amount

h) Cost of Sales

Cost of goods sold is the inventory value of each tonne of finished product sold. All production is added to inventory at cost, which includes direct costs and depreciation and amortisation, allocated on the basis of ore tonnes mined. The inventory value recognised as cost of goods sold for each tonne of finished product sold is the weighted average cost per tonne for the product sold.

Inventory movement represents the movement in statement of financial position inventory of finished goods, including the non-cash depreciation and amortisation components and movement in the net realisable value adjustments.

i) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

In accordance with the Group's published environmental policy and applicable legal requirements, a provision for site restoration is recognised in respect of the estimated cost of rehabilitation, decommissioning and restoration of the area disturbed during mining activities up to reporting date, but not yet rehabilitated. Such activities include dismantling infrastructure, removal and treatment of waste material, and land rehabilitation, including recontouring, topsoiling and revegetation of the disturbed area.

Provision for rehabilitation

At each reporting date the site restoration provision is re-measured to reflect any changes in discount rates and timing or amounts of the costs to be incurred. Such changes in the estimated liability are accounted for prospectively from the date of the change and are added to, or deducted from, the related asset where it is probable that future economic benefits will flow to the entity.

j) Finance income and finance costs

Finance income represents interest income on funds invested and fair value gains/losses on financial assets/liabilities at fair value through profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest rate method.

Finance costs comprise interest expense on borrowings, bank charges and other related financing costs.

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred using the effective interest method.

Foreign currency gains and losses are reported on a net basis as either finance income or finance costs depending on whether foreign currency movements are in a net gain or net loss position.

k) Foreign currency

The consolidated financial statements are presented in Australian dollars, which is the functional currency of the Company and its Australian subsidiary. The functional currencies of the Company's Hong Kong subsidiary, US subsidiaries, Canadian subsidiaries, Argentinian subsidiary and Dutch subsidiary are Hong Kong dollars ("HKD"), US dollars ("USD"), Canada dollars ("CAD") and Euro ("EUR") respectively.

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency of the entity at the foreign exchange rate ruling at that date.

Foreign currency transactions

The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the year. Foreign exchange differences arising on translation are recognised in profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the functional currency of the entity at foreign exchange rates ruling at the dates the fair value was determined.

Foreign operations

The assets and liabilities of foreign operations are translated to Australian dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Australian dollars at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the foreign currency translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

l) Employee benefits

Short term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Share based payment transactions

The grant-date fair value of share-based payment awards granted to employees (including directors) is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The fair value of employee share options and share appreciation rights are measured using a Black Scholes option valuation model ("Black Scholes") or Monte-Carlo valuation model ("Monte-Carlo").

Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant-date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

Share-based payment arrangements in which the Group receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions, regardless of how the equity instruments are obtained by the Group.

m) Taxes

Income tax

Income tax expense comprises current and deferred taxes. Income tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income, in which case the relevant amounts of tax are recognised in equity or in other comprehensive income, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the consolidated statement of financial position date, and any adjustment to tax payable in respect of previous years as applicable to the jurisdictions concerned.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets also arise from unused tax losses.

The following are temporary differences for which deferred taxes are not provided: initial recognition of goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses, that is those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss can be utilized. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Goods and Services Tax ("GST") or Value Added Tax ("VAT")

Revenues, expenses and assets are recognised net of the amount of GST or VAT, except where the amount of GST or VAT incurred is not recoverable from the relevant taxation authorities. In these circumstances the GST or VAT is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables are stated with the amount of GST or VAT included. The net amount of the GST or VAT recoverable from or payable to the relevant taxation authorities is included as a current asset or liability in the statement of financial position.

Cash flows are included in the cash flow statements on a gross basis. The GST or VAT components of cash flows arising from investing and financing activities which are recoverable from or payable to the relevant taxation authorities are classified as operating cash flows.

Tax consolidation

The Company and the Australian subsidiary, Galaxy Lithium Australia Limited, formed a tax consolidated group on 1 July 2008 under Australian taxation laws, whereby all entities within the tax consolidated group are taxed as a single entity. On 29 December 2016, General Mining Corporation Limited entered the tax consolidated group. The head entity of the tax consolidated group is Galaxy Resources Limited.

n) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Managing Director to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Managing Director include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

o) Revenue from Sale of Products

Revenue from the sale of products is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, indicating that there has been a transfer of risks and rewards of ownership to the customer, no further work or processing is required by the Group, the quantity of the products have been determined with reasonable accuracy, the price can be reasonably estimated and collectability is reasonably assured.

p) Deferred Income

Deferred income represents payments collected but not earned at the end of the reporting period. These payments are recognised as revenue when the goods are delivered are provided.

q) Contributed equity

Ordinary shares are classified as contributed equity. Costs directly attributable to the issue of new shares or options are shown in share capital as a deduction from the proceeds, net of any tax effects.

A contract that will be settled by the entity delivering a fixed number of its own equity instruments in exchange for a fixed amount of cash or another financial asset is an equity instrument. Any consideration received from such equity instrument is credited to contributed equity. Subsequent changes in fair value of such equity instrument subsequently are not recognised in the consolidated financial statements.

r) Earnings per share

Basic and diluted profit or loss per share is determined by dividing the profit or loss after income tax attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year. Basic and diluted profit or loss per share is also determined separately for continuing and discontinued operations. The weighted average number of shares used in calculation of diluted earnings per share is adjusted for the effect of options and share appreciation rights except if anti-dilutive.

s) Related parties

For the purpose of the consolidated financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;
(ii) the Group and the party are subject to common control;
(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;
(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such individual, or is an entity under the control, joint control or significant influence of such individuals;
(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or
(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

t) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for the annual reporting period commencing 1 January 2017:

1. AASB 2016-1 *Amendments to Australian Accounting Standards – Annual improvements to Australian Accounting Standards 2012-2014 cycle;* and
2. AASB 2016-2 *Amendments to Australian Accounting Standards – Disclosure initiative Amendments to AASB 101.*

The adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

u) Accounting standards and interpretations issued but not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2017 reporting periods. These standards and interpretations have not been early adopted.

AASB 9 Financial Instruments (effective for annual reporting periods beginning on or after 1 January 2018). AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces new rules for hedge accounting. The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard. This standard is applicable to annual reporting periods beginning on or after 1 January 2018 and the Group has determined that AASB 9 will have no material impact on the way the Group accounts for its financial instruments.

AASB 15 Revenue from Contracts with Customers (effective for annual reporting periods beginning on or after 1 January 2018). AASB 15 introduces new framework for accounting for revenue and will replace AASB 118 Revenue and AASB 111 Construction Contracts. The new standard is based on the principle that revenue is recognised when control over goods and services transfers to a customer, therefore the notion of control replaces the existing notion of risks and rewards. The Group sells a significant proportion of its products where control of the goods passes at the port of loading. AASB 15 requires the individual components of revenue to be recognised separately. The Group has determined that AASB 15 will have no material impact on the way the Group accounts for its revenue.

AASB 16 Leases (effective for annual reporting periods beginning on or after 1 January 2019). AASB 16 introduces new framework for accounting for leases and will replace AASB 117 Leases. The new standard will primarily affect the accounting by lessees and will result in the recognition of almost all leases on the balance sheet. The standard removes the current distinction between operating and financing leases and requires recognition of an asset (the right to use the leased item) and a financial liability to pay rentals for almost all lease contracts. As at 31 December 2017, the Group has non-cancellable operating leases in relation to office rentals and equipment. Management is continuing to determine the extent that these operating leases will be recognised as assets and liabilities on the Company's statement of financial position, the impact on profit and classification of the related cash flows. Some of the operating leases in existence at the reporting date will be exempt on the basis of being short-term or low value.

v) Determining the parent entity financial information

The financial information for the parent entity has been prepared on the same basis as the consolidated financial statements.

w) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred;
- liabilities incurred to the former owners of the acquired business;
- equity interests issued by the Group;
- fair value of any assets or liability resulting from a contingent consideration arrangement; and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. Acquisition-related costs are expensed as incurred. The excess of the:

- consideration transferred;
- amount of any non-controlling interest in the acquired entity; and
- acquisition-date fair value of any previous equity interest in the acquired entity.

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

In the Directors' opinion:

(a) the financial statements and notes set out on pages 1 to 57 are in accordance with the *Corporations Act 2001* including:

   i. complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

   ii. giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and its performance for the year ended on that date; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Note 1(a) confirms that the financial statements comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the Chief Executive Officer and Chief Financial Officer for the financial year ended 31 December 2017.

This declaration is made in accordance with a resolution of the Directors.

Anthony Tse
Chief Executive Officer &
Managing Director

Dated in Perth on 22 March 2018.

Independent auditor's report

To the members of Galaxy Resources Limited

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Galaxy Resources Limited (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 31 December 2017 and of its financial performance for the year then ended

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated statement of financial position as at 31 December 2017
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the consolidated income statement and statement of other comprehensive income for the year then ended
- the notes to the consolidated financial statements, which include a summary of significant accounting policies
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

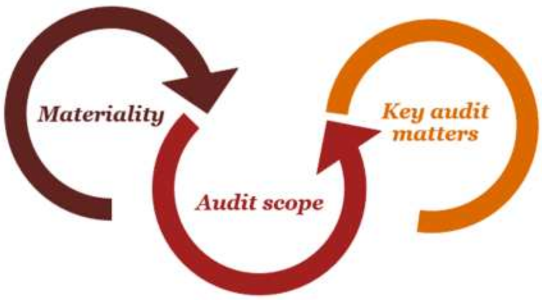
PricewaterhouseCoopers, ABN 52 780 433 757
Brookfield Place, 125 St Georges Terrace, PERTH WA 6000, GPO Box D198, PERTH WA 6840
T: +61 8 9238 3000, F: +61 8 9238 3999, www.pwc.com.au

Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.

The primary activity of the Group in the current year has been finalising the recommissioning of the Mt Cattlin operation in Western Australia which returned to production in the year as well as progressing exploration and development activities in Canada and Argentina.



Materiality

- For the purpose of our audit we used an overall group materiality of $6.1 million, which represents approximately 1% of the Group's total assets.
- We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole.
- As the Group was only operating and earning revenue for part of the year from one of its three key assets, we chose total assets as the materiality benchmark rather than profit before tax. Total assets are more reflective of the Group's size and scale given that a significant portion of its assets are still in the exploration and development phase. The use of total assets as a benchmark provides a level of materiality which, in our view, is appropriate for the audit having regard to the expected requirements of users of the Group's financial report.
- We utilised a 1% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds for entities of this nature.

Audit Scope

- Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events.
- Our audit procedures were predominantly performed in Perth where many of the corporate and group operations functions are centralised. We also visited the Mt Cattlin operations during the year.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context. We communicated the key audit matters to the Audit and Risk Committee.

Key audit matter	***How our audit addressed the key audit matter***
Determination of commercial production at Mt Cattlin *(Refer to Note 3(a))* During the year, the Group determined that Mt Cattlin achieved commercial production on 1 May 2017. The determination of the date of commencing commercial production at Mt Cattlin was a key audit matter due to the significant accounting and disclosure implications which arise from this determination and the subjective considerations involved. The date of commercial production establishes the point at which revenue from the sales of spodumene and associated production costs are recognised in profit or loss and non-current assets are depreciated or amortised over their expected lives. Whether commercial production is achieved depends on the outcome of a number of subjective considerations, including production and processing at an acceptable level of design capacity, mineral recoveries at or near expected levels and the achievement of continuous production or other output criteria.	To assess the date of commercial production and the related accounting implications, we performed the following audit procedures, amongst others: • We inspected the Mt Cattlin production data for the year in order to assess ore grade, ore processing and plant recovery rates by month. We inspected this data and made enquiries with Galaxy mining and engineering personnel on site. • We evaluated the cut-off of revenue and production costs on a sample basis to assess whether all such revenue and costs incurred prior to the date of commercial production were booked against property, plant and equipment and mine development costs. Our tests noted that all revenue and production costs that arose subsequent to commercial production were recognised in profit and loss in accordance with the Group's accounting policies. • We tested the depreciation charged to property, plant and equipment and mine development costs from 1 May 2017 over the useful lives or units of production rate appropriate for the underlying assets. • We also evaluated the adequacy of the disclosures made in Note 3 in light of the requirements of Australian Accounting Standards.

Key audit matter	*How our audit addressed the key audit matter*
Recognition and measurement of deferred tax assets in Australia *(Refer to note 19) $53.6 million* At 31 December 2017, the Group recognised $53.6 million of net deferred tax assets in Australia which included $73.2 million for the anticipated benefit of utilising carry forward tax losses to reduce future tax payable. The recognition and measurement of these deferred tax assets was a key audit matter given that there was significant judgement in assessing whether Mt Cattlin will generate sufficient future taxable profits to utilise the carry forward tax losses.	We obtained and tested the accuracy of the Group's reconciliation of the available carry forward tax losses at 31 December 2017. We also considered advice that the Group received with respect to the availability of these losses under current Income Tax Legislation. We evaluated the Group's rationale for the recognition and measurement of the net deferred tax assets of $53.6 million by obtaining calculations of forecast taxable income for the operations of Mt Cattlin in order to evaluate the Group's conclusion that sufficient taxable income would likely be earned in the future to utilise the tax losses for which deferred tax assets have been recognised.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 December 2017, but does not include the financial report and our auditor's report thereon. Prior to the date of this auditor's report, the other information we obtained included the Directors' Report. We expect the remaining other information to be made available to us after the date of this auditor's report, including Chairman's Letter to Shareholders, Corporate Governance Statement and ASX Additional Information.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the other information not yet received as identified above, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action to take.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 9 to 13 of the directors' report for the year ended 31 December 2017.

In our opinion, the remuneration report of Galaxy Resources Limited for the year ended 31 December 2017 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of *the Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers

PricewaterhouseCoopers

Henry

Nick Henry
Partner

Perth
22 March 2018